



– A Well-Spring Group Life Plan Community –

## **Disclosure Statement**

**May 31, 2023**

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

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

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

- **This Disclosure Statement may be delivered until revised, but not after October 29, 2023.**
- **Delivery of this Disclosure Statement to a contracting party before execution of a contract for the provision of continuing care is required;**
- **This Disclosure Statement has not been reviewed or approved by any government agency or representative to ensure accuracy or completeness of the information set out.**

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## **Definition of Terms**

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

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

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

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

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

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

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

“Gated Community” means fully fenced campus with strictly controlled entrances.

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

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

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

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

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

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

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

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

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

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

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

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

“Residential Living” means garden homes and apartment residences.

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

“The Village” means The Village at Brookwood.

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

## **I. ORGANIZATION**

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

Well Spring Services, Inc., (the "Parent") a North Carolina not-for-profit organization located in Greensboro, is a not-for-profit corporation chartered by the State of North Carolina in 1986 and is the sole member of The Village, Well Spring Retirement Community, Inc., Well Spring Solutions and Well Spring Management & Development. The Parent is not liable for any activities of the Village.

In July 2022, Well Spring Services became the sole member of The Village through a member substitution agreement, "the Member Substitution Agreement" with ARMC and The Moses H. Cone Memorial Hospital ("Cone Health"). The Member Substitution Agreement was entered into January 26, 2022, and the member substitution was finalized on July 1, 2022.

In July 2020, AEC closed its Edgewood Place Public Skilled Nursing Facility and sold 54 of the 81 bed licenses, keeping the remaining 27 beds licenses. As of the date of this projection, Management has not determined the future use of the Edgewood Place public skilled nursing facility property nor the remaining 27 nursing bed licenses, and as such, Management has projected no activity during the projection period.

The Board of Directors for Alamance Extended Care, Inc. now includes the pre-substitution members selected, nominated, and approved by the Board of Trustees of ARMC HealthCare, Inc., in addition to the Board Members of Well Spring Services. The business and affairs of the Village are managed by its Board of Directors.

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

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

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

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

The common areas are the center of activities for The Village and include a formal dining room, a café, a tavern, a private dining room, a living room and social lounge, a covered patio, a fire pit, an arts and crafts studio, a paint studio, an auditorium, a club room, a library, a beauty and barber shop, carpentry shop, a billiards room, a pickleball court, raised garden plots, an outdoor pavilion, a putting green, and a dog park. Residents have the choice of using the community center amenities for everyday needs or travelling outside The Village at Brookwood to the greater Burlington community.

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

### **Board of Trustees**

The business and affairs of Well•Spring are directed by a self-perpetuating Board of Directors composed of 25 members. The President of the Residents' Association serves as a voting member of the Board of Directors. The Board of Directors currently meets five times a year and at times the directors may determine. The following is a list of the members of the Board of Directors and the officers of Well•Spring, their addresses and synopses of their relevant backgrounds and experience:

#### **JERRY BAILEY**

Mr. Bailey is an area manager for Pinnacle Financial Partners client advisory group. Mr. Bailey resides at 3122 Brycewood Court, Burlington, NC 27215.

#### **KATHRYN "COOKIE" BILLINGS**

Mrs. Billings is a retired Town Manager for the City of Jamestown. Mrs. Billings resides at 309 Winslow Drive, Jamestown, North Carolina 27282.

**JEFFREY BLASER**

Mr. Blaser is a certified financial planner for Blaser Investments. Mr. Blaser resides at 3017 Tanbark Court, Burlington, NC 27215.

**KEN BOGGS**

Mr. Boggs is a retired CFO of Moses Cone Health. Mr. Boggs resides at 2902 Hamden Drive, Greensboro, North Carolina 27405.

**ANTHONY BOYD**

Mr. Boyd is a Business Development Officer with First Bank located at 101 North Spring Street in Greensboro. Mr. Boyd resides at 3814 Middlebury Way, Greensboro, North Carolina 27410.

**CHRIS BROWN**

Mr. Brown is V.P. of Cone Health Medical Group. Mr. Brown resides at 1810 Carmel Road in Greensboro, North Carolina 27408

**DAN CAMIA**

Mr. Camia is a retired Army Colonel and retired COO of Southern Importers, Inc. He is a Well•Spring resident. Mr. Camia resides at 4104 Angelica Lane, Greensboro, North Carolina 27410.

**BARRY CANNER**

Mr. Canner is a retired municipal planner and innkeeper. Mr. Canner is a Village at Brookwood Resident. Mr. Canner resides at 207 Eastwood Court, Burlington, NC 27215.

**BOB CHANDLER**

Mr. Chandler is Vice President of Chandler Concrete Company, Inc. Mr. Chandler resides at 3240 Coventry Place, Burlington, NC 27215.

**TIM CLONTZ**

Mr. Clontz is Executive Director and CEO of the Community Care Center. Mr. Clontz resides at 7407 Summer Wind Court in Summerfield, North Carolina 27358.

**SALLY CONE**

Mrs. Cone is a retired attorney. Mrs. Cone resides at 112 Fisher Park Circle, Greensboro, North Carolina 27401.

**SUSAN COX**

Mrs. Cox is Senior VP of Clinical Services, CNO for Hospice of the Piedmont. Mrs. Cox resides at 3724 Echo Forest Trail in High Point, North Carolina 27265

**WENDY GATLIN**

Mrs. Gatlin is a Senior Vice President at US Trust, Bank of America Private Wealth Management located at 800 Green Valley Road, Suite 502 in Greensboro, North Carolina. Mrs. Gatlin resides at 2998 Grasmere Drive Greensboro, NC 27410.

**RUSTY HOLT**

Mr. Holt is Vice President and Properties Manager at Holt Property Group LLC. Mr. Holt resides at 724 Tarleton Avenue, Burlington, NC 27215.

**DARYL INGOLD**

Mr. Ingold is Vice President and General Manager at Burlington Honda. Mr. Ingold resides at 4115 Argyle Trace, Burlington, NC 27215.

**JENNIFER KOENIG**

Mrs. Koenig is an attorney and partner with the Schell Bray Law Firm located at 230 N. Elm in Greensboro. Mrs. Koenig resides at 1801 West Market Street, Greensboro, North Carolina 27403.

**BONNIE MCALISTER**

Mrs. McAlister is a retired professor and Well•Spring resident. Mrs. McAlister resides at 3035 Verbena Lane, Greensboro, North Carolina 27410.

**SUSAN MCDONALD**

Mrs. McDonald is a retired vice president of Human Resources for VF Corporation. Mrs. McDonald resides at 603 Sunset Drive in Greensboro, North Carolina 27408.

**ROBERT POWELL**

Mr. Powell is a retired associate professor at NC A&T University in the Civil, Architectural and Environmental Engineering Department in Greensboro. Mr. Powell resides at 2128 Wright Avenue, Greensboro, North Carolina 27403.

**SUSAN SHUMAKER**

Mrs. Shumaker is President of the Cone Health Foundation. Mrs. Shumaker resides at 6798 Meadow View Drive, Summerfield, North Carolina, 27358.

**CAROLE SIMMS**

Mrs. Simms is an attorney at Fox Rothschild. Mrs. Simms resides at 900 Hobbs Road, #428 Greensboro, North Carolina 27410.

**MARTY STADLER**

Mr. Stadler is an executive with Sawyer Exterminating. Mr. Stadler resides at 3305 Coventry Place, Burlington, North Carolina 27215.

**TOM STEELE**

Mr. Steele is an attorney with Pittman and Steele. Mr. Steele resides at 3024 Amherst Avenue, Burlington, NC 27215.

**JENNIFER YOUNG**

Ms. Young is a retired human resources executive and a Village at Brookwood resident. Ms. Young resides at 157 Lakewood Court, Burlington, North Carolina 27215.



**BEN ZURAW**

Mr. Zuraw is a retired civic educator and law firm partner. Mr. Zuraw resides at 313 Sunset Drive in Greensboro, North Carolina 27408.

None of the members of the Board of Directors of Well•Spring is an employee of Well•Spring or The Village at Brookwood.

**Management Staff**

**Stephen P. Fleming, NHA, MBA** – *President and Chief Executive Officer* of The Well•Spring Group. Mr. Fleming joined Well•Spring Retirement as Executive Director in July 2000 having previously served as Chief Operating Officer of a multi-facility corporation from 1997 to 2000. Mr. Fleming was Executive Director of Kendal at Hanover, a 425-resident Continuing Care Retirement Community located in Hanover, New Hampshire from 1995 to 1997 and served as Administrator for Friends Homes, Inc. located in Greensboro, North Carolina from 1986-1995. Mr. Fleming obtained a Master of Business Administration degree from Appalachian State University in 1990 and a Bachelor of Science degree in Public Health, Health Policy, and Administration from The University of North Carolina at Chapel Hill in 1986. He is licensed by the State of North Carolina as a Nursing Home Administrator and is a past member and past Chair of the North Carolina Board of Examiners for Nursing Home Administrators. Mr. Fleming currently serves on the LeadingAge National Board of Directors of which he was chair from 2017-2019. He is a former member of The Board of Directors of LeadingAge NC and served as its Chair from 2008 – 2010. In addition, he serves as Chairman of PACE of the Triad Board of Directors.

**K. Alan Tutterow, NHA, CPA, CASP** – *Secretary & Treasurer, Chief Operating Officer, and Chief Financial Officer*. Mr. Tutterow received his accounting degree at the University of North Carolina at Chapel Hill in 1984 and is a Certified Public Accountant. Prior to joining Well•Spring in 1993, he was controller for First American Savings Bank and First American Mortgage Corporation. Mr. Tutterow also worked for KPMG Peat Marwick in the areas of tax and audit from 1984 – 1986. He is licensed by the State of North Carolina as a Nursing Home Administrator and is a Certified Aging Services Professional (CASP). He is a past member of the Board of Directors and Treasurer of Hospice and Palliative Care of Greensboro. Mr. Tutterow serves as a financial surveyor of CARF-CCAC. Additionally, he serves on the Board of Directors for PACE of the Triad. Mr. Tutterow is a member of Phi Beta Kappa, Beta Alpha Psi and Beta Gamma Sigma.

**April Mayberry, NHA** - *Executive Director & Director of Healthcare*. Ms. Mayberry joined Well•Spring Management and Development in June 2019 and held the position of Health Care Administrator until August of 2022, when she assumed her current role as Executive Director of The Village at Brookwood. April earned a bachelor's degree in Recreational Therapy from Western Carolina University and has been serving older adults for over 20 years. Her journey in healthcare includes Recreation Therapy Director, Behavioral Health Director, and Associate Administrator before becoming a licensed Nursing Home Administrator in 2011. She is also a 2022 fellow of the Leading Age North Carolina Leadership Academy, a member of the Access Dental Board, and the Anatomical Gift Advisory Board.

## Professional Staff and Consultants

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

### **Ashley Countiss, Director of Resident Services**

Ashley holds a Bachelor of Science from Elon University. She is an active member of the Burlington/Alamance community. Ashley began her employment with The Village at Brookwood in 2021.

### **Lynette Hinely, Business Office Manager**

Prior to joining The Village in 2014, Lynette spent 24 years with Cone Health in patient financial services. Lynette was promoted to Business Office Manager in 2022.

### **Cindy Kroksh, Director of Clinical Services**

Cindy is a graduate of Watts Hospital School of Nursing with a Bachelor of Science from Mars Hill College. She has been employed in long term care since 1981 with the position of Director of Nursing since 1985. Cindy has worked with The Village at Brookwood since 2017.

### **Arthur Gardiner, Director of Dining Services**

Arthur is a professional chef with 15+ years' experience in a variety of different high-volume dining venues including various fast-food establishments. He has also worked as a chef and in management positions at assisted living and life plan communities. Arthur began his employment with The Village in November 2015.

### **Betsy Huneycutt, Director of Sales & Marketing**

Betsy earned her Bachelor of Arts degree from the University of North Carolina at Greensboro in Communications Studies. She has worked in sales and marketing and community relations since 1993. She is also active in the greater Burlington community. Betsy joined The Village at Brookwood in 2016.

### **Cary Hinely, Director of Facilities Services**

Cary is a graduate of Southern Alamance High School and joined Alamance Regional Medical Center's plant operations in 1997. Cary became a part of the facility services leadership team when The Village at Brookwood was being built in 2003.

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

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

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

No member of the Board of Directors or professional staff is subject to a currently effective injunctive or restrictive court order, or within the past five years had any state or federal license or permit suspended or revoked as a result of an action brought by a governmental agency or department.

### **III. POLICIES**

#### **A. Residency – Health and Financial Criteria**

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

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

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

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

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

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

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

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

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

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

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

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

## **B. Cancellation/Termination**

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

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

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

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

- b. Termination by The Village.** The Village at Brookwood may terminate the Residence and Services Agreement prior to occupancy if there has been a material misrepresentation or omission made by the Resident in the Resident's information provided prior to Residency, within the Personal Health History, or the Confidential Financial Statement; or if the Resident's financial status changes such that Resident no longer meets The Village's financial requirements for residency. In the event of termination for any such causes, the refund of the Entrance Fee paid by the Resident shall be determined in the manner described in Section III.C. below (Entrance Fee Plans).
- 2. Cancellation of Contract Pursuant to Occupancy and Termination Other Than Death:** The Residence and Service Agreement, in, Section VI., makes provisions for cancellations and terminations after the Resident occupies a residence, as follows:
- a. Voluntary Termination after Occupancy.** At any time after occupancy, the Resident may terminate the Residence and Services Agreement by giving Provider thirty (30) days written notice of such termination. Such notice effectively releases the Residence to The Village. Any refunds of the Entrance Fee due to the Resident shall be calculated based upon the Entrance Fee option chosen by the Resident and as described in Section III.C. Any refund due the Resident under this paragraph will be made at such time as such Resident's Residence shall have been reserved by a prospective resident and such prospective resident shall have paid to The Village the full Entrance Fee, or within one (1) year from the date of termination, whichever first occurs. All refunds may be reduced by the cost of returning the Residence to its original condition and by any outstanding charges due from Resident.
- b. Termination upon Death.** In the event of death of the Resident at any time after occupancy, the Residence and Services Agreement shall terminate, and the refund of the Entrance Fee paid by the Resident shall be calculated based upon the Entrance Fee option chosen by the Resident and as described in Section III.C. Any refund due to the Resident's estate will be made at such time as such Resident's Residence shall have been reserved by a prospective resident and such prospective resident shall have paid to The Village the full Entrance Fee, or within one (1) year from the date of termination, whichever first occurs. All refunds may be reduced by the cost of returning the Residence to its original condition and by any outstanding charges due from Resident.

- c. **Termination by The Village.** The Village may terminate this Agreement at any time if there has been a material misrepresentation or omission made by the Resident in the Resident's Application for Admission, Personal Health History, or Confidential Financial Statement; if the Resident fails to make payment to Provider of any fees and charges due The Village within sixty (60) days of the date when due; or if the Resident does not abide by the rules and regulations adopted by Provider or breaches any of the terms and conditions of this Agreement. Any refunds of the Entrance Fee due to the Resident shall be calculated based upon the Entrance Fee option chosen by the Resident and as described in Section II.A. Any refund due the Resident under this paragraph will be made at such time as such Resident's Residence shall have been reserved by a prospective resident and such prospective resident shall have paid to The Village the full Entrance Fee, or within one (1) year from the date of termination, whichever first occurs. All refunds may be reduced by the cost of returning the Residence to its original condition and by any outstanding charges due from Resident.
3. **Rescission Period.** Notwithstanding anything herein to the contrary, this Agreement may be rescinded by the Resident giving written notice of such rescission to The Village within thirty (30) days following the later of the execution of this Agreement or the receipt of the Disclosure Statement that meets the requirements of Section 58-64-25, et.seq. of the North Carolina General Statutes. In the event of such rescission, the Resident shall receive a refund of the Entrance Fee paid by the Resident, less 2%. The Resident shall not be required to move into The Village before the expiration of such thirty (30) day period. Any such refund shall be paid by The Village within sixty (60) days following receipt of written notice of rescission pursuant to this paragraph.

### C. Entrance Fee Plans

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

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

2. **Standard Fee for Service.** The Entrance Fee (less an initial 6% nonrefundable fee) accrues to The Village at a rate of 2% per month of occupancy or portion thereof for 47 months. The Resident will be due a refund of the Entrance Fee less: 2% thereof for each month of occupancy, plus any costs owed to The Village by the Resident, plus the amount necessary to restore the Residence to an acceptable condition except for reasonable wear and tear to the Residence. Refunds will be payable to the Resident at such time as such Resident's Residence shall have been reserved by a prospective Resident and such prospective Resident shall have paid to The Village the full Entrance Fee, or within one (1) year from the date of termination, whichever first occurs. The Residence and Services Agreement for this type of contract outlines the services that are included in the fees (Section V. of the Disclosure Statement applies to this type of contract). All Healthcare Services are provided at the prevailing per diem rate. Medicare and approved insurances may be used to pay for these services, however, when Medicare and insurances do not provide coverage, the resident will be charged the per diem rate.

#### **D. Moves and Transfers**

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

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

1. **Transfer of Resident to a Larger Residence.** If the Resident elects to transfer to a larger Residence, an additional Entrance Fee (according to the Entrance Fee option selected with the Date of Occupancy) equal to the difference between the Entrance Fee for the smaller Residence and the Entrance Fee for the larger Residence will be due to The Village. The Resident will also pay the Monthly Service Fee associated with the larger Residence.
2. **Transfer of Resident to a Smaller Residence.** The Resident may elect to transfer to a smaller Residence and pay the current monthly service fee for that Residence. The transfer to a smaller Residence shall not result in any entrance fee refund.



3. **Transfer to the Health Care Center.** The Resident agrees that Provider shall have authority to determine that the Resident be transferred from one level of care to another level of care within The Village. Such a determination shall be based on the professional opinion of the Medical Director and shall be made after reasonable efforts to consult with the Resident or the Resident's chosen and legal representative.
4. **Transfer to Hospital or Other Facility.** If it is determined by Provider that the Resident needs care beyond that which can be provided by The Village, the Resident may be transferred to a hospital or institution equipped to give such care; such care will be at the expense of the Resident. Such transfer of the Resident will be made only after consultation to the extent possible with the Resident, or a representative of the Resident's family or legal representative.
5. **Surrender of Residence.** If a determination is made by Provider that any transfer as described above is likely to be permanent in nature, the Resident agrees to surrender the Residence upon such transfer. Following a two-week grace period for the residence to be vacated, the Provider shall charge the monthly fees until such time that the unit is vacated. If Provider subsequently determines that the Resident can resume occupancy in a Residence or accommodation comparable to that occupied by the Resident prior to such transfer, the Resident shall have priority to such residence as soon as it becomes available.

#### **E. Addition of a Co-Resident or Marriage**

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

#### **F. Financial Assistance**

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

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

## IV. SERVICES - Life Care

### A. Standard Services Available

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

- one meal, per person, per day (at the choice of Resident during the month)
- weekly housekeeping
- maintenance of the residence
- maintenance of grounds and landscaping
- regularly scheduled local transportation including local medical appointments
- planned social and recreational activities
- all utilities (electric, gas, water, and sewer)
- cable television (basic)
- high speed internet services (WIFI)
- 24-hour emergency call service and response
- 24-hour security services in a gated community
- personal emergency pendants
- electronic check-in
- trash removal
- parking
- assistance with filing insurance claims
- assistance with transfer to hospitals or other special care facilities
- life care health care services

### B. Services for an Extra Charge

Services that may require additional payment include:

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

**C. Absences**

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

**D. Health Care Services Available**

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

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

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

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

**SERVICES – Fee for Service****A. Standard Services Available**

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

- 15 meals per person, per month
- housekeeping every other week
- maintenance of the residence
- maintenance of grounds and landscaping
- regularly scheduled local transportation
- planned social and recreational activities
- all utilities (electric, gas, water, and sewer)
- cable television (basic)
- high speed internet service (WIFI)
- 24-hour emergency call service and response
- 24-hour security services in a Gated Community
- personal emergency pendants

- electronic check-in
- trash removal
- parking
- assistance with filing insurance claims
- assistance with transfer to hospitals or other special care facilities
- health care services at the per diem rate

## **B. Services for an Extra Charge**

Services that will require additional payment include:

- additional meals
- packaging and meal delivery to residence
- additional housekeeping services
- charges for special activities or trips
- personal parties or group events in the Community Center
- special, personal or group trip transportation
- beauty salon and barber shop services
- guest accommodations
- telephone including long distance
- expanded cable television
- charges for selected clinic health care services and wellness program activities
- charges for temporary health care services not covered by Medicare or Long Term Care Insurance

## **C. Health Care Services Available**

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

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

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

## **VI. FEES**

### **A. Residency Fees**

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

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

### **B. Entrance Fee and Monthly Service Fee**

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

### **Health Care Center Fees – Life Care**

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

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

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

<b>2023 Life Care Monthly Fees</b>			
<b><u>Apartment</u></b>	<b><u>Occupancy</u></b>	<b><u>Entrance Fee</u></b>	<b><u>Monthly Fee</u></b>
<b>Azalea</b>	Single	\$199,900	\$3,130
826 sq. feet one bedroom	Double	\$235,700	\$4,652
<b>Birch</b>	Single	\$245,600	\$3,404
1113 sq. feet one bedroom & den	Double	\$281,400	\$4,926
<b>Camellia</b>	Single	\$261,000	\$3,721
1206 sq. feet two bedroom	Double	\$296,800	\$5,243
<b>Dogwood</b>	Single	\$291,700	\$4,038
1352 sq. feet two bedroom & den	Double	\$327,500	\$5,560
<b>Elm</b>	Single	\$323,400	\$4,378
1596 sq. feet two bedroom deluxe	Double	\$359,100	\$5,900
<b><u>Garden Home</u></b>			
<b>Holly</b>	Single	\$330,700	\$4,781
1692 sf. two bedroom	Double	\$366,400	\$6,303
<b>Magnolia/Maple</b>	Single	\$355,600	\$5,002
1892 sq. feet three bedroom	Double	\$391,300	\$6,524
<b>Oak</b>	Single	\$370,500	\$5,148
1965 sq. feet two bedroom & den/office	Double	\$406,200	\$6,670
<b>Juniper</b>	Single	\$380,300	\$5,120
1,772 sq. feet two bedroom	Double	\$421,400	\$6,770
<b>Pine</b>	Single	\$426,100	\$5,510
2,160 sq. feet three bedroom	Double	\$467,100	\$7,160

**D. Health Care Center Fees – Fee for Service**

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

<b>2023 Fee for Service Monthly Fees</b>			
<b><u>Apartment</u></b>	<b><u>Occupancy</u></b>	<b><u>Entrance Fee</u></b>	<b><u>Monthly Fee</u></b>
<b>Azalea</b>	Single	\$111,500	\$2,628
826 sq. feet one bedroom	Double	\$133,200	\$3,450
<b>Birch</b>	Single	\$147,000	\$2,901
1113 sq. feet one bedroom & den	Double	\$168,600	\$3,723
<b>Camellia</b>	Single	\$164,200	\$3,217
1206 sq. feet two bedroom	Double	\$185,800	\$4,039
<b>Dogwood</b>	Single	\$188,700	\$3,565
1352 sq. feet two bedroom & den	Double	\$210,300	\$4,387
<b>Elm</b>	Single	\$210,200	\$3,908
1596 sq. feet two bedroom deluxe	Double	\$231,800	\$4,730
<b><u>Garden Home</u></b>			
<b>Holly</b>	Single	\$248,800	\$3,942
1692 sf. two bedroom	Double	\$270,400	\$4,822
<b>Magnolia/Maple</b>	Single	\$271,400	\$4,194
1892 sq. feet three bedroom	Double	\$293,000	\$5,074
<b>Oak</b>	Single	\$284,500	\$4,341
1965 sq. feet two bedroom & den/office	Double	\$306,100	\$5,221
<b>Juniper</b>	Single	\$286,100	\$4,240
1,772 sq. feet two bedroom	Double	\$311,000	\$5,220
<b>Pine</b>	Single	\$327,200	\$4,660
2,160 sq. feet three bedroom	Double	\$352,000	\$5,640

**E. Fee Change Policies**

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

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

**F. Changes in Fees for the Previous Five Years**

**Changes in fees for the previous five years**  
During the past five years TVAB has increased service fees as follow:

Effective Date	<u>Independent Living LifeCare or Fee-for-service</u>	\$ Per Month (Weighted average across all unit types)	<u>Assisted Living Per Diem</u>	\$ Per Day	<u>Skilled Care Per Diem</u>	\$ Per Day
	% Per Month (Weighted average across all unit types)		% Per Day		% Per Day	
10/1/2018	3.5%	\$85	5%	\$16	5%	\$16
10/1/2019	4%	\$104	4%	\$12	4%	\$12
10/1/2020	3%	\$108	3%	\$8	3%	\$10
10/1/2021	5%	\$113	5%	\$13	5%	\$17
10/1/2022	7%	\$117	7%	\$14	7%	\$25

**G. Miscellaneous Ancillary Charges**

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



## **VII. FINANCIAL INFORMATION**

### **A. Debt Overview & Member Substitution Agreement**

In conjunction with the Member Substitution Agreement effective July 1, 2022, the Village joined an obligated group with Well Spring Retirement Community, Inc. and borrowed bank debt as follows:

- \$25,000,000 in long term debt, interest only for 1 year followed by a 29-year amortization. The debt is variable based on SOFR and has a 15-year maturity.
  - \$15,000,000 of the debt is fixed at 3.78% with an Interest Rate Swap agreement.
  - \$10,000,000 of the debt is variable rate based on SOFR.
- \$5,000,000 in working capital term loan (the “Working Capital Term Note”), interest only for 1 year followed by a 29-year amortization. The debt is variable based on SOFR and has a 15-year maturity. This debt can be drawn down at the Village’s option for three years. Interest is only payable on the principal that has been drawn. The Working Capital Term Note is anticipated to be used to fund the construction of the Project and is anticipated to be repaid from initial entrance fees received from the Project’s independent living units.

### **B. Change in Fiscal Year**

In order to match the fiscal year of the related organizations and the other member of the obligated group, The Village changed its fiscal year to end on December 31, 2022 and subsequent December 31sts.

### **C. Residents with Continuing Care Contracts**

As of September 30, 2022, there were a total of 231 residents receiving continuing care services. There were 193 residents in Independent Living, 17 in Assisted Living and 21 in Skilled Nursing.

### **D. Current Financial Statements**

The Village at Brookwood began operations on July 21, 2003. Audited financial statements for the six-month period ending December 31, 2022 are included as Attachment A.

### **E. Five Year Forecasted Statement**

See Attachment B for financial projection statements prepared for the fiscal years 2023-2027.

**E. Material Differences between Forecasted Financial Data and Actual Results**

Narrative describing material differences between forecasted financial data as shown in previous Disclosure Statement and Audited Actual Results. (Pages 31-34)

<b>Revenues</b>	FY 2022 Audit 6 months ended 12/31/22	FY 2022 Forecast Compilation 12 months ended 9/30/22	Variance \$	Variance %
Resident fees earned	6,372,947	12,954,000	(6,581,053)	-51%
Investment Income	1,190	28,000	(26,810)	-96%
Net assets released from restrictions for use in operations	65,407	-	65,407	N/A
Contribution Revenue	100	267,000	(266,900)	-100%
Other revenue	499,343	713,000	(213,657)	-30%
<b>TOTAL</b>	<b>6,938,987</b>	<b>13,962,000</b>	<b>(7,023,013)</b>	<b>-50%</b>

Resident fees earned - variance is due to actual revenue for 6 months and forecasted for 12 months.

Investment Income - variance is due to realized and unrealized losses on investments due to movement in the market during 2022.

Net assets released from restrictions for use in operation - variance is due to the release of temporarily restricted assets to provide benevolence assistance and other resident support services. More funds were released than in the compilation.

Contribution Revenue - variance is due to provider relief funds included in the first six months of the compilation period. No funds were received in the actual 6-month audit period.

Other revenue - variance is due to actual revenue for 6 months and forecasted for 12 months.

**Variance threshold amount used to determine the material differences above was 15% or \$500,000.**

Disclosure Statement

Expenses	FY 2022 Audit 6 months ended 12/31/22	FY 2022 Forecast Compilation 12 months ended 9/30/22	Variance \$	Variance %
Resident Care	1,656,840	3,345,000	(1,688,160)	-50%
Dietary	989,696	1,731,000	(741,304)	-43%
Housekeeping/Laundry	273,652	456,000	(182,348)	-40%
Plant Operations	889,630	1,579,000	(689,370)	-44%
General and Administrative	1,682,015	4,585,000	(2,902,985)	-63%
Depreciation	1,548,653	3,168,000	(1,619,347)	-51%
Interest & Amortization	521,403	-	521,403	N/A
<b>TOTAL ASSETS</b>	<b>7,561,889</b>	<b>14,864,000</b>	<b>(7,302,111)</b>	<b>-49%</b>

Resident Care, Dietary, Housekeeping/Laundry, Plant Operations, General & Administrative and Depreciation - variance is due to actual expenses for 6 months and forecasted for 12 months

Interest & Amortization- variance is due to new debt that was not part of the compilation.

**Variance threshold amount used to determine the material differences above was 15% or \$500,000.**

Balance Sheet - Assets	FY 2022 Audit 6 mths ended 12/31/22	FY 2022 Forecast Compilation 12 mths ended 9/30/22	Variance \$	Variance %
Cash	2,936,202	8,331,000	(5,394,798)	-65%
Investments	-	182,000	(182,000)	-100%
Accounts Receivable	436,716	225,000	211,716	94%
Other Current Assets	60,123	69,000	(8,877)	-13%
Assets whose use is limited - Operating Reserves	3,314,000	2,924,000	390,000	13%
Property and equipment, net	43,255,709	51,149,000	(7,893,291)	-15%
Assets under Swap agreements	1,336,719	-	1,336,719	N/A
<b>TOTAL ASSETS</b>	<b>51,339,469</b>	<b>62,880,000</b>	<b>(11,540,531)</b>	<b>-18%</b>

In July 2022, Well Spring Services became the sole member of the Village through a member substitution agreement, “the Member Substitution Agreement” with ARMC and The Moses H. Cone Memorial Hospital (“Cone Health”). The Member Substitution Agreement was entered into January 26, 2022, and the member substitution was finalized on July 1, 2022. On July 1, 2022, the Village entered into a loan agreement totaling \$25,000,000 with a financial institution (2022 Acquisition Loan). Proceeds of the 2022 Acquisition Loan were used to finance the acquisition of the membership interest of the Village to integrate the assisting living and health care facilities of the Village into the Well•Spring system.

Cash & Investments - variance due to acquisition of the membership interest of the Village to integrate the assisting living and health care facilities of the Village into the Well•Spring system.

Accounts Receivable - variance due to the timing of collections.

Property and equipment, net - variance is due to less and slower progress on capital projects due to supply chain issues.

Assets under Swap agreements - variance due to acquisition of the membership interest of the Village to integrate the assisting living and health care facilities of the Village into the Well•Spring system.

**Variance threshold amount used to determine the material differences above was 15% or \$500,000.**

	FY 2022 Audit 6 months ended 12/31/22	FY 2022 Forecast Compilation 12 months ended 9/30/22	Variance \$	Variance %
Balance Sheet - Liabilities				
Accrued Interest Payable	92,225	192,000	(99,775)	-52%
Accounts Payable and Accrued Liabilities	1,106,035	4,807,000	(3,700,965)	-77%
Debt - current portion	236,446	-	236,446	N/A
Admission Deposits	557,910	183,000	374,910	205%
Deferred Revenue - Non-Refundable & Refundable Entrance Fees	20,399,376	16,772,000	3,627,376	22%
Related Party Payable	3,714,239	-	3,714,239	N/A
Debt - non-current portion	24,358,356	-	24,358,356	N/A
Net Assets - Without Donor Restrictions	605,142	40,643,000	(40,037,858)	-99%
Net Assets - With Donor Restrictions	269,740	283,000	(13,260)	-5%
<b>TOTAL LIABILITIES</b>	<b>51,339,469</b>	<b>62,880,000</b>	<b>(11,540,531)</b>	<b>-18%</b>

In July 2022, Well Spring Services became the sole member of the Village through a member substitution agreement, “the Member Substitution Agreement” with ARMC and The Moses H. Cone Memorial Hospital (“Cone Health”). The Member Substitution Agreement was entered into January 26, 2022, and the member substitution was finalized on July 1, 2022. On July 1, 2022, the Village entered into a loan agreement totaling \$25,000,000 with a financial institution (2022 Acquisition Loan). Proceeds of the 2022 Acquisition Loan were used to finance the acquisition of the membership interest of the Village to integrate the assisting living and health care facilities of the Village into the Well•Spring system.

Accrued Interest Payable, Accounts Payable & Accrued Liabilities, Debt-current portion, Related Party Payable, Debt non-current portion, Net Assets-Without Donor Restrictions - variance due to acquisition of the membership interest of the Village to integrate the assisting living and health care facilities of the Village into the Well•Spring system.

Admission Deposits, Deferred Revenue-Non-Refundable & Refundable Entrance Fees - variance due to increase occupancy and growth of wait list.

**Variance threshold amount used to determine the material differences above was 15% or \$500,000.**

Cash Flow	FY 2022 Audit 6 months ended 12/31/22	FY 2022 Forecast Compilation 12 months ended 9/30/22	Variance \$	Variance %
Change in Net Assets	874,882	(902,000)	1,776,882	-197%
Depreciation and Amortization	1,548,653	3,168,000	(1,619,347)	-51%
Amortization of Deferred Revenue	(1,283,273)	(2,530,000)	1,246,727	-49%
Entrance Fees Received	2,349,500	2,931,000	(581,500)	-20%
Net Unrealized Gains - Investments, Swaps and Equipment	(1,336,719)	-	(1,336,719)	N/A
Changes in Operating Assets and Liabilities	1,966,357	(561,000)	2,527,357	-451%
Related Party Payable	3,714,239		3,714,239	N/A
Net Change in Investments and Assets whose use is limited	(3,314,000)	(91,000)	(3,223,000)	3542%
Capital Expenditures	(604,361)	(2,000,000)	1,395,639	-70%
Payment of Deferred Financing Costs	(426,623)	-	(426,623)	N/A
Entrance Fees Refunded	(552,453)	(503,000)	(49,453)	10%
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>2,936,202</b>	<b>(488,000)</b>	<b>3,424,202</b>	<b>-702%</b>

Change in Net Assets - variance discussed in previous section.

Depreciation & Amortization - variance is due to actual expenses for 6 months and forecasted for 12 months.

Amortization of Deferred Revenue Depreciation - variance is due to actual revenue for 6 months and forecasted for 12 months.

Entrance Fees Received - variance due to actual collections for 6 months and forecasted for 12 months more than offset by greater than forecasted move-ins.

Net Unrealized Gains - Investments, Swaps and Equipment - - due to acquisition of the membership interest of the Village to integrate the assisting living and health care facilities of the Village into the Well•Spring system variance due to movement in interest rates.

Changes in Operating Assets & Liabilities, Related Party Payable, Net Change in Investments and Assets whose use is limited, Payment of Deferred Financing Costs - variance due to acquisition of the membership interest of the Village to integrate the assisting living and health care facilities of the Village into the Well•Spring system.

Capital Expenditures - variance is due to less and slower progress on capital projects due to supply chain issues.

**Variance threshold amount used to determine the material differences above was 15% or \$500,000.**

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

### **A. Trustee-Held Funds**

There are no Trustee-held funds.

### **B. Operating Reserves**

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

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

**C. Board Designated Funds**

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

**D. Investment Accounts**

The Village does not maintain investment accounts.

## **IX. FACILITY DEVELOPMENT OR EXPANSION**

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

As part of the master planning discussed above The Village plans to construct and operate an additional 15 garden homes on the campus. The Village plans on drawing from a working capital term loan to fund the construction until initial entrance fees are received. Construction commenced in April 2023 and will take approximately 15 months to complete. Further details on the project can be found in the Five Year Forecasted Statements in Attachment B.

## **X. RESIDENCE AND SERVICES AGREEMENTS**

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

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

## **XI. MISCELLANEOUS**

### **A. Marketing Incentives**

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

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



**B. Wait List**

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

**C. Edgewood Place Divestiture**

Alamance Extended Care (AEC) is an organization that includes Edgewood Place Skilled Nursing Facility and The Village at Brookwood Continuing Care Retirement Community. In early 2020, AEC announced its intent to sell the licenses for the 81 Edgewood Place Nursing beds housed on the AEC campus. Of the 81 beds, 54 were sold to two (2) local institutions that aim to keep these beds in Alamance County.

Attachment A  
Audited Financial Statements

**ALAMANCE EXTENDED CARE, INC.  
DBA THE VILLAGE AT BROOKWOOD  
(AN AFFILIATE OF WELL•SPRING SERVICES, INC.)**

**FINANCIAL STATEMENTS**

**SIX MONTH PERIOD ENDED DECEMBER 31, 2022**



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**ALAMANCE EXTENDED CARE, INC. DBA THE VILLAGE AT BROOKWOOD  
(AN AFFILIATE OF WELL-SPRING SERVICES, INC.)  
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SIX MONTH PERIOD ENDED DECEMBER 31, 2022**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Alamance Extended Care, Inc. dba The Village at Brookwood  
(An Affiliate of Well•Spring Services, Inc.)  
Burlington, North Carolina

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Alamance Extended Care, Inc. dba The Village at Brookwood (an affiliate of Well•Spring Services, Inc.) (The Village), which comprise the balance sheet as of December 31, 2022, and the related statements of operations, changes in net assets, and cash flows for the six month period then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Village as of December 31, 2022, and the results of its operations, change in its net assets, and its cash flows for the six month period then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Village and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Village's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Board of Directors  
Alamance Extended Care, Inc. dba The Village at Brookwood  
(An Affiliate of Well•Spring Services, Inc.)

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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 Village's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Charlotte, North Carolina  
April 27, 2023

**ALAMANCE EXTENDED CARE, INC. DBA THE VILLAGE AT BROOKWOOD  
(AN AFFILIATE OF WELL-SPRING SERVICES, INC.)  
BALANCE SHEET  
DECEMBER 31, 2022**

<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and Cash Equivalents	\$ 2,936,202
Resident Accounts Receivable, Net	222,693
Related Party Receivable	85,021
Other Receivables	129,002
Other Current Assets	60,123
Total Current Assets	3,433,041
<b>ASSETS LIMITED AS TO USE</b>	
Statutory Operating Reserves	3,314,000
Total Assets Limited to Use	3,314,000
<b>PROPERTY AND EQUIPMENT, NET</b>	43,255,709
<b>ASSET UNDER INTEREST RATE SWAP AGREEMENT</b>	1,336,719
Total Assets	\$ 51,339,469
<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES</b>	
Accrued Interest Payable	\$ 92,225
Accounts Payable and Other Accrued Expenses	646,861
Accrued Salaries and Wages	459,174
Related Party Payable	3,714,239
Deferred Revenue from Entrance Fees	843,653
Current Portion of Long-Term Debt	236,446
Total Current Liabilities	5,992,598
<b>LONG-TERM LIABILITIES</b>	
Admission Deposits	557,910
Refundable Entrance Fees	3,985,759
Deferred Revenue from Entrance Fees	15,569,964
Long-Term Debt, Net of Current Portion	24,358,356
Total Long-Term Liabilities	44,471,989
Total Liabilities	50,464,587
<b>NET ASSETS</b>	
Without Donor Restrictions	605,142
With Donor Restrictions	269,740
Total Net Assets	874,882
Total Liabilities and Net Assets	\$ 51,339,469

See accompanying Notes to Financial Statements.

**ALAMANCE EXTENDED CARE, INC. DBA THE VILLAGE AT BROOKWOOD  
 (AN AFFILIATE OF WELL-SPRING SERVICES, INC.)  
 STATEMENT OF OPERATIONS  
 SIX MONTH PERIOD ENDED DECEMBER 31, 2022**

**REVENUE, GAINS, AND OTHER SUPPORT**

Resident Fees Earned, Including Amortization of Deferred Revenue from Nonrefundable Entrance Fees of \$1,283,273.	\$ 6,372,947
Investment Income, Net	1,190
Contributions	100
Net Assets Released from Restrictions for Use in Operations	65,407
Other Revenue	499,343
Total Revenue, Gains, and Other Support	<u>6,938,987</u>

**EXPENSES**

Resident Care	1,656,840
Dietary	989,696
Housekeeping	273,652
Plant Operations	889,630
General and Administrative	1,682,015
Depreciation	1,548,653
Interest and Amortization	521,403
Total Expenses	<u>7,561,889</u>

**OPERATING LOSS** (622,902)

**OTHER GAIN (LOSS)**

Accreted Interest	(107,591)
Change in Value of Interest Rate Swap Agreement	1,336,719
Inherent Loss - Acquisition	(23,259)
Total Other Gain (Loss)	<u>1,205,869</u>

**EXCESS OF REVENUE, GAINS, AND OTHER SUPPORT  
OVER EXPENSES** \$ 582,967

*See accompanying Notes to Financial Statements.*



**ALAMANCE EXTENDED CARE, INC. DBA THE VILLAGE AT BROOKWOOD  
(AN AFFILIATE OF WELL-SPRING SERVICES, INC.)  
STATEMENT OF CHANGES IN NET ASSETS  
SIX MONTH PERIOD ENDED DECEMBER 31, 2022**

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total Net Assets
<b>BALANCE - JULY 1, 2022</b>	\$ -	\$ -	\$ -
Excess of Revenue, Gains, and Other Support Over Expenses	582,967	-	582,967
Donor-Restricted Contributions	-	46,167	46,167
Net Assets Released from Restriction for Purchase of Property and Equipment	22,175	(22,175)	-
Net Assets Released from Restriction for Use in Operations	-	(65,407)	(65,407)
Inherent Contribution - Acquisition	-	311,155	311,155
Increase in Net Assets	<u>605,142</u>	<u>269,740</u>	<u>874,882</u>
<b>BALANCE - DECEMBER 31, 2022</b>	<u>\$ 605,142</u>	<u>\$ 269,740</u>	<u>\$ 874,882</u>

*See accompanying Notes to Financial Statements.*

**ALAMANCE EXTENDED CARE, INC. DBA THE VILLAGE AT BROOKWOOD**  
**(AN AFFILIATE OF WELL-SPRING SERVICES, INC.)**  
**STATEMENT OF CASH FLOWS**  
**SIX MONTH PERIOD ENDED DECEMBER 31, 2022**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Increase in Net Assets	\$ 874,882
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	1,548,653
Amortization of Deferred Financing Costs	21,425
Amortization of Deferred Revenues	(1,283,273)
Accreted Interest	107,591
Entrance Fees Received	2,021,720
Increase in Admission Deposits	319,090
Change in Value of Interest Rate Swap Agreements	(1,336,719)
Inherent Contribution - Acquisition	(287,896)
(Increase) Decrease In:	
Accounts Receivable	1,282,631
Related Party Receivable	(85,021)
Other Receivables	(129,002)
Other Current Assets	2,419
Increase in:	
Accounts Payable and Other Accrued Expenses	387,011
Related Party Payable	3,714,239
Accrued Salaries and Wages	255,884
Accrued Interest Payable	92,225
Net Cash Provided by Operating Activities	7,505,859

**CASH FLOWS FROM INVESTING ACTIVITIES**

Change in Investments and Assets Limited as to Use	(3,314,000)
Purchases of Property and Equipment	(604,361)
Net Cash Used by Investing Activities	(3,918,361)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Payment of Deferred Financing Costs	(426,623)
Refundable Entrance Fees Received	327,780
Refunds of Deferred Entrance Fees	(552,453)
Net Cash Used by Financing Activities	(651,296)

**NET INCREASE IN CASH AND CASH EQUIVALENTS**

2,936,202

Cash and Cash Equivalents - Beginning of Period

-

**CASH AND CASH EQUIVALENTS - END OF PERIOD**

\$ 2,936,202

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

Cash Paid for Interest	\$ 407,753
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See accompanying Notes to Financial Statements.

**ALAMANCE EXTENDED CARE, INC. DBA THE VILLAGE AT BROOKWOOD  
(AN AFFILIATE OF WELL•SPRING SERVICES, INC.)  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The accompanying financial statements are of Alamance Extended Care, Inc. dba The Village at Brookwood (the Village). The Village is a North Carolina nonprofit corporation which was founded in 1986. The Village was established to develop and operate a continuing care retirement community and to provide housing, health care, and related services to older adults. The Village is an affiliate of Well•Spring Services, Inc. (Services), the sole member of the Village. Services also functions as the sole member of Well•Spring Retirement Community (WSRC), Well•Spring Foundation (Foundation), Well•Spring Management and Development, Inc. (Management & Development), and Adult Center for Enrichment, Inc. (ACE).

In July 2022, Well•Spring Services became the sole member of the Village through a member substitution agreement, "the Member Substitution Agreement" with ARMC and The Moses H. Cone Memorial Hospital (Cone Health). The Member Substitution Agreement was entered into January 26, 2022, and the member substitution was finalized on July 1, 2022. The Village elected to apply push down accounting to its financial statements as of the Member Substitution Agreement date. As part of the Member Substitution Agreement, the Village transitioned from a September 30 fiscal year-end to a December 31 fiscal year-end. The accompanying financial statements include activity for the six-month period from July 1, 2022, the finalization of the Member Substitution Agreement, through December 31, 2022.

A summary of the fair value of assets and liabilities at the date of the Member Substitution Agreement was finalized are as follows:

Assets Assumed:	
Current Assets	\$ 1,567,866
Property and Equipment, Net	44,200,001
Liabilities Assumed:	
Accounts Payable and Accrued Liabilities	(463,140)
Refundable Entrance Fees	(3,942,193)
Deferred Revenue from Entrance Fees	(16,074,638)
Consideration Exchanged	(25,000,000)
Inherent Contribution - Acquisition	<u>\$ 287,896</u>

The Village owns and manages a life plan community situated on approximately 76 acres located in Burlington, North Carolina. The Village consists of 110 independent living apartment units and 45 independent living cottage units; a 24-unit assisted living facility, which contains 12 traditional assisted living units and 12 memory support units; a 24-bed sheltered nursing unit; a community center; and a wellness center.

In 2017, Services and the related organizations went through an organization-wide rebranding effort. As a result of the rebranding effort, Services is now doing business as The Well•Spring Group.

ALAMANCE EXTENDED CARE, INC. DBA THE VILLAGE AT BROOKWOOD  
(AN AFFILIATE OF WELL-SPRING SERVICES, INC.)  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

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

**Basis of Accounting**

The Village classifies its funds for accounting and reporting purposes as either without donor restrictions or with donor restrictions. Under these provisions, net assets, revenue, expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Village and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Include net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. At times, the governing board can designate, from net assets without donor restrictions, net assets for a board-designated endowment or other purposes.

*Net Assets With Donor Restrictions* – Include net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource has been fulfilled, or both.

It is the Village's policy to record donor-imposed restrictions that are received and met during the same year as activities without donor restrictions for the year.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities in the financial statements and accompanying notes. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Estimates made by the Village relate primarily to the collectability of accounts receivable, the obligation to provide future services, the life expectancy used to amortize deferred revenue from entrance fees and the portion of entrance fees to be refunded. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

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

**Inventories**

Inventories are stated at the lower of cost (first-in, first-out method) or market. Inventories include medical and surgical supplies and pharmaceuticals and are included in other current assets on the balance sheet.

**ALAMANCE EXTENDED CARE, INC. DBA THE VILLAGE AT BROOKWOOD  
(AN AFFILIATE OF WELL-SPRING SERVICES, INC.)  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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

**Assets Limited as to Use**

Assets limited as to use include amounts set aside for the statutory operating reserve.

**Property and Equipment**

Property and equipment are recorded at cost. All items with a cost of over \$5,000 and an estimated useful life of three years or more are capitalized. Donated property and equipment are recorded as an addition to net assets when received, based on the fair value of the asset on the date contributed. Depreciation is provided over the estimated useful life of each class of depreciable asset, and is computed using the straight-line method. Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of the costs of acquiring these assets.

The following estimated useful lives are used to calculate depreciation:

Land Improvements	5 to 25 Years
Buildings	20 to 40 Years
Building Improvements	3 to 40 Years
Furniture and Equipment	3 to 20 Years

The Village periodically assesses the realizability of its long-lived assets and evaluates such assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Impairment is determined to exist for assets to be held and used if estimated future cash flows, undiscounted and without interest charges, are less than the carrying amount. Impairment is determined to exist for assets to be disposed of if estimated net realizable value is less than the carrying amount. Management has determined that no such impairments exist as December 31, 2022.

**Deferred Financing Costs**

Deferred financing costs include costs incurred in connection with the issuance of debt. Such costs are amortized using the straight-line method, which approximates the effective interest method, over the term of the debt. Amortization of \$21,425 for the six-month period ended December 31, 2022, is included with interest expense in the accompanying financial statements.

**Deferred Revenue from Entrance Fees and Refundable Entrance Fees**

Entrance fees from the Village's residency and care agreements, excluding the portion thereof that is estimated to be refundable to the resident, are recorded as deferred revenue from nonrefundable entrance fees, and recognized as income over the estimated life expectancy, adjusted annually, for each resident.

**ALAMANCE EXTENDED CARE, INC. DBA THE VILLAGE AT BROOKWOOD**  
**(AN AFFILIATE OF WELL-SPRING SERVICES, INC.)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

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

**Deferred Revenue from Entrance Fees and Refundable Entrance Fees (Continued)**

A portion of the entrance fee may be refundable when the residency is terminated. Such refundable amounts are shown as refundable entrance fees in the accompanying balance sheet. In accordance with the continuing care contract, the nonrefundable portion is reduced each month, commencing with the date of occupancy and recognized as income over the estimated life expectancy, annually, for each resident. Total contractual refund obligations in the event of move-out, death, or termination at December 31, 2022 were approximately \$10,554,000. Management's estimate of the portion of this amount that will actually be refunded in addition to the minimum amount is recorded as deferred revenue from entrance fees within current liabilities in the accompanying balance sheet.

The residency agreements acquired upon acquisition are projected at their estimated fair value. The fair value of those refundable entrance fees are accreted to face value using the effective interest method over the estimated life expectancy of the residents at acquisition. The discount rate assumed is 3.78%. At the date of the Member Substitution Agreement, management has assumed an unamortized discount of approximately \$973,000. Accreted interest upon amortization of these agreements on the statement of operation is approximately \$108,000 for the six-month period ended December 31, 2022.

**Obligation to Provide Future Services**

The Village annually calculates the present value of the net cost of future services and use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from 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). The obligation is discounted at 5.5%. The Village recorded no net obligation associated with its contracts for the six-month period ended December 31, 2022.

**Asset Under Interest Rate Swap Agreement**

The Village entered into an interest rate swap agreement to limit the effect of increases in the interest rates of variable rate debt. This interest rate swap agreement is reported in the accompanying balance sheet at the estimated fair value at December 31, 2022. The Village does not hold derivative instruments for any purpose other than limiting the effects of interest rate fluctuations and does not hold interest rate swap agreements for speculative or investment purposes.

**Statement of Operations**

Provision of resident care services is the sole function of the Village. For purposes of presentation, transactions deemed by management to be ongoing, major, or central to the provision of resident care services are reported within revenues, gains, and other support over expenses.

**ALAMANCE EXTENDED CARE, INC. DBA THE VILLAGE AT BROOKWOOD  
(AN AFFILIATE OF WELL-SPRING SERVICES, INC.)  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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

**Benevolent Assistance**

The Village has a benevolent assistance policy to identify residents who are unable to pay and uses certain funds designated for benevolent assistance to subsidize the charges for entrance fees and services provided to those residents. Such residents are identified based on financial information obtained from the resident and subsequent review and analysis. Since the Village does not charge the residents for services provided, estimated charges for benevolent assistance are not included in revenue.

The Village has estimated its direct and indirect costs of providing benevolent assistance under its benevolent assistance policy. In order to estimate the cost of providing such care, management calculated a cost-to-charge ratio by comparing the cost to provide services to residents and amount charged to residents. The cost-to-charge ratio is applied to the charges foregone to calculate the estimated direct and indirect cost of providing benevolent assistance. Using this methodology, the Village has estimated the costs for services under the Village's benevolent assistance policy to be approximately \$13,000 for the six-month period ended December 31, 2022.

The Village received no funds to subsidize the costs of providing benevolent assistance under its benevolent assistance policy for the six-month period ended December 31, 2022.

**Contributions**

The Village reports contributions of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. 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 and reported in the accompanying statement of operations and changes in net assets as net assets released from restrictions.

The Village reports contributions of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and contributions of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations about how long these must be maintained, the Village reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

**ALAMANCE EXTENDED CARE, INC. DBA THE VILLAGE AT BROOKWOOD  
(AN AFFILIATE OF WELL-SPRING SERVICES, INC.)  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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

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

The statement of operations and changes in net assets include excess of revenue, gains, and other support over expenses, which the Village uses as its measure of operations. Changes in net assets without donor restrictions, which are excluded from the operating measure, consistent with industry practice, are net assets released from restrictions for purchase of property, plant, and equipment, transfers to and from related organizations, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

**Concentration of Credit Risk**

Financial instruments, which potentially subject the Village to concentrations of credit risk, consist principally of cash and cash equivalents. The Village places its cash and cash equivalents with federally insured financial institutions, the balances of which exceed the federally insured limits from time to time. Management believes the risk of loss associated with these excess funds to be remote.

**Advertising**

Advertising costs are expensed as incurred. Advertising expenses were approximately \$85,000 for the six-month period ended December 31, 2022.

**Income Tax Status**

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

The Village files as a tax-exempt organization. Should any status be challenged in the future, the Village is open for examination by federal, state, and local authorities. Management is not aware of any activities that would jeopardize the tax-exempt status of the Village. Management is not aware of any significant activities that are subject to tax on unrelated business income or excise or other taxes for the Village.

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

**Fair Value Measurements**

Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. The Village emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:



**ALAMANCE EXTENDED CARE, INC. DBA THE VILLAGE AT BROOKWOOD**  
**(AN AFFILIATE OF WELL-SPRING SERVICES, INC.)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

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

**Fair Value Measurements (Continued)**

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

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

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

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

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

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

**Adoption of New Accounting Standards**

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases* (Topic 842). This new accounting standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

**ALAMANCE EXTENDED CARE, INC. DBA THE VILLAGE AT BROOKWOOD  
(AN AFFILIATE OF WELL-SPRING SERVICES, INC.)  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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

**Adoption of New Accounting Standards (Continued)**

The Village adopted the requirements of the guidance effective the beginning of the period presented and has elected to apply the provisions of this standard to the beginning of the period of adoption. As of the six-month period ended December 31, 2022, the Village had no material leases which were applicable to this new standard.

**Subsequent Events**

In preparing these financial statements, the Village has evaluated events and transactions for potential recognition or disclosure through April 27, 2023, the date the financial statements were issued.

**NOTE 2 RESIDENT FEES EARNED**

Resident fees earned are reported at the amount that reflects the consideration to which the Village expects to be entitled in exchange for providing resident care. These amounts are due from residents. Service fees paid by residents for maintenance, meals, and other services are assessed monthly and are recognized as revenue in the period services are rendered. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Village. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Village believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents in the facilities receiving skilled nursing services or residents receiving residential services in the facilities. The Village considers daily services provided to residents of the skilled nursing facilities, and monthly rental for residential services as a separate performance obligation and measures this on a monthly basis, or upon move-out within the month, whichever is shorter. Nonrefundable entrance fees are considered to contain a material right associated with access to future services, which is the related performance obligation. Revenue from nonrefundable entrance fees is recognized ratably in future periods covering a resident's life expectancy using a time-based measurement similar to the output method. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to our residents and customers in a retail setting (for example, gift shop and cafeteria meals) and the Village does not believe it is required to provide additional goods or services related to that sale.

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

**ALAMANCE EXTENDED CARE, INC. DBA THE VILLAGE AT BROOKWOOD  
(AN AFFILIATE OF WELL-SPRING SERVICES, INC.)  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 2 RESIDENT FEES EARNED (CONTINUED)**

The Village determines the transaction price based on standard charges for goods and services provided, reduced by discounts provided to uninsured patients in accordance with the Village's policy, and/or implicit price concessions provided to residents. The Village determines its estimate of implicit price concessions based on its historical collection experience.

All resident fees earned are from private pay individuals. The Village has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: service line, method of reimbursement, and timing of when revenue is recognized.

The composition of resident fees earned based on the Village's lines of business, method of reimbursement, and timing of revenue recognition for the six-month period ended December 31. are as follows:

Service Lines:	
Independent Living	\$ 4,555,527
Assisted Living	578,754
Health Care Services	1,238,666
Total	<u>\$ 6,372,947</u>
Method of Reimbursement:	
Monthly Service Fee	\$ 1,954,367
Amortization of Entrance Fees	1,283,273
Fee for Service	3,135,307
Total	<u>\$ 6,372,947</u>
Timing of Revenue and Recognition:	
Health Care Services Transferred Over Time	<u>\$ 6,372,947</u>

**Financing Component**

The Village has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from residents for the effects of a significant financing component due to its expectation that the period between the time the service is provided to a resident and the time that the resident pays for that service will be one year or less. However, the Village does, in certain instances, enter into payment agreements with residents that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

**ALAMANCE EXTENDED CARE, INC. DBA THE VILLAGE AT BROOKWOOD  
(AN AFFILIATE OF WELL-SPRING SERVICES, INC.)  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 2 RESIDENT FEES EARNED (CONTINUED)**

The opening and closing contract balances were as follows:

	Accounts Receivable	Deferred Revenue from Entrance Fees
July 1, 2022	\$ 1,505,324	\$ 15,835,818
December 31, 2022	222,693	15,569,964

**NOTE 3 ASSETS LIMITED AS TO USE**

**Statutory Operating Reserve**

Under regulations of the North Carolina Insurance Commission, the Village is required to maintain an operating reserve equal to 25% of the total occupancy costs projected for the period covered by the most recent statements filed with the Department of Insurance. The operating reserve of 25% is based upon an occupancy percentage of 90% or more.

At December 31, 2022, management has estimated that \$3,314,000 would be necessary to meet the operating reserve requirement. The investments and assets limited as to use that are available to fund the statutory operating reserve are held by WSRC. The reserves set aside by WSRC for the Village, are adequate to meet the reserve requirement.

**NOTE 4 PROPERTY AND EQUIPMENT**

A summary of property and equipment at December 31, is as follows:

Land	\$ 7,094,031
Land Improvements	459,129
Buildings	28,103,614
Building Improvements	7,473,943
Furniture and Equipment	1,541,889
Subtotal	<u>44,672,606</u>
Less: Accumulated Depreciation	<u>(1,548,654)</u>
Subtotal	43,123,952
Construction-In-Progress	131,757
Net Property and Equipment	<u>\$ 43,255,709</u>

Construction in progress at December 31, 2022 is related to general renovations.

**ALAMANCE EXTENDED CARE, INC. DBA THE VILLAGE AT BROOKWOOD  
(AN AFFILIATE OF WELL•SPRING SERVICES, INC.)  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 5 LONG-TERM DEBT**

A summary of long-term debt outstanding at December 31, is as follows:

<u>Description</u>	<u>Amount</u>
2022 Bank Loan; interest only through June 2023. Monthly payment of principal is due beginning July 1, 2023. All unpaid principal and interest is due June 1, 2037. Interest is payable monthly at a variable rate (5.55% at December 31, 2022.)	<u>\$ 25,000,000</u>
Total	25,000,000
Less: Current Maturities	(236,446)
Less: Unamortized Deferred Financing Costs	<u>(405,198)</u>
Long-Term Debt, Net of Current Portion	<u>\$ 24,358,356</u>

On July 1, 2022, the Village entered into a loan agreement totaling \$25,000,000 with a financial institution (2022 Acquisition Loan). Proceeds of the 2022 Acquisition Loan were used to finance the acquisition of the membership interest of the Village in order to integrate the assisting living and health care facilities of the Village into the Well•Spring system. The Acquisition Loan is secured by a lien on substantially all of the real and personal property comprising the Village and by a security interest in the Village's unrestricted revenues. The Acquisition Loan bears interest at an adjustable rate of One-Month SOFR plus 1.25%. The first 12 months of the Acquisition Loan requires payments of interest only, with principal payable monthly starting July 2023. The Acquisition Loan matures in June 2037.

On July 1, 2022, the Village entered into a loan agreement totaling \$5,000,000 with a financial institution (2022 Working Capital Term Loan). Proceeds of the 2022 Working Capital Term Loan are to be used to finance working capital expense and/or capital improvements. The Working Capital Term is secured by a lien on substantially all of the real and personal property comprising the Village and by a security interest in the Village's unrestricted revenues. The Working Capital Term Loan bears interest at an adjustable rate of One-Month SOFR plus 1.25%. The first 12 months of the Working Capital Term Loan requires payments of interest only, with principal payable monthly starting July 2023. The Working Capital Term Loan matures in June 2037. No amounts have been drawn down on this loan as of December 31, 2022.

In conjunction with the Member Substitution Agreement effective July 1, 2022, the Village joined an Obligated Group with WSRC, who is a co-borrower on the loans noted above. As part of the Obligated Group, the Village is required to adhere to covenant requirements per WSRC's debt agreements. In addition, the Acquisition Loan contains a requirement of timely filing of audited and interim financial statements. In addition, they contain other covenants restricting, among other things, the existence of liens on property, merger and consolidation, and disposition of assets.

**ALAMANCE EXTENDED CARE, INC. DBA THE VILLAGE AT BROOKWOOD**  
**(AN AFFILIATE OF WELL-SPRING SERVICES, INC.)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 5 LONG-TERM DEBT (CONTINUED)**

During 2022, the Village entered into a variable-to-fixed interest rate swap agreement to manage the interest rate risk on the variable rate indebtedness on a portion of the 2022 Acquisition Loan. Under the swap agreement, the Village's variable rate on \$15,000,000 of the 2022 Acquisition Loan is effectively converted to 3.78%. The swap has an effective date of July 1, 2022 and terminates on June 1, 2037.

The maturities of long-term debt for the years subsequent to December 31, 2022, are as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2023	\$ 236,446
2024	486,717
2025	508,369
2026	528,197
2027	548,798
Thereafter	22,691,473
Total	<u>\$ 25,000,000</u>

**NOTE 6 COMMITMENTS AND CONTINGENCIES**

**Self-Insured Health Plan**

The Village is self-insured for its employee group health insurance and has estimated and recorded accruals for the self-insurance portion of these arrangements. The Village has purchased specific stop-loss protection for all claims over \$130,000 and aggregate stop-loss protection for total claims which exceed \$2,645,659. An accrual for the self-insurance program was established to estimate claims incurred through December 31, 2022, but not reported. This accrual totaled approximately \$80,000 at December 31, 2022, and is included in accounts payable and other accrued expenses on the balance sheet.

**Professional Malpractice Liability Insurance**

The Village maintains insurance coverage for general and professional liability on an occurrence basis. Management is not aware of any claims, asserted or unasserted. Excess coverage is provided by an umbrella insurance policy.

**NOTE 7 RETIREMENT PLANS**

The Village has a tax-deferred retirement savings plan (the Plan) that covers all employees aged 21 or older who have completed at least one year of service. The Plan provides for a tax-deferred contribution by the and an employee elective contribution. Total expenses related to the plans were approximately \$55,000 for the six-month period ended December 31, 2022.

**ALAMANCE EXTENDED CARE, INC. DBA THE VILLAGE AT BROOKWOOD  
(AN AFFILIATE OF WELL-SPRING SERVICES, INC.)  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS**

Net Assets with donor restrictions at December 31, are available for the following purposes:

Employee Holiday Fund	\$ 6,288
Resident Financial Assistance	189,490
Capital Projects Fund	10,355
Employee Financial Assistance Fund	63,607
Total	<u>\$ 269,740</u>

During the six-month period ended December 31, 2022, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time as follows:

Employee Holiday Fund	\$ 49,053
Resident Financial Assistance	12,504
Capital Projects Fund	22,175
Employee Financial Assistance Fund	3,850
Total	<u>\$ 87,582</u>

**NOTE 9 LIQUIDITY**

The Village regularly monitors liquidity required to meet its operating needs. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheets date, comprise the following:

Cash and Cash Equivalents	\$ 2,936,202
Accounts Receivable, Net	222,693
Related Party Receivable	85,021
Less: Net Assets with Donor Restrictions	<u>(269,740)</u>
Total Financial Assets Available to Meet Liquidity Needs	<u>\$ 2,974,176</u>

**NOTE 10 RELATED PARTY TRANSACTIONS**

As of December 31, 2022, the Village had net outstanding balances due (to)/from various related organizations for services rendered:

Well-Spring Retirement Community, Inc.	\$ (3,606,037)
Well-Spring Management and Development	(22,895)
Adult Center for Enrichment	(286)
Total	<u>\$ (3,629,218)</u>

**ALAMANCE EXTENDED CARE, INC. DBA THE VILLAGE AT BROOKWOOD**  
**(AN AFFILIATE OF WELL-SPRING SERVICES, INC.)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 11 CONCENTRATIONS OF CREDIT RISKS**

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

**NOTE 12 FUNCTIONAL EXPENSES**

Program, management, and fundraising expenses for the six-month period ended December 31, are summarized as follows:

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 1,989,449	\$ 423,753	\$ -	\$ 2,413,202
Payroll Tax	148,099	29,257	-	177,356
Employee Benefits	591,980	116,947	-	708,927
Management Services	8,828	132,468	-	141,296
Legal Fees	-	1,584	-	1,584
Accounting Fees	-	105,821	-	105,821
Outside Services	48,127	55,495	-	103,622
Advertising and Marketing	1,529	83,471	-	85,000
Office Expense	294,823	142,688	-	437,511
Interest Expense	516,371	5,032	-	521,403
Depreciation	1,536,264	12,389	-	1,548,653
Insurance	346,333	-	-	346,333
Equipment Rental and Maintenance	258,806	4,010	-	262,816
Residents Activities	77	15,000	-	15,077
Utilities	361,678	-	-	361,678
Miscellaneous	309,443	22,167	-	331,610
Total Expenses by Function	<u>\$ 6,411,807</u>	<u>\$ 1,150,082</u>	<u>\$ -</u>	<u>\$ 7,561,889</u>

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The Village's expenses are specifically identified to break out by program, management, and fundraising classifications.



Attachment B  
Five Year Forecast Statement

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

**COMPILATION OF A FINANCIAL PROJECTION**

**FOR THE YEARS ENDING  
DECEMBER 31, 2023 THROUGH DECEMBER 31, 2027**



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## INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

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

Management is responsible for the accompanying projected financial statements of Alamance Extended Care, Inc. d/b/a The Village at Brookwood (the "Village"), which comprise the projected statements of financial position as of December 31, 2023, 2024, 2025, 2026 and 2027, and the related projected statements of operations and changes in net deficits, and cash flows for the years then ending, and the related summary of significant projection assumptions and accounting policies in accordance with the guidelines for presentation of a financial projection established by the American Institute of Certified Public Accountants (AICPA).

We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the projected financial statements, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these projected financial statements or the assumptions. Furthermore, even if the hypothetical assumptions as noted in Management's Summary of Significant Projection Assumptions and Accounting Policies on page 5 (the "Hypothetical Assumptions") occurs as projected, the projected results may not be achieved as there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

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

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

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Charlotte, North Carolina  
May 15, 2023

**ALAMANCE EXTENDED CARE, INC. D/B/A THE VILLAGE AT BROOKWOOD**  
**PROJECTED STATEMENTS OF OPERATIONS AND CHANGES IN NET DEFICITS**  
**ASSUMING THE HYPOTHETICAL ASSUMPTIONS ON PAGE 5**  
**YEARS ENDING DECEMBER 31,**  
**(000s Omitted)**

	2023	2024	2025	2026	2027
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>					
Patient Service Revenue	\$ 11,087	\$ 11,958	\$ 13,044	\$ 13,548	\$ 14,074
Amortization of Entrance Fees	2,484	2,968	3,071	3,178	3,321
Interest Income	69	69	76	81	86
Other Revenue	670	695	722	750	779
Total Revenues, Gains, and Other Support	14,310	15,690	16,913	17,557	18,260
<b>OPERATING EXPENSES</b>					
Health Care	2,726	2,835	2,948	3,066	3,189
Resident Services	657	683	710	739	768
Dietary	1,871	1,964	2,069	2,151	2,237
Plant Operations	2,121	2,205	2,294	2,385	2,481
Laundry	23	24	25	26	27
Housekeeping	491	555	640	665	690
General and Administrative	3,230	3,359	3,494	3,633	3,779
Depreciation	2,900	3,038	3,143	3,233	3,344
Interest Expense	1,342	1,362	1,295	1,268	1,239
Total Expenses	15,361	16,025	16,618	17,166	17,754
<b>OPERATING INCOME (LOSS)</b>	(1,051)	(335)	295	391	506
<b>NON-OPERATING INCOME (EXPENSES)</b>					
Accreted Interest	(178)	(139)	(130)	(124)	(122)
Total Non-Operating Expense	(178)	(139)	(130)	(124)	(122)
<b>EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENSES AND INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>					
	(1,229)	(474)	165	267	384
<b>Change In Net Assets (Deficits) With Donor Restrictions</b>					
Decrease in Net Assets	(1,229)	(474)	165	267	384
Net Assets (Deficits) - Beginning of Year	875	(354)	(828)	(663)	(396)
Net Deficit - End of Year	\$ (354)	\$ (828)	\$ (663)	\$ (396)	\$ (12)

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

**ALAMANCE EXTENDED CARE, INC. D/B/A THE VILLAGE AT BROOKWOOD**  
**PROJECTED STATEMENTS OF CASH FLOWS**  
**ASSUMING THE HYPOTHETICAL ASSUMPTIONS ON PAGE 5**  
**YEARS ENDING DECEMBER 31,**  
**(000s Omitted)**

	2023	2024	2025	2026	2027
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Change in Net Assets (Deficits)	\$ (1,229)	\$ (474)	\$ 165	\$ 267	\$ 384
Adjustments to Reconcile Decrease in Net Assets to Net Cash Provided (Used) by Operating Activities:					
Depreciation	2,900	3,038	3,143	3,233	3,344
Amortization of Entrance Fees	(2,484)	(2,968)	(3,071)	(3,178)	(3,321)
Amortization of Deferred Issuance Costs	32	32	32	32	32
Accreted Interest	178	139	130	124	122
Changes in Current Assets:					
Accounts Receivable, Net	(11)	(23)	(20)	(10)	(12)
Other Receivables	12	(11)	(10)	(6)	(5)
Other Current Assets	(1)	(3)	(3)	(2)	(3)
Changes in Current Liabilities:					
Accounts Payable	23	31	33	29	31
Accrued Employee Compensation	(2)	21	23	19	21
Net Cash Provided (Used) by Operating Activities	(582)	(218)	422	508	593
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Net Change in Assets Limited as to Use	147	(194)	(128)	(119)	(124)
Acquisition of Property and Equipment	(2,150)	(2,150)	(2,150)	(2,150)	(2,150)
Acquisition of Property and Equipment for Project	(3,591)	(2,394)	-	-	-
Net Cash Used by Investing Activities	(5,594)	(4,738)	(2,278)	(2,269)	(2,274)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Principal Payments on Long-Term Debt	(238)	(489)	(511)	(530)	(551)
Principal Payment on Working Capital Term Loan	-	(3,341)	-	-	-
Proceeds from Working Capital Term Loan	947	2,394	-	-	-
Entrance Fees Received	3,783	3,799	3,893	3,998	4,078
Entrance Fees Refunded	(794)	(687)	(692)	(654)	(629)
Initial Entrance Fees	-	5,383	-	-	-
Net Cash Provided by Financing Activities	3,698	7,059	2,690	2,814	2,898
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(2,478)	2,103	834	1,053	1,217
Cash and Cash Equivalents - Beginning of Year	2,936	458	2,561	3,395	4,448
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 458	\$ 2,561	\$ 3,395	\$ 4,448	\$ 5,665
Supplementary Disclosure: Interest Paid During the Year	\$ 1,313	\$ 1,372	\$ 1,263	\$ 1,236	\$ 1,207

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

**ALAMANCE EXTENDED CARE, INC. D/B/A THE VILLAGE AT BROOKWOOD**  
**PROJECTED STATEMENTS OF FINANCIAL POSITION**  
**ASSUMING THE HYPOTHETICAL ASSUMPTIONS ON PAGE 5**  
**AT DECEMBER 31,**  
**(000s Omitted)**

	2023	2024	2025	2026	2027
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and Cash Equivalents	\$ 458	\$ 2,561	\$ 3,395	\$ 4,448	\$ 5,665
Resident Accounts Receivable, Net	234	257	277	287	299
Related Party Receivable	85	85	85	85	85
Other Receivables	117	128	138	144	149
Other Current Assets	61	64	67	69	72
<b>Total Current Assets</b>	<b>955</b>	<b>3,095</b>	<b>3,962</b>	<b>5,033</b>	<b>6,270</b>
<b>ASSETS LIMITED AS TO USE</b>					
Statutory Operating Reserve	3,167	3,361	3,489	3,608	3,732
<b>ASSET UNDER INTEREST RATE SWAP AGREEMENT</b>					
	1,337	1,337	1,337	1,337	1,337
<b>PROPERTY AND EQUIPMENT, NET</b>					
	46,096	47,602	46,609	45,526	44,332
<b>Total Assets</b>	<b>\$ 51,555</b>	<b>\$ 55,395</b>	<b>\$ 55,397</b>	<b>\$ 55,504</b>	<b>\$ 55,671</b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES</b>					
Accrued Interest Payable	\$ 92	\$ 92	\$ 92	\$ 92	\$ 92
Accounts Payable and Other Accrued Expenses	669	700	733	762	793
Accrued Salaries and Wages	457	478	501	520	541
Deferred Revenue from Entrance Fees	844	844	844	844	844
Current Maturities of Long-Term Debt	489	511	530	551	570
Working Capital Term Loan	947	-	-	-	-
<b>Total Current Liabilities</b>	<b>3,498</b>	<b>2,625</b>	<b>2,700</b>	<b>2,769</b>	<b>2,840</b>
<b>DEFERRED REVENUE AND OTHER LIABILITIES</b>					
Admission Deposits	558	558	558	558	558
Refundable Entrance Fees	3,541	4,675	4,727	4,785	4,835
Deferred Revenue from Entrance Fees	16,698	21,230	21,438	21,670	21,870
Long-Term Debt, Net of Current Portion	23,900	23,421	22,923	22,404	21,866
Due to Parent	3,714	3,714	3,714	3,714	3,714
<b>Total Deferred Revenue and Other Liabilities</b>	<b>48,411</b>	<b>53,598</b>	<b>53,360</b>	<b>53,131</b>	<b>52,843</b>
<b>Total Liabilities</b>	<b>51,909</b>	<b>56,223</b>	<b>56,060</b>	<b>55,900</b>	<b>55,683</b>
<b>NET ASSETS (DEFICIT)</b>					
Without Donor Restrictions	(624)	(1,098)	(933)	(666)	(282)
With Donor Restrictions	270	270	270	270	270
<b>Total Net Deficit</b>	<b>(354)</b>	<b>(828)</b>	<b>(663)</b>	<b>(396)</b>	<b>(12)</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 51,555</b>	<b>\$ 55,395</b>	<b>\$ 55,397</b>	<b>\$ 55,504</b>	<b>\$ 55,671</b>

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

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

## **Introduction and Background Information**

### **Basis of Presentation**

The accompanying financial projection presents, to the best of the knowledge and belief of management of Alamance Extended Care, Inc, Well Spring Services, and Well Spring Management and Development (collectively, "Management") the expected financial position, results of operations and changes in net deficits, and cash flows of Alamance Extended Care, Inc. d/b/a The Village at Brookwood (the "Village" or "AEC") as of and for each of the five years ending December 31, 2027 (the "Projection Period"). The Village is a nonstock, nonprofit organization established to develop and operate a life plan community and provide housing, health care and related services to the elderly. The Village is an affiliate of Well Spring Services d/b/a the Well•Spring Group. Well Spring Services, Inc. functions as the sole member of the Village, Well•Spring Retirement Community, Inc., and Well Spring Management and Development are considered related parties to the Village. The accompanying financial projection only includes the Village and none of the other affiliates.

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

Management's Hypothetical Assumptions are as follows:

- The Project, as defined hereinafter is constructed, financed, filled, and operated as noted in the Projection;
- Variable interest rates for debt instruments occur as projected; and
- Management is able to achieve the projected occupancies, operating revenue inflationary rate increases and operating expense inflationary increases, as described hereinafter.

Accordingly, the projection reflects Management's judgment as of May 15, 2023, the date of this projection, of the expected conditions and its expected course of action. The assumptions disclosed herein are the assumptions which Management believes are significant to the financial projection. There will usually be differences between projected and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

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



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

## **Introduction and Background Information, Continued**

### **Background**

#### *Organizational Information*

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

Well Spring Services, Inc., (the "Parent") a North Carolina not-for-profit organization located in Greensboro, is a not-for-profit corporation chartered by the State of North Carolina in 1986 and is the sole member of the Village, Well Spring Retirement Community, Inc., Well Spring Solutions and Well Spring Management & Development. The Parent is not liable for any activities of the Village.

In July 2022, Well Spring Services became the sole member of the Village through a member substitution agreement, "the Member Substitution Agreement" with ARMC and The Moses H. Cone Memorial Hospital ("Cone Health"). The Member Substitution Agreement was entered into January 26, 2022 and the member substitution was finalized on July 1, 2022.

In July 2020, AEC closed its Edgewood Place Public Skilled Nursing Facility and sold 54 of the 81 bed licenses, keeping the remaining 27 beds licenses. As of the date of this Projection, Management has not determined the future use of the Edgewood Place Public Skilled Nursing Facility property nor the remaining 27 nursing bed licenses, and as such, Management has projected no activity during the Projection Period. Management does not plan to continue to operate Edgewood Place; therefore, depreciation was accelerated in 2020 so that all remaining equipment and real property were fully depreciated, leaving only approximately \$517,000 of net book value for land related to Edgewood Place. Management has projected the net book value of the land assets to remain unchanged during the Projection Period. Management does not believe these assets for Edgewood Place Public Skilled Nursing Facility to be impaired, and as such, has not projected any impairment of these assets during the Projection Period.

The Board of Directors for Alamance Extended Care, Inc. now includes the pre-substitution members selected, nominated, and approved by the Board of Trustees of ARMC HealthCare, Inc., in addition to the Board Members of Well Spring Services. The business and affairs of the Village are managed by its Board of Directors.

#### *Community Information*

The Village owns and manages a life plan community ("LPC") situated on approximately 47 acres located in Burlington, North Carolina called The Village at Brookwood (the "Community"). The Community consists of 109 independent living apartment units (one of which are offline as a guest suites) and 45 independent living cottage units (collectively, the "Existing Independent Living Units"); a 24-unit assisted living facility, which contains 12 traditional assisted living units (the "Traditional Assisted Living Units") and 12 memory support units (the "Memory Support Units") (collectively, the Traditional Assisted Living Units and Memory Support Units are referred to as the "Assisted Living Units"); a 24-bed sheltered nursing unit (the "Nursing Facility" or "Nursing Beds"); a community center; and a wellness center. Collectively, the Assisted Living Units and Nursing Beds are referred to as the "Health Care Center" or "Health Care Beds."

## Summary of Significant Projection Assumptions and Accounting Policies

### Introduction and Background Information, Continued

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

<b>Independent Living</b>	<b>Type</b>	<b>Number of Units</b>	<b>Approximate Square Feet</b>
<i>Apartments</i>			
Azalea	1 BR / 1 BA	13	826
Birch <sup>(1)</sup>	1 BR / 1.5 BA	26	1,113
Camellia	2 BR / 2 BA	30	1,206
Dogwood	2 BR / 2 BA	20	1,352
Elm	2 BR / 2 BA / Den	20	1,596
<i>Garden Homes</i>			
Holly	2 BR / 2 BA	16	1,692
Magnolia	2 BR / 2 BA	23	1,892
Oak	2 BR / 2 BA	6	1,965
<b>Total / Weighted Average</b>		<b>154</b>	<b>1,410</b>

<b>Health Care Units</b>	<b>Number of Units</b>	<b>Approximate Square Feet</b>
<i>Assisted Living Units</i>		
Traditional Assisted Living Units	12	289-367
Memory Support Units	12	289-367
<b>Total</b>	<b>24</b>	
<i>Nursing Beds <sup>(2)</sup></i>		
Sheltered Nursing Beds	24	205-297
<b>Total</b>	<b>24</b>	

Source: Management

Notes:

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

### *Expansion Plans*

The Village plans to construct and operate an additional 15 garden homes on the campus (the "New Garden Home" or the "Project"). As noted in Table 5, the Village plans to use approximately \$2,644,000 of cash to initially fund construction and other related expenditures of the Project and then is projecting to draw from a working capital term loan to fund the remaining costs of the Project. Construction commenced in April 2023 and construction is projected to be approximately 15 months.

The projected unit configuration and sizing for the project units are presented in the following table.

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

### **Introduction and Background Information, Continued**

**Table 2**  
**The Project**  
**Unit Configuration and Square Footage**

<b>Independent Living</b>	<b>Type</b>	<b>Number of Units</b>	<b>Approximate Square Feet</b>
<i>New Garden Homes</i>			
Juniper	2 BR	7	1,772
Pine	3 BR	8	2,160
<b>Total</b>		<b>15</b>	<b>1,979</b>

Source: Management

The following table summarizes the number of units at the Village before and after completion of the Project:

**Table 3**  
**Unit Configuration Before and After the Project**

<b>Level of Care</b>	<b>Number of Units/Beds Before the Project is Complete</b>	<b>Project Additions</b>	<b>Number of Units/Beds After the Project is Complete</b>
<i>Independent Living Units:</i>			
Apartments	109	0	109
Garden Homes	45	0	45
New Garden Homes	0	15	15
<b>Independent Living Units</b>	<b>154</b>	<b>15</b>	<b>169</b>
<i>Health Care Units/Beds</i>			
Assisted Living Units	24	0	24
Nursing Beds	24	0	24
<b>Health Care Units/Beds</b>	<b>48</b>	<b>0</b>	<b>48</b>
<b>Total</b>	<b>202</b>	<b>15</b>	<b>217</b>

Source: Management

#### ***Project Timeline***

A proposed timeline for the Project, as provided by Management, is summarized in the following table:

**Table 4**  
**Project Timeline**

<b>Event</b>	<b>Date</b>
Construction Began for the New Garden Units	April 2023
Construction Complete and Move-Ins Commence	July 2024
New Garden Units Achieve 93.3 Percent Occupancy	September 2024

Source: Management

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

## **Introduction and Background Information, Continued**

### *Project Sources and Uses of Funds*

The following presents Management's projected sources and uses of funds for the Project.

**Table 5**  
**Projected Sources and Uses of Funds**  
**(In Thousands of Dollars)**

<b>Sources of Funds</b>		
Working Capital Term Note	\$	3,341 <sup>1</sup>
Equity		2,644 <sup>2</sup>
<b>Total Sources of Funds</b>	<b>\$</b>	<b>5,985</b>
<b>Uses of Funds</b>		
Construction and Land Improvements	\$	5,985 <sup>3</sup>
<b>Total Uses of Funds</b>	<b>\$</b>	<b>5,985</b>

Source: Management

Notes to Table 5:

- 1) Management has assumed that a portion of the Project would be financed through an existing Working Capital Term Note, with a variable interest rate based on Secured Overnight Financing Rate ("SOFR") plus the fee of 1.25 percent. Management has assumed the SOFR rate to be 4.75 percent and an all-in interest rate of 6.00 percent on the Working Capital Term Note during the Projection Period.
- 2) Management has projected it would pay for approximately \$2,644,000 of the Project's construction costs using the Village's cash and cash equivalents.
- 3) Construction and land improvements reflects the anticipated costs for constructing the Project.

Management has indicated that the Working Capital Term Note is anticipated to be repaid from initial entrance fees from the Project.

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

## **Summary of Significant Accounting Policies**

### **Basis of Accounting**

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

### **Use of Estimates**

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

### **Net Deficits**

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

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

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

### **Cash and Cash Equivalents**

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

### **Resident Accounts Receivable**

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

### **Inventories**

Inventories are stated at the lower of cost (first-in, first-out method) or market. Inventories include medical and surgical supplies and pharmaceuticals and are included in other current assets on the statement of financial position.

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

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

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

Assets limited as to use are include assets set aside for the statutory operating reserves.

#### **Property and Equipment**

Property and equipment are recorded at cost. All items with a cost of over \$5,000 and an estimated useful life of three years or more are capitalized. Donated property and equipment are recorded as an addition to net deficits when received, based on the fair value of the asset on the date contributed. Depreciation is provided over the estimated useful life of each class of depreciable asset, and is computed using the straight-line method. Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of the costs of acquiring these assets.

The following estimated useful lives are used to calculate depreciation:

Land Improvements	5 to 25 Years
Buildings	20 to 40 Years
Building Improvements	3 to 40 Years
Furniture and Equipment	3 to 20 Years

The Village periodically reviews its long-lived assets and evaluates such assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Impairment is determined to exist for assets to be held and used if estimated future cash flows, undiscounted and without interest charges, are less than the carrying amount. Impairment is determined to exist for assets to be disposed of if estimated net realizable value is less than the carrying amount. Management has projected no such impairments throughout the Projection Period.

#### **Deferred Financing Costs**

Deferred financing costs include costs incurred in connection with the issuance of debt. Such costs are amortized using the straight-line method, which approximates the effective interest method, over the term of the debt. Amortization is included with interest expense in the accompanying financial statements.

#### **Deferred Revenue from Entrance Fees and Refundable Entrance Fees**

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

The residency agreements acquired upon acquisition are projected at their estimated fair value. The fair value of those refundable entrance fees are accreted to face value using the effective interest method over the estimated life expectancy of the residents at acquisition.

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

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

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

The Village annually calculates the present value of the net cost of future services and use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from 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). Management has not projected any obligation to provide future services during the Projection Period.

#### **Asset Under Interest Rate Swap Agreement**

The Village entered into an interest rate swap agreement to limit the effect of increases in the interest rates of variable rate debt. The Village does not hold derivative instruments for any purpose other than limiting the effects of interest rate fluctuations and does not hold interest rate swap agreements for speculative or investment purposes. Management has projected no change in value in the interest rate swap throughout the Projection Period.

#### **Statement of Operations**

Provision of resident care services is the sole function of the Village. For purposes of presentation, transactions deemed by management to be ongoing, major, or central to the provision of resident care services are reported within revenues, gains, and other support over expenses.

#### **Benevolent Assistance**

The Village has a benevolent assistance policy to identify residents who are unable to pay and uses certain funds designated for benevolent assistance to subsidize the charges for entrance fees and services provided to those residents. Such residents are identified based on financial information obtained from the resident and subsequent review and analysis. Since the Village does not charge the residents for services provided, estimated charges for benevolent assistance are not included in revenue.

The Village has estimated its direct and indirect costs of providing benevolent assistance under its benevolent assistance policy. In order to estimate the cost of providing such care, management calculated a cost-to-charge ratio by comparing the cost to provide services to residents and amount charged to residents. The cost-to-charge ratio is applied to the charges foregone to calculate the estimated direct and indirect cost of providing benevolent assistance.

#### **Excess of Revenue, Gains, and Other Support Over Expenses**

The statement of operations and changes in net deficits include excess of revenue, gains, and other support over expenses, which the Village uses as its measure of operations. Changes in net deficits without donor restrictions, which are excluded from the operating measure, consistent with industry practice, are net deficits released from restrictions for purchase of property, plant, and equipment, transfers to and from related organizations, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

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

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

#### **Resident and Health Care Service Revenue**

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

Performance obligations are determined based on the nature of the services provided by the Village. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Village believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents in the facilities receiving skilled nursing services or housing residents receiving services in the facilities. The Village considers daily services provided to residents of the skilled nursing facilities, and monthly rental for housing services as a separate performance obligation and measures this on a monthly basis, or upon move-out within the month, whichever is shorter. Nonrefundable entrance fees are considered to contain a material right associated with access to future services, which is the related performance obligation. Revenue from nonrefundable entrance fees is recognized ratably in future periods covering a resident's life expectancy using a time-based measurement similar to the output method. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to residents and customers in a retail setting (for example, gift shop and cafeteria meals) and the Village does not believe it is required to provide additional goods or services related to that sale.

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

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

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

#### **Medicare**

The Village's licensed nursing facility participates in the Medicare program. This federal program is administered by the Centers for Medicare and Medicaid Services (CMS). The nursing facilities were paid under the Medicare Prospective Payment System (PPS) for residents who are Medicare Part A eligible and met the coverage guidelines for skilled nursing facility services. The PPS was a per diem price-based system. CMS finalized the Patient Driven Payment Model (PDPM) to replace the existing Medicare reimbursement system effective October 1, 2019. Under



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

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

PDPM, therapy minutes are removed as the primary basis for payment and instead use the underlying complexity and clinical needs of a patient as a basis for reimbursement. In addition, PDPM introduces variance adjustment factors that change reimbursement rates during the resident's length of stay. Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor; however, they do not contain a cost settlement.

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

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

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

Additional revenue recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments are not projected by Management during the Projection Period. Subsequent changes that are determined to be the result of an adverse change in the resident's ability to pay are recorded as bad debt expense.

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

The Village maintains records, and the board has oversight, to identify and monitor the amount of charges foregone for services and supplies furnished under its benevolent assistance policy and to identify and monitor the level of benevolent assistance it provides. These include reduced rates for Medicare, Medicaid, and other governmental programs.

The Village has estimated the costs of providing assistance under its benevolent assistance policy. In order to estimate the cost of providing such assistance, management calculated a ratio by comparing the charges foregone to total operating revenue and applying this ratio to expenses to estimate the costs of providing benevolent assistance.

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

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

#### **Contract Costs**

The Village has applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental customer contract acquisition costs are expensed as they are incurred as the amortization period of the asset that the Village otherwise would have recognized is one year or less in duration.

#### **Income Tax Status**

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

The Village files as a tax-exempt organization. Should any status be challenged in the future, the Village is open for examination by federal, state, and local authorities. Management is not aware of any activities that would jeopardize the tax-exempt status of the Village. Management is not aware of any significant activities that are subject to tax on unrelated business income or excise or other taxes for the Village.

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

## Summary of Significant Projection Assumptions and Accounting Policies

### Summary of Significant Projection Assumptions

#### Revenues

##### Patient Service Revenue

Patient service revenue has been projected based on anticipated occupancy levels, as well as anticipated rates during the Projection Period.

##### *Independent Living Occupancy*

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

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**Table 6**  
**Projected Existing Independent Living Occupancy**

---

<b>Year Ending December 31,</b>	<b>Average Units Available <sup>(1)</sup></b>	<b>Average Units Occupied</b>	<b>Average Occupancy</b>
2023	154.0	150.0	97.4%
2024	154.0	150.0	97.4%
2025	154.0	150.0	97.4%
2026	154.0	150.0	97.4%
2027	154.0	150.0	97.4%

---

Source: Management

Note: (1) One Birch unit is currently being used as a guest suite and is excluded from average available units.

Management has assumed that the number of Existing Independent Living Units to have double occupancy will average approximately 31.0% for each year in the Projection Period.

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**Table 7**  
**Projected New Garden Home Occupancy**

---

<b>Year Ending December 31,</b>	<b>Average Units Available</b>	<b>Average Units Occupied</b>	<b>Average Occupancy</b>
2023	0.0	0.0	N/A
2024	7.5	6.0	80.0%
2025	15.0	14.0	93.3%
2026	15.0	14.0	93.3%
2027	15.0	14.0	93.3%

---

Source: Management

Management has assumed that the number of New Garden Home Units to have double occupancy will average approximately 73.0% for each year in the Projection Period.

The projected occupancies noted in Table 7 are based on the following move in schedule for the Project's units:

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

### **Summary of Significant Projection Assumptions**

**Table 8**  
**Project Unit Move-In**

<b>Fiscal Year 2024</b>	<b>Total Units</b>	<b>Monthly Fill</b>	<b>Cumulative Occupancy</b>	<b>Occupancy Percentage</b>
July	15	4.7	4.7	31.3%
August	15	4.7	9.4	62.7%
September	15	4.6	14.0	93.3%
Thereafter	15		14.0	93.3%

Source: Management

#### *Health Care Center Occupancy*

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

**Table 9**  
**Projected Assisted Living Occupancy**

<b>Year Ending December 31,</b>	<b>Average Units Available</b>	<b>Average Units Occupied</b>	<b>Average Occupancy</b>
2023	24	17.2	71.7%
2024	24	17.2	71.7%
2025	24	17.2	71.7%
2026	24	17.2	71.7%
2027	24	17.2	71.7%

Source: Management

**Table 10**  
**Projected Nursing Beds Occupancy**

<b>Year Ending December 31,</b>	<b>Average Units Available</b>	<b>Average Units Occupied</b>	<b>Average Occupancy</b>
2023	24	21.7	90.4%
2024	24	21.7	90.4%
2025	24	21.7	90.4%
2026	24	21.7	90.4%
2027	24	21.7	90.4%

Source: Management

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

## **Summary of Significant Projection Assumptions (Continued)**

**Table 11**  
**Independent Living Monthly Service Fees - 2023**

<b>Independent Living</b>	<b>Number of Units</b>	<b>All Lifecare Plans</b>	<b>Fee-for-Service Plan</b>
<i>Apartments</i>			
Azalea	13	\$ 3,130	\$ 2,628
Birch	26	3,404	2,901
Camellia	30	3,721	3,217
Dogwood	20	4,038	3,565
Elm	20	4,378	3,908
<i>Garden Homes</i>			
Holly	16	4,781	3,942
Magnolia	23	5,002	4,194
Oak	6	5,148	4,341
<i>New Garden Homes</i>			
Juniper	7	5,120	4,240
Pine	8	5,510	4,660
<b>Total / Weighted Average</b>	<b>169</b>	<b>\$ 4,210</b>	<b>\$ 3,598</b>
Second Person Fee Existing Independent Living Units		\$ 1,522	\$ 880
Second Person Fee New Garden Homes		\$ 1,650	\$ 980

Source: Management

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

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

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

The monthly and daily service fees for private pay Fee-For-Service and Lifecare residents in the Health Care Center have been projected to increase 4.0% annually throughout the Projection Period, and Medicare rates are projected to increase 3.0% annually.

## Summary of Significant Projection Assumptions and Accounting Policies

### Summary of Significant Projection Assumptions (Continued)

**Table 12**  
**Health Care Center Pricing – 2023**

Level of Care	Number of Units	Lifecare	Fee-for-Service	Fee-for-Service
		Monthly Rates	Monthly Rates	Per Diem Rates
Traditional Assisted Living Units	12	\$4,675	\$6,380	\$210
Memory Support Units	12	\$4,675	\$8,256	\$272
Sheltered Nursing Beds	24	\$4,675	\$11,481	\$378

Source: Management

Ancillary revenues are projected to average approximately 3.2% of net patient service revenue throughout the Projection Period.

#### *Resident Mix*

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

**Table 13**  
**Health Care Center Resident Mix by Contract and Payor Type**

Year Ending December 31,	Assisted Living		Sheltered Nursing		
	Life Care	Fee-for-Service	Life Care	Medicare	Private Pay
2023	47.0%	53.0%	29.0%	10.0%	61.0%
2024	47.0%	53.0%	29.0%	10.0%	61.0%
2024	47.0%	53.0%	29.0%	10.0%	61.0%
2025	47.0%	53.0%	29.0%	10.0%	61.0%
2026	47.0%	53.0%	29.0%	10.0%	61.0%

Source: Management

### Amortization of Entrance Fees and Entrance Fees Receipts

The Village currently offers the following two Residence and Services Agreement (the “Residence and Services Agreements”) options:

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

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

## Summary of Significant Projection Assumptions and Accounting Policies

### Summary of Significant Projection Assumptions (Continued)

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

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

**Table 14**  
**Projected Entrance Fees, Net**  
**Years Ending December 31,**  
**(000s Omitted)**

	2023	2024	2025	2026	2027
Initial Entrants- Project Independent Living Units	0	15	0	0	0
Independent Living Turnover	16	16	16	16	16
Entrance Fees Received from Initial Residents	\$ -	\$ 5,383	\$ -	\$ -	\$ -
Entrance Fees from Turnover	3,783	3,799	3,893	3,998	4,078
Entrance Fees Refunded	(794)	(687)	(692)	(654)	(629)
<b>Total Entrance Fees, Net</b>	<b>\$ 2,989</b>	<b>\$ 8,495</b>	<b>\$ 3,201</b>	<b>\$ 3,344</b>	<b>\$ 3,449</b>

Source: Management

## Summary of Significant Projection Assumptions and Accounting Policies

### Summary of Significant Projection Assumptions (Continued)

Based upon historical experience, Management has projected that approximately 56.0% of the residents would select the Fee-For-Service Standard Plan and 44.0% would select the Lifecare – Traditional Plan. Entrance fees are projected to increase 5.0% in 2024 and 4.0% annually throughout the Projection Period.

Management has assumed that the distribution of the Project's new entrants would be approximately 46.7% of the residents would select the Fee-For-Service Standard Plan and 53.3% would select the Lifecare – Traditional Plan.

The monthly and daily service fee revenues are based on the projected utilization and the fee schedules in the tables that follow. It is anticipated that the monthly service fees for independent living will be increased 4.0% annually throughout the Projection Period.

**Table 15**  
**Independent Living Entrance Fees - 2023**

Independent Living	Number of Units	Lifecare Plans		
		Traditional	Fee-for-Service Plan Standard	
<i>Apartments</i>				
Azalea	13	\$ 199,900	\$ 111,500	
Birch	26	245,600	147,000	
Camellia	30	251,400	164,200	
Dogwood	20	291,700	188,700	
Elm	20	291,700	210,200	
<i>Garden Homes</i>				
Holly	16	330,700	248,800	
Magnolia	23	355,600	271,400	
Oak	6	370,500	284,500	
<i>New Garden Homes</i>				
Juniper	7	380,300	286,100	
Pine	8	426,100	327,200	
Total / Weighted Average	169	\$ 295,611	\$ 205,478	
Second Person Fee Existing Independent Living Units		\$ 35,700	\$ 21,600	
Second Person Fee New Garden Homes		\$ 41,100	\$ 24,900	

Source: Management

### Investment Income

Investment income included in the accompanying projected statements of operations and changes in net deficits is based on an assumed blended rate of return of 0.25% annually during the Projection Period on cash and cash equivalents and 2% on the statutory operating reserve.



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

### **Summary of Significant Projection Assumptions (Continued)**

#### **Other Revenue**

Other revenue includes income from additional resident meals and snacks, guest meals, guest apartment rentals, respite care revenue, barber and beauty fees, private duty nursing services, and other miscellaneous revenue. Other revenue based on historical experience and Management has projected at an average of 6.0% of net patient service revenue annually during the Projection Period, according to Management.

# Summary of Significant Projection Assumptions and Accounting Policies

## Summary of Significant Projection Assumptions (Continued)

### Operating Expenses

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

#### *Salaries and Benefits*

Staffing of the Village is based on the Village's existing staffing levels and the experience of Management giving effect to the level of services offered at the Village. The Village is estimated to employ full-time equivalent ("FTE") employees throughout the Projection Period as noted below in Table 16. An FTE is based on 2,080 hours. Average salary and wage rates are based on current rates paid and are projected to increase approximately 4.0% annually during the Projection Period. Management projected additional FTEs as a result of the Project in 2024 and 2025.

The costs of employees' fringe benefits are assumed to approximate an average of 37.0% of salaries and wages and primarily include FICA, medical and dental insurance, long-term disability, life insurance, worker's compensation, and retirement benefits.

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

**Table 16**  
**Projected FTEs**  
**Years Ending December 31,**

Department:	2023	2024	2025	2026	2027
Health Care	39.4	39.4	39.4	39.4	39.4
Resident Services	15.2	15.2	15.2	15.2	15.2
Dietary	36.1	36.4	36.6	36.6	36.6
Plant Operations	7.4	7.4	7.4	7.4	7.4
Housekeeping & Laundry	11.9	12.4	12.9	12.9	12.9
General Administrative	8.0	8.0	8.0	8.0	8.0
Total	118.0	118.8	119.5	119.5	119.5

Source: Management

#### *Health Care*

Non-salary related Health Care Center costs are projected based upon Management's estimate of the costs of health care supplies, purchased services, consultants, and other miscellaneous costs associated with providing health care services. These costs are anticipated to increase an average of approximately 4.0% annually during the Projection Period.

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

### **Summary of Significant Projection Assumptions (Continued)**

#### *Resident Services*

Non-salary related resident service costs are projected based upon Management's estimate of providing resident service programs, security, activities supplies, and other miscellaneous costs associated with resident services. Management assumes that certain of these costs would vary incrementally due to the completion of the Project. These costs are anticipated to increase an average of approximately 4.0% annually during the Projection Period.

#### *Dietary*

Non-salary related dietary costs are projected based upon Management's estimate of the costs of providing food services to residents of the Village including raw food, dietary supplies, and other miscellaneous costs associated with providing dietary services. Management assumes that certain of these costs would vary incrementally due to the completion of the Project. These costs are anticipated to increase an average of approximately 4.0% annually during the Projection Period and also to give effect to the impact of the Project.

#### *Plant Operations*

Non-salary related plant operations costs are projected based upon Management's estimate of the costs of utilities, service contracts, repairs, general maintenance, supplies, and other miscellaneous costs associated with providing plant operations services. Management assumes that certain of these costs would vary incrementally due to the completion of the Project. These costs are anticipated to increase an average of approximately 4.0% annually during the Projection Period and also to give effect to the impact of the Project.

#### *Laundry*

Non-salary related laundry costs are projected based upon Management's estimate of the costs of service contracts, laundry supplies, and other miscellaneous costs associated with providing laundry services. Management assumes that certain of these costs would vary incrementally due to the completion of the Project. These costs are anticipated to increase an average of approximately 4.0% annually during the Projection Period.

#### *Housekeeping*

Non-salary related housekeeping costs are projected based upon Management's estimate of the costs of service contracts, housekeeping supplies, and other miscellaneous costs associated with providing housekeeping services. Management assumes that certain of these costs would vary incrementally due to the completion of the Project. These costs are anticipated to increase an average of approximately 4.0% annually during the Projection Period and also to give effect to the impact of the Project.

#### *General and Administrative*

Non-salary related general and administrative costs are projected based upon Management's estimate of the costs of professional fees, Management Fees, insurance, supplies, and other miscellaneous costs. These costs are anticipated to increase an average of approximately 4.0% annually during the Projection Period and also to give effect to the impact of the Project.

## Summary of Significant Projection Assumptions and Accounting Policies

### Summary of Significant Projection Assumptions (Continued)

#### Assets Limited as to Use

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

**Table 17**  
**Statutory Operating Reserve**  
**As of December 31,**  
**(000s Omitted)**

	2023	2024	2025	2026	2027
Total Operating Expenses	\$ 15,361	\$ 16,025	\$ 16,618	\$ 17,166	\$ 17,754
Include:					
Principal Payments	238	489	511	530	551
Exclude:					
Amortization of Debt Issuance Costs	(32)	(32)	(32)	(32)	(32)
Depreciation	(2,900)	(3,038)	(3,143)	(3,233)	(3,344)
Total Operating Costs	\$ 12,667	\$ 13,444	\$ 13,954	\$ 14,431	\$ 14,929
Operating Reserve Percentage <sup>(1)</sup>	25%	25%	25%	25%	25%
Operating Reserve at December 31,	\$ 3,167	\$ 3,361	\$ 3,489	\$ 3,608	\$ 3,732

Source: Management

Notes:

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

Available Units:					
Independent Living Existing	154	154	154	154	154
New Garden Units	-	15	15	15	15
Assisted Living	24	24	24	24	24
Total Available Units	178	193	193	193	193
Occupied Units:					
Independent Living Existing	150	150	150	150	150
New Garden Units	-	14	14	14	14
Assisted Living	17	17	17	17	17
Total Occupied Units	167	181	181	181	181
Occupancy at December 31,	93.8%	93.8%	93.8%	93.8%	93.8%

Source: Management

#### Assets Under SWAP Agreement

Management has not projected any underlying changes in the value of the SWAP agreement during the Projection Period.

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

### **Summary of Significant Projection Assumptions (Continued)**

#### **Property and Equipment and Depreciation Expense**

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

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

**Table 18**  
**Projected Property and Equipment**  
**Years Ending December 31,**  
**(000s Omitted)**

	2023	2024	2025	2026	2027
Land and Land Improvements	\$ 7,553	\$ 7,553	\$ 7,553	\$ 7,553	\$ 7,553
Building & Fixed Equipment	41,450	45,994	48,144	50,294	52,444
Movable Equipment	1,542	1,542	1,542	1,542	1,542
	50,545	55,089	57,239	59,389	61,539
Less: Accumulated Depreciation	(4,449)	(7,487)	(10,630)	(13,863)	(17,207)
Property and Equipment, Net	\$ 46,096	\$ 47,602	\$ 46,609	\$ 45,526	\$ 44,332

Source: Management

#### **Long-Term Debt and Interest Expense**

On July 1, 2022, the Village entered into a loan agreement totaling \$25,000,000 with a financial institution (2022 Acquisition Loan). Proceeds of the 2022 Acquisition Loan were used to finance the acquisition of the membership interest of the Village in order to integrate the assisting living and health care facilities of the Village into the Well•Spring system. The 2022 Acquisition Loan is secured by a lien on substantially all of the real and personal property comprising the Village and by a security interest in the Village's unrestricted revenues. The 2022 Acquisition Loan bears interest at an adjustable rate of One-Month SOFR plus 1.25%. The first 12 months of the 2022 Acquisition Loan requires payments of interest only, with principal payable monthly starting July 2023. The 2022 Acquisition Loan matures in June 2037.

On July 1, 2022, the Village entered into a loan agreement totaling \$5,000,000 with a financial institution (the Working Capital Term Loan). Proceeds of the Working Capital Term Loan are to be used to finance working capital expense and/or capital improvements. The Working Capital Term is secured by a lien on substantially all of the real and personal property comprising the Village and by a security interest in the Village's unrestricted revenues. The Working Capital Term Loan bears interest at an adjustable rate of One-Month SOFR plus 1.25%. The first 12 months of the Working Capital Term Loan requires payments of interest only, with principal payable monthly starting July 2023. The Working Capital Term Loan matures in June 2037. No amounts have been drawn down on this loan as of December 31, 2022.

In conjunction with the Member Substitution Agreement effective July 1, 2022, the Village joined an Obligated Group with Well•Spring Retirement Community, Inc. (WSRC, and collectively with WSRC, the Obligated Group), who is a co-borrower on the loans noted above. As part of the Obligated Group, the Village is required to adhere to covenant requirements per WSRC's debt agreements. In addition, the Acquisition Loan contains a requirement of timely filing of audited and interim financial statements. In

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

### **Summary of Significant Projection Assumptions (Continued)**

addition, they contain other covenants restricting, among other things, the existence of liens on property, merger and consolidation, and disposition of assets.

During 2022, the Village entered into a variable-to-fixed interest rate swap agreement to manage the interest rate risk on the variable rate indebtedness on a portion of the 2022 Acquisition Loan. Under the swap agreement, the Village's variable rate on \$15,000,000 of the 2022 Acquisition Loan is effectively converted to 4.25%. The swap has an effective date of July 1, 2022 and terminates on June 1, 2037.

The following table presents projected principal payments, exclusive of the Working Capital Term Loan.

**Table 19**  
**Projected Principal Payments**  
**Years Ending December 31,**  
**(000s Omitted)**

Year Ending December 31,	Working Capital Term		Total
	2022 Acquisition Loan	Loan	
2023	\$ 238	\$ -	\$ 238
2024	489	3,341	3,830
2025	511	-	511
2026	530	-	530
2027	551	-	551
2028	570	-	570
2029	594	-	594
2030	617	-	617
2031	641	-	641
2032	664	-	664
Thereafter	19,595	-	19,595
Total	\$ 25,000	\$ 3,341	\$ 28,341

Source: Management

### **Deferred Revenue from Entrance Fees and Accreted Interest**

Entrance fees from the Village's residency and care agreements, excluding the portion thereof that is estimated to be refundable to the resident, are recorded as deferred revenue from nonrefundable entrance fees, and recognized as income over the estimated life expectancy, adjusted annually, for each resident.

A portion of the entrance fee may be refundable when the residency is terminated. Such refundable amounts are shown as refundable entrance fees in the accompanying statement of financial position. In accordance with the continuing care contract, the nonrefundable portion is reduced each month, commencing with the date of occupancy and recognized as income over the estimated life expectancy, annually, for each resident. Total contractual refund obligations in the event of move-out, death, or termination at December 31, 2023 were approximately \$10,554,000. Management's estimate of the portion of this amount that will actually be refunded in addition to the minimum amount is recorded as deferred revenue from entrance fees within current liabilities in the accompanying statement of financial position.

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

### **Summary of Significant Projection Assumptions (Continued)**

The residency agreements acquired upon acquisition are projected at their estimated fair value. The fair value of those refundable entrance fees are accreted to face value using the effective interest method over the estimated life expectancy of the residents at acquisition. The discount rate assumed is 3.78%. At the date of the Member Substitution Agreement, the unamortized discount approximated \$973,000. Management has projected the accreted interest upon amortization of these agreements on the projected statement of operations and changes in net deficits.

#### **Refundable Entrance Fees**

Refundable entrance fees represent the portion of entrance fees that are refundable.

#### **Related Party Transactions**

As previously described, the Village is an affiliate of the Parent, who also is the sole member of Well Spring Management and Development. As of December 31, 2022, the Village had a Due to Parent obligation of approximately \$3,714,000. Management has not projected any change during the Projection Period.

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

### **Summary of Significant Projection Assumptions (Continued)**

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

##### Cash and Cash Equivalents

Cash and cash equivalents balances for the Projection Period are assumed to reflect net cash flows during the Projection Period.

##### Resident Accounts Receivable, Net

Resident accounts receivable, net of allowance for uncollectible accounts are projected at historical levels which approximate 6 days of operating revenue (excluding investment income).

##### Related Party receivable

Related party receivable are projected to remain consistent throughout the Projection Period.

##### Other Receivables

Other receivables have been projected based on historical levels which approximate 3 days of operating revenue (excluding investment income).

##### Other Current Assets

Other current assets have been projected based on historical levels which approximate 6 days of operating expenses (excluding depreciation).

##### Accounts Payable and Other Accrued Expenses

Accounts payable and other accrued expenses have been projected based on historical levels which approximate 22 days of operating expenses (excluding depreciation).

##### Accrued Salaries and Wages

Accrued expenses have been projected based on historical levels which approximate 15 days of operating expenses (excluding depreciation).

##### Deferred Revenue from Entrance Fees

The current portion of deferred revenue from entrance fees has been projected based on the historical experience of the Village.

#### **Future Event**

Based on the success of the Project, a second phase of 6 additional garden units may be considered by Management. Such phase has not been reflected in Management's projection due to the uncertainty of the timing for such addition.

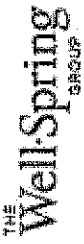


Attachment C  
Un-audited Financial Statement

**Alamance Extended Care, Inc.  
Balance Sheet  
As of April 30, 2023  
Unaudited**

	Year Ending 12/31/2022 <u>Actual</u>	Period Ending 04/30/2023 <u>Actual</u>	YTD Change <u>Summary</u>
<b>Assets</b>			
<b>Current Assets</b>			
Cash & Equivalents	2,658,710	3,069,617	410,907
Investments	277,492	267,620	(9,871)
Accounts Receivable	436,715	520,644	83,927
Other Current Assets	60,124	(2,584)	(62,708)
<b>Total Current Assets</b>	<u>3,433,041</u>	<u>3,855,297</u>	<u>422,255</u>
<b>Assets Limited to Use</b>			
Investments - Limited to Use	3,314,000	3,314,000	0
<b>Total Assets Limited to Use</b>	<u>3,314,000</u>	<u>3,314,000</u>	<u>0</u>
<b>Non Current Assets</b>			
Net Fixed Assets	43,255,710	42,820,075	(435,634)
Other Assets	1,336,719	840,704	(496,016)
<b>Total Non Current Assets</b>	<u>44,592,429</u>	<u>43,660,779</u>	<u>(931,650)</u>
<b>Total Assets</b>	<u>51,339,470</u>	<u>50,830,076</u>	<u>(509,395)</u>
<b>Equity &amp; Liabilities</b>			
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable	4,419,496	4,495,128	75,631
Accrued Expenses	727,646	912,050	184,405
Other Current Liability	1,763	500	(1,263)
<b>Total Current Liabilities</b>	<u>5,148,905</u>	<u>5,407,678</u>	<u>258,773</u>
<b>Non Current Liabilities</b>			
Refundable Resident Liabilities	4,543,669	4,492,670	(50,999)
Non Refundable Entrance Fees	16,413,617	17,134,043	720,426
Long Term Debt (net)	24,358,355	24,207,802	(150,553)
<b>Total Non Current Liabilities</b>	<u>45,315,641</u>	<u>45,834,515</u>	<u>518,874</u>
<b>Total Liabilities</b>	<u>50,464,546</u>	<u>51,242,193</u>	<u>777,647</u>
<b>Equity</b>			
Unrestricted Net Assets	583,009	(701,191)	(1,284,200)
Temp Restricted Net Assets	291,915	289,074	(2,842)
<b>Total Equity</b>	<u>874,924</u>	<u>(412,117)</u>	<u>(1,287,042)</u>
<b>Total Equity &amp; Liabilities</b>	<u>51,339,470</u>	<u>50,830,076</u>	<u>(509,395)</u>

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Alamance Extended Care, Inc.

**Well Spring Group**  
**WSLPC - Summarized Income Statement by Department**  
**As of April 30, 2023**  
**Unaudited**

	Actual MTD	Month Ending 04/30/2023	Budget MTD	\$ Variance	% Variance	Actual YTD	Budget YTD	\$ Variance	% Variance
<b>Operating Revenue</b>									
MSF-Residential Living	542,629	594,208	594,208	(51,578)	(8.68) %	2,224,471	2,376,831	(152,361)	(6.41)
MSF-Assisted Living	121,056	100,741	100,741	20,314	20.16 %	445,739	402,964	42,776	10.61
MSF-Skilled Nursing/Rehab	191,978	201,998	201,998	(10,020)	(4.96) %	807,265	807,993	(728)	(0.09)
Service Rev & Other Rev	78,431	55,083	55,083	23,348	42.38 %	395,844	220,333	175,511	79.65
<b>Total Operating Revenue</b>	<b>934,094</b>	<b>952,030</b>	<b>952,030</b>	<b>(17,936)</b>	<b>(1.88) %</b>	<b>3,873,319</b>	<b>3,808,121</b>	<b>65,198</b>	<b>1.71</b>
<b>Operating Expenses By Department</b>									
Assisted Living	68,846	51,618	51,618	(17,227)	(33.37) %	223,980	172,227	(51,753)	(30.04)
Skilled Nursing/Rehab	153,115	152,764	152,764	(352)	(0.22) %	541,124	541,272	148	0.02
HC Administration	57,792	61,400	61,400	3,609	5.87 %	196,081	243,208	47,128	19.37
Dining Services	164,261	202,496	202,496	38,234	18.88 %	632,068	751,856	119,787	15.93
Environmental	43,143	48,395	48,395	5,252	10.85 %	171,673	177,376	5,703	3.21
Maintenance	119,364	105,606	105,606	(13,758)	(13.02) %	618,445	420,425	(198,020)	(47.09)
Security	21,068	20,836	20,836	(233)	(1.11) %	68,601	81,831	13,230	16.16
Community Relations	48,175	40,923	40,923	(7,251)	(17.71) %	164,826	162,208	(2,619)	(1.61)
Marketing	44,289	33,857	33,857	(10,432)	(30.81) %	132,374	128,927	(3,446)	(2.67)
Administration	230,983	224,024	224,024	(6,959)	(3.10) %	852,670	893,946	41,276	4.61
Community Benefit	100	1,000	1,000	900	90.00 %	850	4,000	3,150	78.75
Utilities	46,106	50,008	50,008	3,902	7.80 %	187,432	200,033	12,601	6.29
Insurance	25,637	22,077	22,077	(3,560)	(16.12) %	102,548	88,308	(14,240)	(16.12)
Taxes	6,667	6,667	6,667	0	0.00 %	26,750	26,668	(82)	(0.30)
<b>Total Operating Expenses By Dept</b>	<b>1,029,546</b>	<b>1,021,671</b>	<b>1,021,671</b>	<b>(7,875)</b>	<b>(0.77) %</b>	<b>3,919,422</b>	<b>3,892,285</b>	<b>(27,137)</b>	<b>(0.69)</b>
<b>Total Operating Net Income By Dept</b>	<b>(95,452)</b>	<b>(69,641)</b>	<b>(69,641)</b>	<b>(25,811)</b>	<b>(37.06) %</b>	<b>(46,103)</b>	<b>(84,164)</b>	<b>38,061</b>	<b>45.22</b>
<b>NonOperating Income</b>									
Earned Entrance Fees	217,865	209,583	209,583	8,282	3.95 %	838,905	838,333	572	0.06

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**Well Spring Group  
WSLPC - Summarized Income Statement by Department  
As of April 30, 2023  
Unaudited**

	Month Ending 04/30/2023			01/01/2023 Through 04/30/2023				
	Actual MTD	Budget MTD	\$ Variance	% Variance	Actual YTD	Budget YTD	\$ Variance	% Variance
Investment Earnings	330	0	329	(100.00) %	1,115	0	1,115	(100.00)
Unrealized Gain/Loss on Investment	(18,073)	0	(18,073)	(100.00) %	(496,015)	0	(496,016)	(100.00)
<b>Total NonOperating Income</b>	<b>200,122</b>	<b>209,583</b>	<b>(9,462)</b>	<b>(4.51) %</b>	<b>344,005</b>	<b>838,333</b>	<b>(494,329)</b>	<b>(58.96)</b>
NonOperating Expenses								
Transfers	30,000	0	(30,000)	(100.00) %	120,000	0	(120,000)	(100.00)
Interest Expense	102,339	82,431	(19,907)	(24.15) %	440,705	329,725	(110,979)	(33.65)
Benevolence Assistance	2,568	0	(2,568)	(100.00) %	11,372	0	(11,373)	(100.00)
Depreciation Expense	236,511	241,670	5,159	2.13 %	953,825	966,680	12,856	1.32
Amortization Expense	(74,268)	2,583	76,851	2,975.26 %	56,200	10,332	(45,868)	(443.94)
<b>Total NonOperating Expenses</b>	<b>297,150</b>	<b>326,684</b>	<b>29,535</b>	<b>9.04 %</b>	<b>1,582,102</b>	<b>1,306,737</b>	<b>(275,364)</b>	<b>(21.07)</b>
<b>Total Net Income/(Loss) By Department</b>	<b>(192,480)</b>	<b>(186,742)</b>	<b>(5,738)</b>	<b>(3.07) %</b>	<b>(1,284,200)</b>	<b>(552,568)</b>	<b>(731,632)</b>	<b>(132.40)</b>
Temp Restricted Net Asset Activity								
Contribution-TempRestrict	40	0	40	(100.00) %	80	0	80	(100.00)
Released - Temp Restricted	0	0	0	0.00 %	(2,922)	0	(2,922)	(100.00)
<b>Total Temp Restrict Net Asset Activity</b>	<b>40</b>	<b>0</b>	<b>40</b>	<b>(100.00) %</b>	<b>(2,842)</b>	<b>0</b>	<b>(2,842)</b>	<b>(100.00)</b>

Statement of Cash Flow  
The Village at Brookwood  
1/1/23-4/30/23

**Operating activities:**

Change in Net Assets	(1,287,041)
Change in Net Assets from Operating Activities	
Depreciation	953,825
Amortization of deferred financing costs	9,607
Amortization of deferred revenues	(838,905)
Entrance fees received	1,564,900
Change in Refundable Resident Liabilities	(50,999)
Net unrealized and realized (gains) losses on investments	496,015
Loss (gain) on sale of fixed assets	-
Change in Accounts Receivable	(83,929)
Change in Current Assets	62,708
Change in Non Current Assets	496,015
Change in Accounts Payable	75,632
Change in Accrued Expenses	184,404
Change in Other Liabilities	(1,264)
Net cash provided/(used) by operating activities	<u>1,580,968</u>

**Investing activities:**

Change in investments and assets limited as to use	(486,143)
Proceeds from sale of fixed assets	
Capital expenditures	(518,190)
Net cash provided/(used) in investing activities	<u>(1,004,333)</u>

**Financing activities:**

Change in Long Term Debt	(160,160)
Entrance fees refunded	(5,568)
Net cash provided/(used) in financing activities	<u>(165,728)</u>

Net increase (decrease) in cash	<u>410,907</u>
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Cash and cash equivalents, beginning of period	<u>2,658,710</u>
Cash and cash equivalents, end of period	<u><u>3,069,617</u></u>

Cash and cash equivalents, end of period - from BS	<u>3,069,617</u>
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Attachment D  
Residence and Service Agreement  
Life Care

**LIFE CARE  
RESIDENCE AND SERVICES AGREEMENT**  
*The Village at Brookwood*

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

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

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

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

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

Residence Type: \_\_\_\_\_  
(hereinafter referred to as “Residence”)

Resident Entrance Fee: \_\_\_\_\_

Co-Resident Entrance Fee: \_\_\_\_\_

Entrance Fee Option: \_\_\_\_\_

Resident Monthly Fee: \_\_\_\_\_

Co-Resident Monthly Fee: \_\_\_\_\_

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

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

- A. Residence.** Except as set forth in this Agreement, the Resident has the right to occupy, use, and enjoy the Residence and services of The Village during the term of this Agreement.
- B. Furnishings in the Residence.** The Village provides flooring, appliances and other furnishings per current standards as described in The Village's current literature. The Resident will be responsible for furnishing the Residence. All furniture and electrical and other appliances provided by the Resident shall be subject to The Village's approval in order to keep the Residence safe and sanitary.
- C. Options and Custom Features in the Residence.** The Resident may select certain options and custom features for the Residence as described in The Village's literature for an additional charge. Any such options and custom features selected and paid for by the Resident will become the property of The Village. The value of any such improvements will be considered in computing refunds if such options or custom features involve structural changes to the Residence or substantially increase livable square footage in the Residence.
- D. Common Areas and Amenities.** The Village maintains common areas and amenities for the use and benefit of all residents.
- E. Parking.** The Village provides parking areas for the Resident's personal vehicle and limited parking for guests.
- F. Storage.** Limited storage space of one (1) unit per apartment is provided by The Village for apartment residents and shall be in addition to the space in each apartment. Garden homes have storage rooms adjacent to the carport and/or garage.
- G. Services and Programs.**
- 1. Utilities.** The Village furnishes heating, air conditioning, electricity, water, sewer service, trash removal, basic cable TV and secure WIFI access. The Resident is responsible for the charges for telephone service and expanded cable television service. The Village shall not be responsible for any periods of disruption regarding these utilities.
  - 2. Dining Services.** The Village will provide nutritionally balanced meals per published dining hours. The Resident's monthly service fee will include a meal plan, which the Resident may choose in accordance with The Village dining services procedures. The cost of additional meals taken by the Resident will be billed on a monthly basis.



3. **Special Diets.** When authorized by the Village's medical and dietary personnel, meals accommodating special diets may be provided. The Provider may make additional charges for special diets.
4. **Tray Service.** When authorized by The Village, meal delivery may be provided to you in your Residence. The Village may make additional charges for meals delivered to the Residence per current scheduled fees.
5. **Housekeeping Services.** The Village provides weekly housekeeping services. Additional housekeeping may be scheduled at the request and expense of the Resident.
6. **Laundry.** The Village provides washers and dryers in the Residence.
7. **Grounds-keeping.** The Village furnishes basic grounds-keeping services including lawn, tree, and shrubbery care. The Resident may plant and maintain certain areas designated for such purpose by The Village.
8. **Maintenance and Repairs.** The Village maintains and repairs its own improvements, furnishings, appliances, and equipment. The Resident will be responsible for the cost of repairing damage to property of The Village caused by the Resident or any guests of the Resident, ordinary wear and tear excepted.
9. **Transportation.** The Village provides local transportation for medical appointments for residents on a regularly scheduled basis. An additional charge may be made for transportation for special, personal, or group trips.
10. **Security.** The Village is a gated community providing twenty-four (24) hour staffing to include evening and nighttime security patrol. Emergency call devices are provided, and smoke detectors will be located in each Residence. Security cameras may be located in parking areas and at building entrances or other common areas.
11. **Life Enrichment.** The Village provides planned and scheduled social, recreational, spiritual, educational and cultural activities; arts and crafts classes; and other special activities. Some activities may require an additional charge.
12. **Wellness Programs.** The Village provides a variety of exercise programs, including aquatic classes, exercise equipment and aerobics as a part of an overall Wellness Program.
13. **Health Care Services:**
  - a. **Health Care Center.** The Health Care Center consists of licensed Assisted Living, Memory Care, and Skilled Nursing accommodations.
    - (1) **Assisted Living Services.** The Assisted Living section of the Provider is licensed by North Carolina as an Adult Care Home, where assistance with daily living activities may include: bathing, dressing, administration of

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

- (2) **Memory Care**. The Village provides, in a separate Assisted Living section of the facility licensed by North Carolina as an Adult Care Home, specialized services for memory support. Assistance with daily living activities tailored to the different needs of the residents may include: bathing, dressing, administration of medication, bed making, three (3) meals per day, housekeeping, transportation, specialized activities, and personal laundry service.
- (3) **Skilled Nursing Services**. The Village provides nursing care in its licensed nursing center as may be deemed necessary by the Medical Director and/or their staff. The Resident agrees that nursing care provided by The Village shall be limited to care in keeping with licensure requirements. Services may include three (3) meals per day, housekeeping, assistance with daily living activities, and nursing services as ordered by the appropriate physician.
- (4) **Staffing**. The Health Care Center is staffed by licensed and certified nursing staff twenty-four (24) hours per day and meets all North Carolina licensing requirements.

b. **Clinic Services**:

- (1) A health clinic, staffed with a licensed nurse, is available on site during scheduled hours for resident use.
- (2) Additional periodic services may be provided through the Clinic as deemed necessary by The Village. The cost of such services shall be the responsibility of the Resident.

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

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

**II. FINANCIAL ARRANGEMENTS**

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

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

- A. Terms of Payment of the Balance of the Entrance Fee.** The balance of the total Entrance Fee for the Entrance Fee Option selected by the Resident will be due and payable by the mutually agreed upon date of occupancy.
- B. Monthly Fee.** In addition to the Entrance Fee, the Resident agrees to pay a Monthly Fee during occupancy which shall be payable upon receipt of invoice each month. The first month’s Monthly Fee is due and payable by the date of occupancy and will be prorated based on the day of the month.
- C. Adjustments in the Monthly Fee.** The Monthly Fee provides for the facilities, programs, and services described in this Agreement and is intended to meet the cost of the expenses associated with the operation and management of The Village. The Village shall have the authority and discretion to adjust the Monthly Fee during the term of this Agreement to reflect increases and changes in costs of providing the facilities, programs, and services described herein consistent with operating on a sound

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

- D. Away Allowance.** Residents away from The Village for fourteen (14) consecutive days or more, and who make arrangements in advance with The Village (excluding hospitalizations), will be credited with a current published dining services credit.
- E. Monthly Statements.** The Village will furnish the Resident with a monthly statement showing the total amount of fees and other charges owed by the Resident which shall be due and payable upon receipt of invoice each month. The Village may charge interest at a rate of one and one-half Percent (1½%) per month on any unpaid balance owed by the Resident Thirty (30) Days after the monthly statement is furnished.
- F. Fees and Charges for Health Care Services.**
- 1. Life Care Benefit.** Should the Resident qualify for services in the Health Care Center, it is understood that at the time of transfer the Resident will be charged a monthly fee known as the Life Care Benefit. The Life Care Benefit will apply to Assisted Living, Assisted Living Memory Care and Skilled Nursing accommodations.
  - 2. Additional Charges for Ancillary Services.** Charges in addition to the monthly fee may be made for ancillary services provided at The Village. Examples of such additional ancillary charges include, but are not limited to: the cost of prescription and non-prescription medications; surgical, podiatric, dental, optical services; physical examinations; physician services; laboratory tests; physical therapy, occupational therapy, rehabilitative treatments; wheelchairs; other medical equipment and supplies; and any other medical services beyond those available in The Village. Such services are contracted and may not be regularly available. Also, any professional services (medical or otherwise) contracted by the Resident or on behalf of the Resident shall be billed directly to the Resident or their assigned third party.
  - 3. Illness Away From the Village.** The Resident agrees to assume all financial responsibility for hospital, medical and nursing care during any illness or accident occurring while away from The Village and to see that, upon return, full medical information is supplied to The Village for the Resident's medical records file.
  - 4. Life Care Respite Benefit.** Fourteen (14) days of qualified respite care are available to Life Care Residents on an annual basis. This benefit applies to skilled nursing only.

### **III. ADMISSION REQUIREMENTS AND PROCEDURES**

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

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

- A. **Age**. Generally, admission is restricted to persons 62 years of age or older. If one member of the residential party is 62, the co-resident may be 55 years of age or older.
- B. **Residence and Services Agreement**. Upon notification of acceptance by Provider, the Resident shall enter into this Agreement.
- C. **Representations**. The Resident affirms that the representations made in the required Application for Residency as well as the Reservation Agreement that was previously executed by the parties (which representations include a confidential personal and health history and a financial disclosure), are true and correct and may be relied upon by the Provider as a basis for entering into this Agreement.
- D. **Direct Admission to Health Care Center**. Upon admission, if it is determined by Provider that Resident is unable to live independently in the residence, such resident may be offered direct admission to the Health Care Center. Such Resident shall pay monthly fees equal to the current Fee for Service per diem rate (as described in The Village's current literature) in the Health Care Center (for the required level of care, Assisted Living, Skilled Care or Memory Care). Residents directly admitted to the Health Care Center shall complete the Amendment to Residence and Services Agreement for Direct Admission to Health Care and documents as required by the Provider and North Carolina licensure statutes. In the event a Resident that qualifies for direct admission into the Health Care Center has a Co-Resident that does not qualify for such direct admission, the Co-Resident shall continue to be governed by the terms of this Agreement as a single occupant of the Residence.

#### IV. TERMS OF OCCUPANCY

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

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

- B. **Policies and Procedures**. The Resident will abide by The Village's policies and procedures and such amendments, modifications, and changes of the policies and procedures as may hereafter be adopted by the Provider.
- C. **Changes in the Residence, Services, or Fees**. Provider has the right to change the Residence, the services offered, or the fees charged to meet requirements of, or changes to any applicable statute, law, or regulation. The Residence may not be used in any manner in violation of any zoning ordinances or other governmental law or regulation.

- D. Visitors.** The Resident shall be free to invite guests to the Residence for daily and overnight visits. Guest rooms may be available from time to time at a reasonable rate for overnight stays by your guests. The Village reserves the right to make rules regarding visits and guest behavior and may limit or terminate a visit at any time for reasons it deems appropriate. Two (2) weeks is the maximum continuous stay for guests unless prior approval from the Executive Director is obtained. Except for short-term guests, no person other than the Resident or a Co-Resident, if any, may reside in the Residence without prior approval of The Village.
- E. Occupancy by Two Residents.** In the event that two Residents occupy a Residence under the terms of this Agreement, upon the permanent transfer to the Health Care Center or the death of one Resident, or in the event of the termination of this Agreement with respect to one of the Residents, the Agreement shall continue in effect as to the remaining or surviving Resident who shall have the option to retain the same Residence. Should the remaining or surviving Resident wish to move to another residence, the policies of The Village governing said residence transfer will prevail.
- F. Addition of a Co-Resident or Marriage.** If a Resident marries a person who is also a Resident, the two Residents may occupy the Residence of either Resident and shall surrender the Residence not to be occupied by them. Such married Residents will pay the Monthly Fee for double occupancy associated with the Residence occupied by them. In the event that a Resident shall marry a person who is not a Resident of The Village, the spouse may become a Resident if such spouse meets all the current requirements for admission to The Village, enters into a current version of the Life Care Residence and Services Agreement with Provider, and pays the current single person Entrance Fee for the smallest one bedroom apartment at The Village. The Resident and spouse shall pay the Monthly Fee for double occupancy associated with the Residence occupied by them. If the Resident's spouse does not meet the requirements of The Village for admission as a resident, the Resident may terminate this Agreement in the same manner as provided in Section VI.B. hereof with respect to a voluntary termination.
- G. Loss or Damage of Property.** Provider shall not be responsible for the loss or damage of any property belonging to the Resident due to theft, mysterious disappearance, fire or any other cause. Resident shall provide any desired insurance protection covering any such personal loss. Provider shall insure all property (except personal property) within all residences and common areas belonging to The Village.
- H. Health Insurance and Assignments.** If not already enrolled, the Resident shall apply for and secure, before taking occupancy, coverage under Medicare Parts A and B and any other hospital or medical insurance benefit program which supplements Medicare or other comparable insurance accepted by Provider. The Resident shall provide Provider with evidence of such coverage or of an acceptable substitute insurance plan and shall pay all premiums.



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

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

- I. **Right of Entry.** Resident hereby authorizes employees or agents of Provider to enter the Residence for reasonable purposes, including without limitation the following: housekeeping, repairs, maintenance, inspection, fire drills, and in the event of emergency. Provider shall when feasible use reasonable efforts to enter at scheduled times or upon prior notice to Resident. Resident shall afford Provider's employees or agents access to all areas of the Residence when requested to ensure that the Residence is maintained in good repair in accordance with this Agreement and to ensure the health and safety of Resident and other Residents.
- J. **Residents' Association.** Residents of The Village are encouraged to participate in the Residents' Association Committees. The organization elects representatives, officers, and other positions to engage in concerted activities set forth by the Residents' Association.
- K. **Tobacco Free Campus.** The Village at Brookwood is a Tobacco Free Campus. Smoking and tobacco use is prohibited for residents, staff and visitors.

V. **TRANSFERS OR CHANGES IN LEVELS OF CARE**

- A. **Voluntary Transfer between Independent Residences.** The Resident may transfer from one independent Residence to another. The Resident shall comply with The Village's current Resident Transfer Advantage Program for selection of such Residence. There may be a refurbishment fee (for the Residence being vacated) charged for such a transfer.
  - 1. **Transfer of Resident to a Larger Residence.** If the Resident elects to transfer to a larger Residence, an additional Entrance Fee (according to the Entrance Fee Refund Option selected at the original Date of Occupancy) equal to the difference between the Entrance Fee for the smaller Residence and the Entrance Fee for the larger Residence will be due to The Village. The Resident will also pay the Monthly Service Fee associated with the larger Residence.
  - 2. **Transfer of Resident to a Smaller Residence.** The Resident may elect to transfer to a smaller Residence and pay the current monthly service fee for that Residence. The transfer to a smaller Residence shall not result in any entrance fee refund.
- B. **Transfer to the Health Care Center.** The Resident agrees that Provider shall have authority to determine that the Resident be transferred from one level of care to another

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

- C. **Transfer to Hospital or Other Facility.** If it is determined by Provider that the Resident needs care beyond that which can be provided by The Village; the Resident may be transferred to a hospital, center, or institution equipped to give such care and such care will be at the expense of the Resident. Such transfer of the Resident will be made only after consultation to the extent possible with the Resident or the Resident's chosen and legal representative.
- D. **Surrender of Residence.** If a determination is made by Provider that any transfer described in Section V.B. or V.C. is likely to be permanent in nature, the Resident agrees to surrender the Residence upon such transfer. The Provider shall continue charging the monthly fees until such time that the Residence is vacated. If Provider subsequently determines that the Resident can resume occupancy in a Residence or accommodation comparable to that occupied by the Resident prior to such transfer, the Resident shall have priority to such residence as soon as it becomes available.

## VI. TERMINATION AND REFUND PROVISIONS

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

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

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

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



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

- C. **Termination upon Death.** In the event of death of the Resident at any time after occupancy, this Agreement shall terminate and the refund of the Entrance Fee paid by the Resident shall be calculated based upon the Entrance Fee option chosen by the Resident and as described in Section II.A. Any refund due to the Resident's estate will be made at such time as such Resident's Residence shall have been reserved by a prospective resident and such prospective resident shall have paid to The Village the full Entrance Fee, or within one (1) year from the date of termination, whichever first occurs. All refunds may be reduced by the cost of returning the Residence to its original condition and by any outstanding charges due from Resident.
- D. **Termination by Provider.** Provider may terminate this Agreement at any time if there has been a material misrepresentation or omission made by the Resident in the Resident's Application for Admission, Personal Health History, or Confidential Financial Statement; if the Resident fails to make payment to Provider of any fees and charges due The Village within sixty (60) days of the date when due; or if the Resident does not abide by the rules and regulations adopted by Provider or breaches any of the terms and conditions of this Agreement. Any refunds of the Entrance Fee due to the Resident shall be calculated based upon the Entrance Fee option chosen by the Resident and as described in Section II.A. Any refund due the Resident under this paragraph will be made at such time as such Resident's Residence shall have been reserved by a prospective resident and such prospective resident shall have paid to The Village the full Entrance Fee, or within one (1) year from the date of termination, whichever first occurs. All refunds may be reduced by the cost of returning the Residence to its original condition and by any outstanding charges due from Resident.
- E. **Condition of Residence.** At termination of this Agreement, the Resident shall vacate the Residence and shall be liable to The Village for any cost incurred in restoring the Residence to good condition except for normal wear and tear. The Provider shall continue charging the monthly fees until such time that the Residence is vacated. Any refunds due the Resident upon termination may be credited against the cost of returning the Residence to its original condition.

## VII. RIGHT OF RESCISSION

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

## VIII. FINANCIAL ASSISTANCE

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

## IX. GENERAL

- A. Relationships between Residents and Staff Members.** Employees of The Village are supervised solely by The Village's management staff, and not by residents. Employees and their families may not accept gratuities, bequests, or payment of any kind from residents. Any complaints about employees or requests for special assistance must be made to the appropriate supervisor or to the Executive Director or his/her designee. The Resident acknowledges and agrees that the Resident or the Resident's family will not hire The Village's employees or solicit such employees to resign their employment at The Village in order to work for the Resident or the Resident's family. The Resident also acknowledges and agrees that, unless consented to by The Village, the Resident will not hire any former Village employee until three (3) months has elapsed from the date of termination of the person's employment at The Village.
- B. Assignment.** The rights and privileges of the Resident under this Agreement to the Residence, common areas, and amenities, and services, and programs of The Village are personal to the Resident and may not be transferred or assigned by the Resident or otherwise.
- C. Management of The Village at Brookwood.** The absolute rights of management are reserved by Provider, its Board of Directors, and its administration as delegated by said Board of Directors. The Village retains all authority regarding acceptance of Residents, adjustment of fees, financial assistance, and all other aspects of the management of The Village. Residents do not have the right to determine admission or terms of admission of any other Resident.
- D. Entire Agreement.** This Agreement constitutes the entire agreement between Provider and the Resident. Provider shall not be liable or bound in any manner by any statements, representations, or promises made by any person representing or assuming to represent Provider, unless such statements, representations, or promises are set forth in this Agreement.
- E. Successors and Assigns.** Except as set forth herein, this Agreement shall bind and inure to the benefit of the successors and assigns of The Village and the heirs, executors, administrators, and assigns of the Resident.

- F. Power of Attorney, Will, Living Will, and Health Care Power of Attorney.** The Resident agrees to execute a power of attorney designating some competent person as attorney-in-fact. The Resident is also encouraged to execute a will, Living Will and Health Care Power of Attorney. The Resident shall provide The Village with copies of Power of Attorney, Living Will, and Health Care Power of Attorney, as well as the location of the Will, prior to occupancy.
- G. Transfer of Property.** The Resident agrees not to make any gift or other transfer of property for less than adequate consideration for the purpose of evading the Resident's obligations under this Agreement or if such gift or transfer would render such Resident unable to meet such obligations.
- H. Governing Law.** This Agreement shall be governed by the laws of the State of North Carolina.
- I. Disclosure Statement.** The Resident acknowledges that a current copy of the Disclosure Statement for The Village at Brookwood has been received.
- J. Third Party Injuries and Claims.** Provider is not required to provide any medical, surgical, nursing or other care for the Resident when the Resident is injured as a result of the fault or negligence of a third party or parties. The Resident shall promptly notify Provider of any such injury. In the event that Provider provides such care as can be furnished by its employees and facilities, the Resident hereby assigns to Provider any compensation that the Resident may recover from such third party or parties to the extent necessary to reimburse Provider for the cost of such care furnished by Provider. The Resident or his legal representative shall have the duty to pursue diligently any and all proper claims for compensation due from a third party or parties for injury to the Resident and to cooperate with Provider in collecting such compensation and reimbursing Provider for the cost of all such care provided the Resident.
- K. Affiliations of the Provider.** The Village at Brookwood is not affiliated with any religious or charitable provider other than its owner, The Well Spring Group. All financial and contractual obligations of The Village at Brookwood will be the sole responsibility of The Village; the owner will not be responsible for any of these obligations.
- L. Notice Provisions.** Any notices, consents, or other communications to The Village hereunder (collectively "notices") shall be in writing and addressed as follows:

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

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

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

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Resident

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Co-Resident

\_\_\_\_\_  
Date

\_\_\_\_\_  
Address (Prior to Occupancy)

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

\_\_\_\_\_  
Telephone

THE VILLAGE AT BROOKWOOD

\_\_\_\_\_  
Signature (Executive Director)

\_\_\_\_\_  
Date

EXHIBIT A

TARGET OCCUPANCY DATE: \_\_\_\_\_

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

RESIDENCE NUMBER: \_\_\_\_\_

RESIDENCE TYPE: \_\_\_\_\_

ENTRANCE FEE FOR:  
     Resident \_\_\_\_\_

Co-Resident \_\_\_\_\_

TOTAL ENTRANCE FEE: \_\_\_\_\_

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

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

ENTRANCE FEE BALANCE DUE AND PAYABLE: \_\_\_\_\_

MONTHLY FEE FOR:  
     Resident \_\_\_\_\_

Co-Resident \_\_\_\_\_

TOTAL MONTHLY FEE: \_\_\_\_\_

ADDRESSES FOR REQUIRED NOTICE:

To The Village:

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

To You Prior to Occupancy:

Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
City, State, Zip Code: \_\_\_\_\_

To You Following Occupancy:

Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
City, State, Zip Code: \_\_\_\_\_

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

Applicant: \_\_\_\_\_  
Co-Applicant: \_\_\_\_\_  
Date: \_\_\_\_\_

Attachment E  
Residence and Services Agreement  
Fee for Service

**FEE FOR SERVICE  
RESIDENCE AND SERVICES AGREEMENT**  
*The Village at Brookwood*

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

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

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

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

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

Residence Type: \_\_\_\_\_  
(hereinafter referred to as “Residence”)

Resident Entrance Fee: \_\_\_\_\_

Co-Resident Entrance Fee: \_\_\_\_\_

Resident Monthly Fee: \_\_\_\_\_

Co-Resident Monthly Fee: \_\_\_\_\_



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

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

- A. Residence.** Except as set forth in this Agreement, the Resident has the right to occupy, use, and enjoy the Residence and services of The Village during the term of this Agreement.
- B. Furnishings in the Residence.** The Village provides flooring, appliances and other furnishings per current standards as described in The Village's current literature. The Resident will be responsible for furnishing the Residence. All furniture and electrical and other appliances provided by the Resident shall be subject to The Village's approval in order to keep the Residence safe and sanitary.
- C. Options and Custom Features in the Residence.** The Resident may select certain options and custom features for the Residence as described in The Village's literature for an additional charge. Any such options and custom features selected and paid for by the Resident will become the property of The Village. The value of any such improvements will be considered in computing refunds if such options or custom features involve structural changes to the Residence or substantially increase livable square footage in the Residence.
- D. Common Areas and Amenities.** The Village maintains common areas and amenities for the use and benefit of all residents.
- E. Parking.** The Village provides parking areas for the Resident's personal vehicle and limited parking for guests.
- F. Storage.** Limited storage space of one (1) unit per apartment is provided by The Village for apartment residents and shall be in addition to the space in each apartment. Garden homes have storage rooms adjacent to the carport and/or garage.
- G. Services and Programs.**
- 1. Utilities.** The Village furnishes heating, air conditioning, electricity, water, sewer service, trash removal, basic cable TV and secure WIFI access. The Resident is responsible for the charges for telephone service and expanded cable television service. The Village shall not be responsible for any periods of disruption regarding these utilities.
  - 2. Dining Services.** The Village will provide nutritionally balanced meals per published dining hours. The Resident's monthly service fee will include a meal plan, which the Resident may choose in accordance with The Village dining services procedures. The cost of additional meals taken by the Resident will be billed on a monthly basis.

3. **Special Diets.** When authorized by the Provider's medical and dietary personnel, meals accommodating special diets may be provided. The Provider may make additional charges for special diets.
4. **Tray Service.** When authorized by The Village, meal delivery may be provided to you in your Residence. The Village may make additional charges for meals delivered to the Residence per current scheduled fees.
5. **Housekeeping Services.** The Village provides housekeeping services every other week. Additional housekeeping may be scheduled at the request and expense of the Resident.
6. **Laundry.** The Village provides washers and dryers in the Residence.
7. **Grounds-keeping.** The Village furnishes basic grounds-keeping services including lawn, tree, and shrubbery care. The Resident may plant and maintain certain areas designated for such purpose by The Village.
8. **Maintenance and Repairs.** The Village maintains and repairs its own improvements, furnishings, appliances, and equipment. The Resident will be responsible for the cost of repairing damage to property of The Village caused by the Resident or any guests of the Resident, ordinary wear and tear excepted.
9. **Transportation.** The Village may provide transportation services for residents. An additional charge may be made for transportation for special, personal, or group trips.
10. **Security.** The Village is a gated community providing twenty-four (24) hour staffing to include evening and nighttime security patrol. Emergency call devices are provided and smoke detectors will be located in each Residence. Security cameras may be located in parking areas and at building entrances or other common areas.
11. **Life Enrichment.** The Village provides planned and scheduled social, recreational, spiritual, educational and cultural activities; arts and crafts classes; and other special activities. Some activities may require an additional charge.
12. **Wellness Programs.** The Village provides a variety of exercise programs, including aquatic classes, exercise equipment and aerobics as a part of an overall Wellness Program.
13. **Health Care Services:**
  - a. **Health Care Center.** The Health Care Center consists of licensed Assisted Living, Memory Care, and Skilled Nursing accommodations.
    - (1) **Assisted Living Services.** The Assisted Living section of the Provider is licensed by North Carolina as an Adult Care Home, where assistance with daily living activities may include: bathing, dressing, administration of

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

- (2) **Memory Care**. The Village provides, in a separate Assisted Living section of the facility licensed by North Carolina as an Adult Care Home, specialized services for memory support. Assistance with daily living activities tailored to the different needs of the residents may include: bathing, dressing, administration of medication, bed making, three (3) meals per day, housekeeping, transportation, specialized activities, and personal laundry service.
- (3) **Skilled Nursing Services**. The Village provides nursing care in its licensed nursing center as may be deemed necessary by the Medical Director and/or their staff. The Resident agrees that nursing care provided by The Village shall be limited to care in keeping with licensure requirements. Services may include three (3) meals per day, housekeeping, assistance with daily living activities, and nursing services as ordered by the appropriate physician.
- (4) **Staffing**. The Health Care Center is staffed by licensed and certified nursing staff twenty-four (24) hours per day and meets all North Carolina licensing requirements.

b. **Clinic Services:**

- (1) A health clinic, staffed with a licensed nurse, is available on site during scheduled hours for resident use.
- (2) Additional periodic services may be provided through the health clinic as deemed necessary by The Village. The cost of such services shall be the responsibility of the Resident.

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

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

**II. FINANCIAL ARRANGEMENTS**

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

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

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

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

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

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

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

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

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

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

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

### **III. ADMISSION REQUIREMENTS AND PROCEDURES**

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

- A. **Age.** Generally, admission is restricted to persons 62 years of age or older. If one member of the residential party is 62, the co-resident may be 55 years of age or older.
- B. **Residence and Services Agreement.** Upon notification of acceptance by Provider, the Resident shall enter into this Agreement.
- C. **Representations.** The Resident affirms that the representations made in the required Application for Residency as well as the Reservation Agreement that was previously executed by the parties (which representations include a confidential personal and health history and a financial disclosure), are true and correct and may be relied upon by the Provider as a basis for entering into this Agreement.
- D. **Direct Admission to Health Care Center.** Upon admission, if it is determined by Provider that Resident is unable to live independently in the Residence, the Resident may be offered direct admission to the Health Care Center. Such Resident shall pay monthly fees equal to the current Fee for Service per diem rate (as described in The Village's current literature) in the Health Care Center (for the required level of care, Assisted Living, Skilled Care or Memory Care). Residents directly admitted to the Health Care Center shall complete the Amendment to Residence and Services Agreement for Direct Admission to Health Care and documents as required by the Provider and North Carolina licensure statutes. In the event a Resident that qualifies for direct admission into the Health Care Center has a Co-Resident that does not qualify for such direct admission, the Co-Resident shall continue to be governed by the terms of this Agreement as a single occupant of the Residence.

#### IV. TERMS OF OCCUPANCY

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

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

- B. **Policies and Procedures.** The Resident will abide by The Village's policies and procedures and such amendments, modifications, and changes of the policies and procedures as may hereafter be adopted by the Provider.
- C. **Changes in the Residence, Services, or Fees.** Provider has the right to change the Residence, the services offered, or the fees charged to meet requirements of, or changes to any applicable statute, law, or regulation. The Residence may not be used in any manner in violation of any zoning ordinances or other governmental law or regulation.
- D. **Visitors.** The Resident shall be free to invite guests to the Residence for daily and overnight visits. Guest rooms may be available from time to time at a reasonable rate for overnight stays by your guests. The Village reserves the right to make rules regarding visits and guest behavior and may limit or terminate a visit at any time for reasons it deems appropriate. Two (2) weeks is the maximum continuous stay for guests unless prior approval from the Executive Director is obtained. Except for short-term guests, no person other than the Resident or a Co-Resident, if any, may reside in the Residence without prior approval of The Village.
- E. **Occupancy by Two Residents.** In the event that two Residents occupy a Residence under the terms of this Agreement, upon the permanent transfer to the Health Care Center or the death of one Resident, or in the event of the termination of this Agreement with respect to one of the Residents, the Agreement shall continue in effect as to the remaining or surviving Resident who shall have the option to retain the same Residence. Should the remaining or surviving Resident wish to move to another residence, the policies of The Village governing said residence transfer will prevail.
- F. **Addition of a Co-Resident or Marriage.** If a Resident marries a person who is also a Resident, the two Residents may occupy the Residence of either Resident and shall surrender the Residence not to be occupied by them. Such married Residents will pay the Monthly Fee for double occupancy associated with the Residence occupied by them. In the event that a Resident shall marry a person who is not a Resident of The Village, the spouse may become a Resident if such spouse meets all the current requirements for admission to The Village, enters into a current version of the Fee for Service Residence and Services Agreement with Provider, and pays the current single person Entrance Fee for the smallest one bedroom apartment at The Village. The

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

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

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

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

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

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

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

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

**V. TRANSFERS OR CHANGES IN LEVELS OF CARE**

- A. Voluntary Transfer between Independent Residences.** The Resident may transfer from one independent Residence to another. The Resident shall comply with The Village's current Resident Transfer Advantage Program for selection of such Residence. There may be a refurbishment fee (for the Residence being vacated) charged for such a transfer.
- 1. Transfer of Resident to a Larger Residence.** If the Resident elects to transfer to a larger Residence, an additional Entrance Fee (according to the Entrance Fee at the original Date of Occupancy) equal to the difference between the Entrance Fee for the smaller Residence and the Entrance Fee for the larger Residence will be due to The Village. The Resident will also pay the Monthly Service Fee associated with the larger Residence.
  - 2. Transfer of Resident to a Smaller Residence.** The Resident may elect to transfer to a smaller Residence, and pay the current monthly service fee for that Residence. The transfer to a smaller Residence shall not result in any entrance fee refund.
- B. Transfer to the Health Care Center.** The Resident agrees that Provider shall have authority to determine that the Resident be transferred from one level of care to another level of care within The Village. Such determination shall be based on the professional opinion of the Medical Director, and shall be made after reasonable efforts to consult with the Resident or the Resident's chosen and legal representative.
- C. Transfer to Hospital or Other Facility.** If it is determined by Provider that the Resident needs care beyond that which can be provided by The Village, the Resident may be transferred to a hospital, center, or institution equipped to give such care and such care will be at the expense of the Resident. Such transfer of the Resident will be made only after consultation to the extent possible with the Resident or the Resident's chosen and legal representative.
- D. Surrender of Residence.** If a determination is made by Provider that any transfer described in Section V.B. or V.C. is likely to be permanent in nature, the Resident agrees to surrender the Residence upon such transfer. The Provider shall continue charging the monthly fees until such time that the Residence is vacated. If Provider subsequently determines that the Resident can resume occupancy in a Residence or accommodation comparable to that occupied by the Resident prior to such transfer, the Resident shall have priority to such residence as soon as it becomes available.

**VI. TERMINATION AND REFUND PROVISIONS**

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



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

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

- B. Voluntary Termination after Occupancy.** At any time after occupancy, the Resident may terminate this Agreement by giving Provider thirty (30) days written notice of such termination. Such notice effectively releases the Residence to The Village. Any refunds of the Entrance Fee due to the Resident shall be calculated as described in Section II.A. Any refund due the Resident under this paragraph will be made at such time as such Resident's Residence shall have been reserved by a prospective resident and such prospective resident shall have paid to The Village the full Entrance Fee, or within one (1) year from the date of termination, whichever first occurs. All refunds may be reduced by the cost of returning the Residence to its original condition and by any outstanding charges due from Resident.
- C. Termination upon Death.** In the event of death of the Resident at any time after occupancy, this Agreement shall terminate and the refund of the Entrance Fee paid by the Resident shall be calculated as described in Section II.A. Any refund due to the Resident's estate will be made at such time as such Resident's Residence shall have been reserved by a prospective resident and such prospective resident shall have paid to The Village the full Entrance Fee, or within one (1) year from the date of termination, whichever first occurs. All refunds may be reduced by the cost of returning the Residence to its original condition and by any outstanding charges due from Resident.
- D. Termination by Provider.** Provider may terminate this Agreement at any time if there has been a material misrepresentation or omission made by the Resident in the Resident's Application for Admission, Personal Health History, or Confidential Financial Statement; if the Resident fails to make payment to Provider of any fees and charges due The Village within sixty (60) days of the date when due; or if the Resident does not abide by the rules and regulations adopted by Provider or breaches any of the terms and conditions of this Agreement. Any refunds of the Entrance Fee due to the Resident shall be calculated as described in Section II.A. Any refund due the Resident under this paragraph will be made at such time as such Resident's Residence shall have been reserved by a prospective resident and such prospective resident shall have paid to The Village the full Entrance Fee, or within one (1) year from the date of termination, whichever first occurs. All refunds may be reduced by the cost of returning the Residence to its original condition and by any outstanding charges due from Resident.

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

## **VII. RIGHT OF RESCISSION**

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

## **VIII. FINANCIAL ASSISTANCE**

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

## **IX. GENERAL**

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

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

- C. **Management of The Village at Brookwood.** The absolute rights of management are reserved by Provider, its Board of Directors, and its administration as delegated by said Board of Directors. The Village retains all authority regarding acceptance of Residents, adjustment of fees, financial assistance, and all other aspects of the management of The Village. Residents do not have the right to determine admission or terms of admission of any other Resident.
- D. **Entire Agreement.** This Agreement constitutes the entire agreement between Provider and the Resident. Provider shall not be liable or bound in any manner by any statements, representations, or promises made by any person representing or assuming to represent Provider, unless such statements, representations, or promises are set forth in this Agreement.
- E. **Successors and Assigns.** Except as set forth herein, this Agreement shall bind and inure to the benefit of the successors and assigns of The Village and the heirs, executors, administrators, and assigns of the Resident.
- F. **Power of Attorney, Will, Living Will, and Health Care Power of Attorney.** The Resident agrees to execute a power of attorney designating some competent person as attorney-in-fact. The Resident is also encouraged to execute a will, Living Will and Health Care Power of Attorney. The Resident shall provide The Village with copies of Power of Attorney, Living Will, and Health Care Power of Attorney, as well as the location of the Will, prior to occupancy.
- G. **Transfer of Property.** The Resident agrees not to make any gift or other transfer of property for less than adequate consideration for the purpose of evading the Resident's obligations under this Agreement or if such gift or transfer would render such Resident unable to meet such obligations.
- H. **Governing Law.** This Agreement shall be governed by the laws of the State of North Carolina.
- I. **Disclosure Statement.** The Resident acknowledges that a current copy of the Disclosure Statement for The Village at Brookwood has been received.
- J. **Third Party Injuries and Claims.** Provider is not required to provide any medical, surgical, nursing or other care for the Resident when the Resident is injured as a result of the fault or negligence of a third party or parties. The Resident shall promptly notify Provider of any such injury. In the event that Provider provides such care as can be furnished by its employees and facilities, the Resident hereby assigns to Provider any compensation that the Resident may recover from such third party or parties to the extent necessary to reimburse Provider for the cost of such care furnished by Provider. The Resident or his legal representative shall have the duty to pursue diligently any and all proper claims for compensation due from a third party or parties for injury to the

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

- K. Affiliations of the Provider.** The Village at Brookwood is not affiliated with any religious or charitable provider other than its owner, The Well Spring Group. All financial and contractual obligations of The Village at Brookwood will be the sole responsibility of The Village; the owner will not be responsible for any of these obligations.
- L. Notice Provisions.** Any notices, consents, or other communications to The Village hereunder (collectively "notices") shall be in writing and addressed as follows:

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

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

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

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Resident

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Co-Resident

\_\_\_\_\_  
Date

\_\_\_\_\_  
Address (Prior to Occupancy)

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

\_\_\_\_\_  
Telephone

**THE VILLAGE AT BROOKWOOD**

\_\_\_\_\_  
Signature (Executive Director)

\_\_\_\_\_  
Date

EXHIBIT A

TARGET OCCUPANCY DATE: \_\_\_\_\_

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

RESIDENCE NUMBER: \_\_\_\_\_

RESIDENCE TYPE: \_\_\_\_\_

ENTRANCE FEE FOR:  
    ( ) Resident \_\_\_\_\_

    ( ) Co-Resident \_\_\_\_\_

TOTAL ENTRANCE FEE: \_\_\_\_\_

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

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

ENTRANCE FEE BALANCE DUE AND PAYABLE: \_\_\_\_\_

MONTHLY FEE FOR:  
    ( ) Resident \_\_\_\_\_

    ( ) Co-Resident \_\_\_\_\_

TOTAL MONTHLY FEE: \_\_\_\_\_

ADDRESSES FOR REQUIRED NOTICE:

To The Village:

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

To You Prior to Occupancy:

Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
City, State, Zip Code: \_\_\_\_\_

To You Following Occupancy:

Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
City, State, Zip Code: \_\_\_\_\_

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

Applicant: \_\_\_\_\_  
Co-Applicant: \_\_\_\_\_  
Date: \_\_\_\_\_

Attachment F  
Reservation Agreement



# **RESERVATION AGREEMENT**

## *The Village at Brookwood*

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

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

### TERM

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

### THE RESERVED RESIDENCE

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

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

### FEES

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

- The Reservation Fee shall equal ten percent (10%) of the Entrance Fee (less the One Thousand Dollar (\$1,200.00) FAP fee, if applicable) as set forth in Exhibit A. It shall be paid upon execution of this Reservation Agreement and will be credited to the total Entrance Fee. The Entrance Fee for your Reserved Residence for the Refund Option selected shall not be increased above the Entrance Fee set forth on Exhibit A.
- The balance of the Entrance Fee and first month's Monthly Fee shall be due and payable at or before your Target Occupancy Date (as described on Exhibit A).
- Checks for all fees should be made payable to The Village at Brookwood.

ACCEPTANCE TO THE VILLAGE

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

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

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

Your race, color, gender, religious beliefs, sexual orientation, or national origin will not have any bearing upon whether you are accepted into The Village.

If you are approved for residency at The Village, an acceptance letter will be sent welcoming you. You agree to execute the then current version of the Residence and Services Agreement within seven (7) calendar days after The Village notifies you that you have been accepted for residency at The Village.

You agree that if you are accepted for residency by The Village and decide to sign a Residence and Services Agreement, you will commence occupancy on a mutually agreed upon date. This date shall not be more than ninety (90) calendar days after you sign the Residence and Services Agreement. The Village will use its best efforts to establish an occupancy date that is acceptable to you. The balance of the Entrance Fee and first month's Monthly Fee shall be due and payable at or before your Target Occupancy Date.

## TERMINATION AND REFUNDS

This Agreement will terminate upon any of the following occurrences:

- (a) you fail to pay the Reservation Fee;
- (b) you die, or if your Co-applicant dies, before the Residence and Services Agreement becomes effective;
- (c) you submit to The Village written notice of termination of Agreement for any reason;
- (d) you are not accepted by The Village;
- (e) you fail to sign a Residence and Services Agreement in accordance with the terms of this Agreement;
- (f) you experience changes in your financial status prior to occupancy at The Village that causes you to fail to meet The Village's financial qualifications for admission;
- (g) you experience changes in your health status that prevent you from being able to live in independent living.

The Reservation Fee, less any fees charged by The Village, will be credited to the balance of the Entrance Fee when payment of that balance is due.

If you or The Village terminate this Agreement for a reason other than your signing a Residence and Services Agreement, The Village shall have the right to reassign the Reserved Residence, and you will have no further rights to that Reserved Residence except that a surviving Co-applicant shall be given the opportunity to enter into a new Reservation Agreement for the Reserved Residence based on single occupancy or on joint occupancy with another Co-applicant before the Reserved Residence is offered to others. In case of termination of this Agreement for reasons set forth in a., b., d., f., and g. above, The Village will return all Reservation Fees, less any fees charged by The Village, to you or your legal representative. Should this Agreement be terminated for the reasons set forth in c. or e. above, in addition to any fees charged by The Village, The Village reserves the right to withhold an administrative charge of two percent (2%) of your total Entrance Fee amount, from any refunds owed to you to the extent permitted by law.

Any refund due to you will be made within sixty (60) days after the termination of this Agreement (unless this Agreement is terminated as a result of you and The Village entering into a residence and Services Agreement in which no refund is due hereunder).

## MISCELLANEOUS

Your rights under this Agreement may not be transferred to any other person. When a reservation is made by Co-applicants, the word "you" shall be deemed to include both of you.

This Agreement will be governed by the laws of the State of North Carolina, and specifically by the North Carolina law governing continuing care facilities, Chapter 58, Article 64 of the General Statutes of North Carolina.

Notices shall be given in writing and shall be given to The Village or to you at the addresses set forth in Exhibit A, or at such address as The Village and you shall specify in writing to each other.

By signing this Agreement, you certify that you understand and agree to its terms.

By signing this Agreement, you acknowledge that you received a current copy of The Village Disclosure Statement dated \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
Applicant's Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Co-Applicant's Signature

\_\_\_\_\_  
Date

THE VILLAGE AT BROOKWOOD

\_\_\_\_\_  
Authorized Representative

\_\_\_\_\_  
Date

EXHIBIT A

TARGET OCCUPANCY DATE: \_\_\_\_\_

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

RESIDENCE NUMBER: \_\_\_\_\_

RESIDENCE TYPE: \_\_\_\_\_

ENTRANCE FEE FOR:  
     Resident \_\_\_\_\_

Co-Resident \_\_\_\_\_

TOTAL ENTRANCE FEE: \_\_\_\_\_

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

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

ENTRANCE FEE BALANCE DUE AND PAYABLE: \_\_\_\_\_

MONTHLY FEE FOR:  
     Resident \_\_\_\_\_

Co-Resident \_\_\_\_\_

TOTAL MONTHLY FEE: \_\_\_\_\_

REFUND OPTION SELECTED:  
     Life Care – Standard, Declining Refund  
     Fee For Service – Standard, Declining Refund

ADDRESSES FOR REQUIRED NOTICE:

To The Village:

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

To You Prior to Occupancy:

Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
City, State, Zip Code: \_\_\_\_\_

To You Following Occupancy:

Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
City, State, Zip Code: \_\_\_\_\_

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

Applicant: \_\_\_\_\_  
Co-Applicant: \_\_\_\_\_  
Date: \_\_\_\_\_