



# Wesley Pines

A rich tradition, a warm welcome

**1000 Wesley Pines Road  
Lumberton, North Carolina 28358-2148  
(910) 738-9691  
[www.wesleypines.org](http://www.wesleypines.org)**

## **DISCLOSURE STATEMENT**

Wesley Pines (the "Community") must deliver a Disclosure Statement to a prospective resident prior to or at the time a prospective resident executes a Residency Agreement to provide continuing care, or prior to or at the time a prospective resident transfers any money or other property to the Community, whichever occurs first.

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

**February 28, 2023**

**Unless earlier revised, the Community intends for this  
Disclosure Statement to remain effective until February 28, 2024**



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## **Attachments:**

- **Attachment 1 – Audited Financial Statements for The United Methodist Retirement Homes, Incorporated (includes the consolidated operations of Croasdaile Village, Cypress Glen and Wesley Pines)**
- **Attachment 2 – Forecasted Financial Statements of The United Methodist Retirement Homes, Incorporated (includes the consolidated operations of Croasdaile Village, Cypress Glen and Wesley Pines)**
- **Attachment 3 – Interim Unaudited Financial Statements of The United Methodist Retirement Homes, Incorporated (includes the consolidated operations of Croasdaile Village, Cypress Glen and Wesley Pines)**
- **Attachment 4 – Explanations of Material Differences**
- **Attachment 5 – Standard Residency Agreement**
- **Attachment 6 – Communities Managed by Life Care Services LLC**
- **Attachment 7– List of Extra Charges**

## INTRODUCTION

Wesley Pines (the "Community") brings to residents of the southern North Carolina area, who are age 62 and over, a way of retirement living known as "continuing care." This concept offers retirees a life style designed to meet their unique needs while allowing them the freedom to pursue their personal interests. Continuing care communities, such as the Community, encompass these important components: a private residence, a wide array of personal services, assisted living services, and the security of long-term care in the on-site Health Center.

The Community is owned and operated by The United Methodist Retirement Homes, Incorporated ("UMRH"), a North Carolina not-for-profit corporation, which is committed to providing a quality adult community that is fiscally sound and genuinely responsive to resident needs. UMRH also owns Croasdaile Village, a continuing care retirement community located in Durham, North Carolina and Cypress Glen Retirement Community, a continuing care retirement community located in Greenville, North Carolina. The financial information attached to this Disclosure Statement includes financial information for UMRH and the consolidated operations of Croasdaile Village, Cypress Glen and Wesley Pines. (See further explanation under the "Financial Information" section of this Disclosure Statement.)

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

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

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

## **THE UNITED METHODIST RETIREMENT HOMES, INCORPORATED**

The United Methodist Retirement Homes, Incorporated ("UMRH") is a not-for-profit corporation originally chartered by the State of North Carolina on January 24, 1946. A Restated Charter was filed with the Department of the Secretary of State for the State of North Carolina on October 26, 1992. The principal business address of UMRH is 2600 Croasdaile Farm Parkway, Suite A-500; Durham, North Carolina 27705.

UMRH is operated as a community service organization and is tax exempt under the provisions of Section 501(c)(3) of Internal Revenue Code.

UMRH is the sole shareholder of UMRH Affordable Housing, Inc. UMRH-Affordable Housing, Inc. is located at 2600 Croasdaile Farm Parkway, Suite A-500, Durham, NC 27705. It was organized in 2002 in the State of North Carolina in conjunction with the Wesley Ridge project (see more information below). UMRH Affordable Housing, Inc. is not responsible for the contractual or financial obligations of UMRH.

UMRH is the sole member of UMRH Affordable Housing Development, LLC, located at 2600 Croasdaile Farm Parkway, Suite A-500, Durham, NC 27705. UMRH Affordable Housing Development, LLC was organized in North Carolina in 2002 to further the charitable purposes of UMRH by developing Wesley Ridge, a 24-unit affordable rental housing complex located adjacent to Wesley Pines. UMRH Affordable Housing Development, LLC is not responsible for the contractual or financial obligations of UMRH.

UMRH is affiliated with The United Methodist Retirement Homes Foundation, Inc. (the "Foundation"). The Foundation is a not-for-profit corporation, which was organized for the benefit of the retirement communities operated by UMRH. Its purpose is to raise endowment funds, to support benevolent care for those residents who are unable to pay for care, and to support special programs. The Foundation is located at 2600 Croasdaile Farm Parkway, Suite A-500, Durham, NC 27705. The Board of Trustees of UMRH are the same Board of Trustees for the Foundation. UMRH and the Foundation are jointly obligated under the terms of the various bond agreements entered into for the financing of Croasdaile Village, Cypress Glen and Wesley Pines.

UMRH is related by faith to the North Carolina Annual Conference, Southeastern Jurisdiction, of The United Methodist Church. UMRH is governed by a corporate Board of Trustees. The North Carolina Annual Conference of The United Methodist Church elects forty percent (40%) of the Board of Trustees of UMRH. The North Carolina Annual Conference of The United Methodist Church is not responsible for the financial and contractual obligations of UMRH.

UMRH and the Community are also affiliated by membership with LeadingAge North Carolina; the United Methodist Association of Health and Welfare Ministries; and LeadingAge (National).

Other than disclosed above, UMRH is not affiliated with any other religious, charitable or nonprofit organization.

## BOARD OF TRUSTEES

The names and addresses of the members of the Board of Trustees of UMRH are listed below:

*Mr. Lee Harris*  
*Chair and Trustee*  
205 Shady Circle Dr.  
Rocky Mount, NC 27893

*Ms. Nancy Van Antwerp*  
*Secretary and Trustee*  
649 Lipford Dr.  
Cary, NC 27519

*Rev. Paul Lee*  
*Vice Chair and Trustee*  
507 Ringleaf Court  
Cary, NC 27513

*Mr. Jonathan P. Erickson (ex-officio Trustee)*  
*Corporate Executive Director*  
2600 Croasdaile Farm Parkway, Suite A-500  
Durham, NC 27705

*Ms. Susan Ezekiel*  
*Treasurer and Trustee*  
P.O. Box 387  
Graham, NC 27253

### *Trustees:*

Mr. Carl Hardy, 4104 Cypress Dr., Apt. B, Wilson, NC 27896  
Mr. Charles Mercer, 4140 Parklane Avenue, Suite 200, Raleigh, NC 27612  
Mr. Mack Parker, 2204 Laurel Valley Way, Raleigh, NC 27604  
Rev. Gray Southern, P.O. Box 1970, Garner, NC 27529  
Dr. Kenneth Steinweg, 108 Jamestown Rd., Greenville, NC 27858  
Ms. Sheryl Taylor, 410 W 18<sup>th</sup> Street, Lumberton, NC 28358  
Mr. James Martin 1902 N Walnut Street, Lumberton, NC 28358

### *Ex-Officio Members of the Board of Trustees:*

Mr. Robert Brawley, 2 Aldersgate Court, Durham, NC 27705  
Dr. Dick Evans, 100 Hickory St. E305, Greenville, NC 27858  
Ms. Phyllis Pate, 1000 Wesley Pines Road #306, Lumberton, NC 28358  
Mr. Fred Mattox, 100 Hickory Street, #D214, Greenville, NC 27858

There is not any professional service firm, association, trust, partnership or corporation, in which the Executive Director, management staff or any member of the Board of Trustees has a 10 percent or greater interest in and which it is presently intended shall currently or in the future provide goods, leases or services to the Community or to residents of the Community, of an aggregate value of \$500 or more within any year. Further, there is not any professional service firm, association, trust, partnership, or corporation that currently provides any goods, leases or services of an aggregate value of \$500 or more within any year to the Community or to the residents of the Community that has a 10% or greater interest in any officer, trustee or management staff (including the Executive Director).

No Trustee or management staff of UMRH (i) has been convicted of a felony or pleaded nolo contendere to a felony charge, or been held liable or enjoined in a civil action by final judgment, if the felony or civil action involved fraud, embezzlement, fraudulent conversion, or

misappropriation of property; or (ii) is subject to a currently effective injunctive or restrictive court order, or within the past five years, had any State or Federal license or permit suspended or revoked as a result of an action brought by a governmental agency or department, if the order or action arose out of or related to business activity of health care, including actions affecting a license to operate a foster care facility, nursing home, retirement home, home for aged, or facility subject to this Article or a similar law in another state. UMRH is not aware of any actions (as defined) against any person (as defined) requiring disclosure.

### **CORPORATE EXECUTIVE DIRECTOR**

Jonathan P. Erickson has been the corporate executive director over all of the UMRH retirement communities since July 2007. Mr. Erickson holds a bachelor of arts in psychology from North Park College in Chicago, Illinois, a master of science in community health from Northern Illinois University in DeKalb, Illinois, and a certification in long-term care management from the University of Connecticut. He is currently licensed as a nursing home administrator in the State of Connecticut. Mr. Erickson has been an employee of Life Care Services LLC for over 20 years and has over 30 years of experience in the senior housing industry.

### **EXECUTIVE DIRECTOR**

Amy Shooter became the Executive Director of Wesley Pines Retirement Community, a United Methodist Retirement Home, on August 30, 2022. She previously served as Marketing and Sales Director, Social Services and Admissions Director, and the Assistant Activity Director with over 20 years at the community. Mr. Shooter is a licensed nursing home administrator in the State of North Carolina.

### **RESIDENT ASSOCIATION**

Administration assisted residents in establishing the Resident Association and its bylaws. All residents are members of the Resident Council, which formally meets each quarter. The residents annually elect officers and committee members. Monthly informal meetings are also held to facilitate communication among residents, administration, and the Board of Trustees.

### **LIFE CARE SERVICES LLC**

The Provider has retained Life Care Services LLC ("Life Care Services") to manage the Community. As the nation's second largest operator of senior living communities, Life Care Services serves more than 40,000 seniors in more than 140 communities (see Attachment 6). With nearly 50 years of service, Life Care Services has developed expertise in nearly every facet of senior living management. For more information, visit Life Care Services' website: <https://www.senior-living-management.com/>.

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

Joel Nelson: As Chief Executive Officer of Life Care Services, Joel Nelson is responsible for executing the business strategy across all business lines in the LCS Family of Companies. He provides leadership and direction for business growth, service excellence, and enhancing the company's stability and value among financial partners, property owners, and other stakeholders in the senior living field. Joel joined Life Care Services in 1986 and has held several executive roles during his long tenured career with LCS. Today, he is responsible for the oversight of serving more than 40,000 seniors and 27,000 employees in 140+ communities.

Joel serves as Chairman on the Board of Directors of LCS Holding Company, LLC, is a member of the compensation committee and is a trustee of the Company's 401(k) benefits program. Outside LCS, Joel serves on various industry and community boards. Within the industry, Joel is the current chairman of the Argentum Board of Directors, and a member of the National Investment Center operator advisory board and an executive member of the American Senior Housing Association. Joel is active in the Des Moines community and serves as a trustee for ChildServe. As a past board member, he remains active with the Alzheimer's Association and the Central Iowa United Way Board of Directors.

Diane Bridgewater: As a high energy, results-driven executive, Diane Bridgewater directs all financial aspects and operating infrastructure at LCS to ensure corporate, field and community team members have the resources necessary to provide exceptional customer satisfaction to residents. Serving as executive vice president/chief financial and administrative officer at LCS, Diane is responsible for directing all financial and business operations in addition to overseeing the company's insurance business line, information technology, compliance, regulatory and legal matters. In her executive leadership role, Diane helps to drive strategy development and execution resulting in strong financial performance and growth.

At LCS, Diane serves on the Board of Directors of LCS Holding Company, LLC and its audit committee, 401(k) administrative committee, investment committee, and enterprise risk management committee. Outside the organization, she is a member of Argentum. In addition, Diane sits on the Casey's General Stores board, audit committee, and compensation committee. She is also a member of the board and chair of the audit committee at Guide One Insurance. Diane holds bachelor's degrees in accounting and French from the University of Northern Iowa.

Chris Bird: Capitalizing on his reputation as a change agent, Chris Bird brings his expertise to the communities LCS serves. By leading operations, building community occupancy, fostering capital partner relationships, and developing new business, Chris implements strategies to deliver on the expectations of owners and shareholders. As president, chief operating officer, Chris oversees Life Care Services, CPS, asset management, procurement, and onboarding operations. His ability to analyze issues, devise continuous process improvements, and incorporate business process initiatives drives performance improvement for the overall operation.

At LCS, Chris mentors future leaders by providing guidance, expertise and resources to develop professional skills in the senior living industry. In addition, he is a member of the Board of Directors of LCS Holding Company, LLC. Chris is a member of the Argentum Advisory Council and the Argentum Chief Operating Officer Roundtable. He holds a bachelor's degree in history from the University of Memphis, Tennessee.

Rick Exline: Serving as executive vice president/senior managing director of Life Plan Communities, Rick Exline leads a team of highly skilled professionals dedicated to elevating senior living experience. With over four decades of knowledge and expertise, Rick oversees the company's Life Plan Community management services, national marketing and sales, and the LCS health care group. Collaborating with the LCS leadership team, Exline identifies growth strategies that maximize market opportunities for single site, affiliated, and third-party managed communities. With a precise focus on performance excellence, Rick's team developed and launched the next generation opportunity platform for third-party managed Life Plan Communities. This innovation transformed the regional operations support model by relocating regional and corporate support staff.

At LCS, Rick serves on the executive leadership and senior living management teams. Rick is also a trustee for the company's 401(k) benefits program. Outside the organization, Rick serves on the Simpson College Board of Trustees and is a board member for Above & Beyond Cancer. He holds dual bachelor's degrees in business administration and health care leadership.

Jason Victor: Jason Victor is senior vice president, controller and treasurer for LCS. In this role, he provides oversight and direction for the organization's financial matters, ensuring its consistent and efficient fiscal performance. Jason has responsibility for the organization's corporate accounting, corporate payroll, community payroll, treasury and tax departments. He oversees all aspects of general accounting, cash management, billing and receivables, accounts payable, payroll, consolidations, and financial reporting. In addition, Jason provides oversight and guidance related to audits, internal controls, technical accounting, tax and financial management systems.

At LCS, Jason serves on the insurance captive, Hexagon, board of directors. Jason holds a bachelor's degree in accounting from the University of Northern Iowa. He is a certified public accountant with an active license in the state of Iowa.

Jill Sorenson: Leaning on her expertise to foster and maintain meaningful relationships, Jill Sorenson leads the regional team serving a portfolio of 13 Life Plan communities. Following her passion for serving seniors, Jill's responsibilities have grown during her career at LCS. From roles in accounting, information technology, and corporate resource development to receiving her nursing home administrator license, Jill is committed to serving others. Prior to her current position, Jill provided leadership to 22 Life Plan communities where she was successful in delivering on occupancy goals and achieving 4- and 5-star ratings from the Centers for Medicare and Medicaid Services.

To ensure Life Care Services is serving the customer first and foremost, Jill initiated client satisfaction surveys with client boards and owners to build stronger and more strategic relationships. Outside LCS, Jill has served on the San Diego Region for Aging Services of California and the Aging Services of California Board. She is a frequent presenter at national and state industry conferences on topics affecting the senior living industry. Jill holds a bachelor's in business administration from Simpson College and an MBA from the University of Phoenix.

Management of the Community is performed by Life Care Services under contract with UMRH. Life Care Services' responsibilities include: recruiting and employing the executive director and corporate executive director; supervising the licensing, equipping, and staffing of the



Community; preparing annual budgets; establishing and operating a system of financial controls for the Community, including comparative analyses with other facilities; and overseeing the food service and quality accommodations provided by the Community.

No managing member of Life Care Services (i) has been convicted of a felony or pleaded nolo contendere to a felony charge, or been held liable or enjoined in a civil action by final judgment, if the felony or civil action involved fraud, embezzlement, fraudulent conversion, or misappropriation of property; or (ii) is subject to a currently effective injunctive or restrictive court order, or within the past five years, had any State or Federal license or permit suspended or revoked as a result of an action brought by a governmental agency or department, if the order or action arose out of or related to business activity of health care, including actions affecting a license to operate a foster care facility, nursing home, retirement home, home for aged, or facility subject to this Article or a similar law in another state.

Life Care Services is not financially responsible for the contractual obligations or other obligations of UMRH. The Board of Trustees of UMRH retains the ultimate responsibility for hiring managers and monitoring the operating costs, wages, salaries, expenses, fees, and overall fiscal viability of the Community.

## **WESLEY PINES**

The Community is located at 1000 Wesley Pines Road, Lumberton, North Carolina on 48.64 acres of land. It is a continuing care retirement community designed to accommodate persons 62 years of age or older in a dignified manner. Currently, the Community has 10 cottages and 16 villas, 36 assisted living rooms and suites, and 62 skilled nursing beds. As of September 30, 2022, there were 121 residents residing at the Community.

Presently, the types of residences available include: duplex cottages, duplex villas, free-standing villas, and deluxe villas. All of the residences are equipped with safety features such as grab rails in the bathtubs/showers and a wireless emergency nurse call that works from anywhere on the campus.

In addition to the primary intent of the Community, which is to assure the residents of continuing care throughout their retirement years, the Community is designed to create an environment that will enrich the lives of the people who live and work there. The design of the main commons building provides areas for dining and meetings without detracting from the homelike environment of the Community. Some of the amenities that residents can enjoy include:

- three centrally located dining rooms,
- a fellowship building with a large auditorium and a smaller multi-use room,
- a therapy suite for the provision of physical, occupational, and speech therapies,
- card room,
- a library,
- a mail area,
- an arts and crafts workroom,
- several living rooms,
- three enclosed courtyards,

- paved nature walk,
- indoor fitness center, and
- a picnic area.

The Community offers assisted living services in the rooms and suites at the Community for an assisted living fee. Services include assistance with the activities of daily living, such as ambulation, bathing, dressing, eating, personal hygiene, toileting, and the supervision or administration of medications.

The Health Center is licensed by the North Carolina Division of Health Service Regulation and is both Medicare and Medicaid certified. The Health Center offers skilled nursing care to the residents of the Community.

Each continuing care resident at the Community is entitled to receive a total of six days of assisted living or nursing care at the Community at no additional charge, except for the charges for physician services and ancillary health services and supplies. Such six days renews on an annual basis and does not accumulate. After the six days of care each year, the services in assisted living and in the Community Health Center are available for the per diem charge.

### **SMOKE-FREE CAMPUS**

The Community is a “smoke-free” campus. Smoking (including E-Cigarettes) is not allowed by residents, guests, and business invitees on the Wesley Pines campus (inside or outside), except in a designated outside area. No smoking areas include, but are not limited to, the residences, hallways, dining rooms, public restrooms, lounge areas, reception areas, waiting rooms, courtyards, entrances, walking paths, driveways, and any other common areas. Smoking is only permitted at the designated area. Violation of the Smoke-Free Campus Policy can result in cancellation of the Residency Agreement for just cause.

### **FACILITY DEVELOPMENT/EXPANSION**

In 2014, the Community started adding new villas based on market demand, with the total compliment not to exceed 10 percent of the total independent living residences per year. Two villas were built and occupied in 2014 and one was built and occupied in 2015. One villa was built in 2017 and occupied in 2018, and one villa was built in 2019 and was occupied in 2020. Villas will be built as pre-sales occur and the prospective resident has paid the 10 percent Entrance Fee deposit. The Community will use the Entrance Fee deposit to begin construction of the villa, thus eliminating the need for long-term financing for the villa construction.

UMRH has contracted with Life Care Services Development for master planning purposes.

### **THE PROPOSAL**

11. Criteria for Resident Acceptance and Continued Acceptance. Residency Agreements are subject to acceptance by UMRH. At the time of the execution of a Residency Agreement, the resident must be 62 years of age or older, capable of living in a

residence (with or without reasonable accommodation or reasonable modification), and have sufficient financial resources to pay the Entrance Fee, Monthly Fee, and any extra charges incurred as defined in the Residency Agreement.

UMRH uses the FINAID system to financially evaluate a prospective resident's net worth and monthly income. FINAID projects income for prospective residents based on their financial assets and income sources, and compares this revenue to projected expenses such as monthly fees, personal expenses, and income taxes. Generally, a prospective resident should have a minimum net worth equal to three (3) times the amount of the Entrance Fee (prior to payment of the Entrance Fee). Generally, a prospective resident should have a minimum monthly income range of two times the Monthly Fee (including second person fees when applicable) in effect at the time of residency. Although the asset and income tests listed above are appropriate tests for financial wherewithal, the FINAID software program will be used for all applicants to measure financial qualification.

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

After executing a Residency Agreement but prior to occupancy, UMRH can cancel the Residency Agreement if the resident does not pay his or her Entrance Fee; for non-acceptance based on the residency criteria listed above; or if the resident is unable to occupy the residence because of illness, injury or incapacity.

If the resident encounters financial difficulties after residency at Wesley Pines and is unable to pay the total Monthly Fee, the monthly fee for assisted living care or the per diem charge for care in the Health Center, these charges may be deferred as long as the resident has met all "spend-down" provisions of eligibility for the Medicaid program (if applicable) and any public assistance funds. Financial assistance is not available to a resident if he/she impaired his/her ability to meet financial obligations by transferring assets other than to meet ordinary and customary living expenses or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance, or other health insurance after assuming occupancy. A resident will be permitted to remain at Wesley Pines for reduced fees based on his/her ability to pay for as long as the resident establishes facts to justify the deferment. Financial assistance is only available if it does not impair UMRH's ability to operate Wesley Pines on a sound financial basis for the benefit of all residents.

UMRH has the right to cancel the resident's residency (i) if the resident does not comply with the terms of the Residency Agreement or the published operating procedures, covenants, rules, regulations or policies; or (ii) if the resident misrepresented himself/herself during the residency process; or (iii) for nonpayment of fees or charges; or (iv) if it is determined the resident's health status or behavior constitutes a substantial threat to the health or safety of the resident or others, including refusal to consent to relocation, or behavior that would result in physical damage to the property of others or Wesley Pines; or (v) if the resident's physical or mental condition cannot be cared for in assisted living or the Health Center within the limits of their licenses.

2. Residency Agreement. At the time the resident makes application for residency at the Community, the resident will sign a Residency Agreement to reserve the residence selected and will pay an Entrance Fee deposit to UMRH. For an existing residence, the balance of the Entrance Fee is due upon the earlier of the date the resident occupies the Community or within 90 days after the resident executes the Residency Agreement. For a villa to be constructed, the resident will pay the Entrance Fee in installments:

- The first is equal to 10% of the total Entrance Fee and is paid upon resident's execution of the Residency Agreement;
- The second and third installments are each equal to 25% of the total Entrance Fee and are paid upon certain dates as written in the Residency Agreement;
- The last installment (the balance of the Entrance Fee) is due on the earlier of (i) the date the resident assumes occupancy at the Community or (ii) within thirty (30) days from the date the resident is notified that the residence is ready for occupancy.

The resident will also pay a non-refundable Application Fee. The Application Fee will be used by UMRH to process resident's application for residency.

The Community offers various types of Residency Agreements for the cottage duplexes, duplex villas, free-standing villas, and deluxe villas: a 90 Percent Return of Capital Plan; a 50 Percent Return of Capital Plan; and a Standard Plan. The difference between these types of Residency Agreements is the amount of the Entrance Fee paid and the refund a resident (or resident's estate) is entitled to after a resident assumes occupancy at the Community as described in Paragraph 3.6 below.

### 3. Reimbursement of the Entrance Fee.

3.1 Nonacceptance. If the resident is not accepted for residency at the Community, the full amount of the Entrance Fee paid by the resident will be promptly refunded, without interest. If the resident's spouse or second person does not meet the requirements for residency, said person may be admitted directly into assisted living or the Health Center as long as accommodations are available and such person qualifies for the care available in those facilities. He/she will pay the full assisted living fee or per diem charge for such care.

3.2 Right of Rescission. In accordance with North Carolina laws and regulations governing continuing care retirement communities, a resident has the right to rescind the Residency Agreement within thirty (30) days following the later of (i) his/her execution of the Residency Agreement; or (ii) the receipt of a Disclosure Statement. The resident is not required to move into Wesley Pines before the expiration of the 30-day rescission period. If the resident rescinds the Residency Agreement, the full amount of the Entrance Fee paid by the resident will be refunded, without interest, within sixty (60) days of receipt of the written notice of rescission.

3.3 Cancellation Prior to Occupancy Due to Death, Illness, Injury, Incapacity or a Substantial Change in Physical, Mental or Financial Condition. If the resident dies before occupying the residence at Wesley Pines or if, on account of illness, injury or incapacity, a resident is unable to occupy the residence at Wesley Pines, then the Residency Agreement

will automatically cancel. The resident may also cancel the Residency Agreement prior to occupancy due to a substantial change in resident's physical, mental or financial condition. In all of these events of cancellation prior to occupancy, the resident or resident's estate will receive a refund of the Entrance Fee paid, without interest, less any costs specifically incurred by the Community at the resident's request. Said refund will be made within 60 days of receipt of the notice of cancellation.

3.4 Cancellation Prior to Occupancy for Other Reasons. If the resident cancels the Residency Agreement prior to occupancy, but after the right of rescission period, for reasons other than those state in Paragraph 3.3 above, the resident will receive a refund of the Entrance Fee paid, without interest, less a non-refundable portion of the Entrance Fee equal to \$2,000 and less any costs specifically incurred by the Community at resident's request. Said refund will be made within 60 days of receipt of the notice of cancellation. For a villa to be constructed, the refund will be made when the villa is reserved by a new resident and the new resident has paid the appropriate Entrance Fee installments to equal the Entrance Fee installments to be refunded to the resident.

3.5 Cancellation Prior to Occupancy if the Villa to be Constructed is Not Available. If the villa to be constructed is not available to the resident within one year from the date of UMRH's execution of the Residency Agreement, then the resident may cancel the Residency Agreement. Resident will receive a full refund of the amount of the Entrance Fee paid, without interest, within 30 days of resident's notice of cancellation.

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

3.6.1 90 Percent Return of Capital Residency Agreement: Under the 90 Percent Return of Capital Residency Agreement, resident or resident's estate will receive a refund of the amount of the Entrance Fee previously paid by resident, without interest, less 2% for each month of residency or portion thereof for up to five months. Subject to the Community's right of offset, the refund of the Entrance Fee will not be less than 90%. Said refund will be paid at such time as the residence is reserved by a new resident and said new resident has paid the full amount of the Entrance Fee or within two years from the date of cancellation, whichever occurs first.

3.6.2 50 Percent Return of Capital Residency Agreement: Under the 50 Percent Return of Capital Residency Agreement, resident or resident's estate will receive a refund of the amount of the Entrance Fee previously paid by resident, without interest, less 2% for each month of residency or portion thereof for up to 25 months. Subject to the Community's right of offset, the refund of the Entrance Fee will not be less than 50%. Said refund will be paid at such time as the residence is reserved by a new resident and said new resident has paid the full amount of the Entrance Fee or within two years from the date of cancellation, whichever occurs first.

3.6.3 Standard Residency Agreement: Under the Standard Residency Agreement, resident or resident's estate will receive a refund of the amount of the Entrance Fee previously paid by resident, without interest, less an amount equal to the base Entrance Fee as set forth in the resident's Residency Agreement and less 2% for each month of residency or portion thereof for up to 50 months. After 50 months of occupancy, no refund of the Entrance Fee will be made. Said refund amount, if any, will be paid at such time as the residence is reserved by a new resident and said new resident has paid the full amount of the Entrance Fee or within two years from the date of cancellation, whichever occurs first.

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

- Resident does not comply with the terms of the Residency Agreement or the Community's procedures, covenants, rules or policies; or
- Resident misrepresents himself or fails to disclose information during the residency process; or
- Resident fails to make payment to UMRH of any fees or charges due UMRH within 60 days of the date when due; or
- Resident's health status or behavior constitutes a substantial threat to the health or safety of resident, other residents, or others including resident's refusal to consent to relocation or would result in physical damage to the property of the Community or others; or
- There is a major change in resident's physical or mental condition and said condition cannot be cared for in the Community Health Center within the limits of the Community's license.

Cancellation by UMRH occurs only as a last resort, after it becomes clear to UMRH that cancellation is necessary, and after the resident and/or the resident's legal representative/ responsible party has an opportunity to be heard. Any refund of the Entrance Fee would be computed on the same basis as stated in Paragraph 3.6 above.

4. Payment of a Monthly Fee. The resident is required to pay a Monthly Fee (or a pro rata portion thereof) to the Community on the date the resident assumes occupancy at the Community or within 90 days from the date the Residency Agreement is executed by the resident, whichever is earlier. For a villa to be constructed, the resident will be required to begin paying the Monthly Fee on the date the resident assumes occupancy at the Community or within 30 days of notification that the villa is available for occupancy, whichever is earlier. Thereafter, the Monthly Fee is due upon receipt of a statement and by no later than the 15<sup>th</sup> day of each month. If there are two residents, a second person Monthly Fee will also be paid. The Monthly Fees are paid to provide the services and amenities described in the Residency Agreement and to meet the expenses associated with the operation of the Community. UMRH may increase the Monthly Fee upon 30 days written notice to the residents if UMRH deems it necessary in order to meet the financial needs of the Community and to provide the services to the residents.

5. Health Care Services. After occupancy, each resident is eligible to receive a total

of six days each year of either assisted living care in an assisted living room or suite at the Community or nursing care in the Community Health Center while a resident of in his/her residence. If there are two residents under a Residency Agreement, each resident will receive six days, but the days cannot be combined and used by only one resident. Such six days renews on an annual basis and does not accumulate. While utilizing the six days, the resident will be required to continue to pay the Monthly Fee for his/her residence, as well as any charges for physician services and ancillary health services and supplies. Once a resident is permanently relocated to assisted living or the Community Health Center, he/she no longer qualifies for the six free days of assisted living or nursing care and will be required to pay the assisted living fee or the per diem charge for such care. [NOTE: The six days of care is a combined total for assisted living care and nursing care at the Community.]

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

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

8. Provisions for Resident Marrying Resident. Should the resident marry a person who is also a resident of the Community and should they decide to occupy one residence, they must declare which residence will be occupied and which residence will be released. The refund due for the released residence will be as described in Paragraph 3.6 above. Each month, the then-current Monthly Fee for second persons shall be paid.

9. Insurance. The Residency Agreement requires that, when age eligible, the resident maintain Medicare Part A, Medicare Part B and one supplemental health insurance policy or equivalent insurance coverage acceptable to UMRH. It is also recommended that resident carry personal property insurance and liability insurance.

10. Financial Assistance. Financial assistance may be available to existing continuing care residents who live at the Community under a continuing care residency agreement. The resident cannot impair his/her ability to meet his/her financial obligations by transfer of assets other than to meet ordinary and customary living expenses or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance or other health insurance as outlined in the Residency Agreement. A resident must have met all "spend-down" provisions established in UMRH's Benevolence Policy. Public assistance funds are available for the assisted living rooms/suites at the community, and the Community Health Center is Medicaid certified. The resident must agree to apply for public assistance funds and/or Medicaid, depending on the level of care required by the resident. Financial assistance funds are available as long as providing financial assistance does

not impair UMRH's ability to operate the Community on a sound financial basis for the benefit of all residents.

UMRH does not offer financial assistance to those residents who are admitted directly to assisted living or the Health Center as private pay residents. Private pay residents are individuals who did not execute a continuing care residency agreement.

11. Tax Deductions. In accordance with the Internal Revenue Code of 1954, Section 213 and Revenue Rulings (67-185, 68-625, 76-481, 75-302, 75-303, and 93-72) and a Private Letter Ruling (8213102), residents of Wesley Pines may be entitled to an itemized deduction for medical expenses for that portion of the Monthly Fees and Entrance Fees, which represents medical care in the year paid. The tax regulations do not specifically provide a formal method for computing what this portion is; however, IRS Letter Ruling 8213102 indicates a method of calculating a medical expense percentage by using the ratio of medical expenses to all expenses of the Community. Currently, this methodology is in use, but may be subject to change. Each year, the Community distributes a letter to residents describing the recommended medical expense percentages for tax purposes.

All deductions are, of course, subject to limitations imposed by the Internal Revenue Code. Residents are encouraged to consult with a qualified tax advisor before taking any deductions.

## **THE SERVICES**

1. The following services are provided for the Monthly Fee:
  - Three different meal plans to choose from;
  - Limited meal delivery service to be provided when approved by authorized staff;
  - Consultation and preparation of routine special diets;
  - Utilities, which include heating, air conditioning, electricity, water, sewer and trash removal;
  - Building janitor and maintenance;
  - Grounds keeping;
  - Weekly housekeeping services;
  - Washer and dryer provided in the cottages and villas – laundry facilities also available;
  - Planned activities (social, cultural, recreational, educational, and spiritual) for those who wish to participate;
  - Services of a chaplain;
  - Services of a life enrichment director;
  - Parking for residents and guests;
  - Carpeting (except in kitchen and bath), unless some other floor surface has been installed;
  - Kitchen facilities in each cottage and villa;
  - Scheduled local transportation;
  - Wireless emergency nurse call system;
  - Smoke detectors;
  - Scheduled security service during evening and early morning hours;



- Assistance with third-party health insurance billing; and
  - Six days of assisted living care in an assisted living apartment or suite or nursing care in the Community Health Center.
2. The following services are available for an extra charge:
- Extra meals, depending on which meal plan a resident selects;
  - Extended meal delivery service as approved by authorized staff;
  - Preparation of special diets (beyond those which are routine), as prescribed by resident's attending physician;
  - Guest accommodations, if available;
  - Guest meals;
  - Personal transportation and transportation for special events and group trips;
  - Assisted living services and nursing care services in the Community Health Center; and
  - Certain ancillary services and supplies (such as therapies, pharmacy, laboratory, therapeutic activities, rehabilitative treatments, medical equipment, medical supplies, medical treatment, physician services, and other miscellaneous services and supplies).

3. Assisted living services are available in the rooms and suites at the Community for an assisted living fee. Skilled nursing services are available in the Health Center, which is both Medicare and Medicaid certified. If the resident occupies assisted living or the Health Center, the resident will be required to enter into a separate admission agreement for the applicable level of care. These separate admission agreements will outline in detail the services available in those levels of care. The resident's continuing care Residency Agreement will continue to stay in effect unless it is canceled by the Resident or by UMRH as outlined in the Residency Agreement. Services provided in assisted living and the Health Center are governed by the North Carolina Division of Health Service Regulation.

## **FEES**

The fee requirements for living at the Community are as follows:

1. Application Fee. Non-refundable application fee of \$200 for an individual or \$200 for a couple is required to be paid at the time of application.
2. Entrance Fee. Payment of an Entrance Fee assures a resident a place in the Community for life as long as the resident complies with the Residency Agreement. At the time the resident makes application for residency at the Community, the resident will sign a Residency Agreement to reserve the residence selected and will pay an Entrance Fee deposit to the Community. The balance of the Entrance Fee will be paid upon the earlier of (i) occupancy or (ii) 90 days after the Residency Agreement is executed. For residents who enter a Residency Agreement for a villa to be constructed, the balance of the Entrance Fee will be paid in incremental percentages on set dates with the remaining balance paid on the earlier of (i) occupancy or (ii) 30 days from the date that the resident is notified that the residence is ready for occupancy. The amount of the Entrance Fee is determined by single or double occupancy and the size and type of the residence reserved. A schedule of Entrance Fees can be found later in this Disclosure Statement. Additional information regarding payment

terms and Entrance Fee refunds can be found in Sections 2 and 3 of The Proposal section of this Disclosure Statement.

3. Monthly Fee. A Monthly Fee for services is required to be paid each month per person. Monthly Fees are determined by single or double occupancy and the size and type of residence reserved. Following is a table showing the average dollar amount of increase in the Monthly Fees. A schedule of current Monthly Fees can be found later in this Disclosure Statement.

Monthly Fee  
Average Dollar Amount of Increase

2019	2020	2021	2022	2023
\$82.33	\$73.92	\$76.25	\$78.67	\$149.38

4. Extra Charges. A list of items available for an extra charge, including the fees for such items, is included in this Disclosure Statement as Attachment 7. The list can also be obtained from the Community's Business Office and the Marketing Office.

5. Assisted Living Fees. There is a non-refundable application fee of \$200 per individual for direct admission into an assisted living unit. The fee requirements are as follows:

Rooms	Community Fee	Monthly Fee
Parkton (306 sq. ft.)	\$4,200	\$4,760
Fairmont (360 sq. ft.)	\$5,250	\$5,440
Marietta (436 sq. ft.)	\$7,350	\$6,451
Suites		
Rowland (420 sq. ft.)	\$12,600	\$6,451
Pembroke (456 sq. ft.)	\$15,750	\$ 6,801 (1 <sup>st</sup> person) \$1,568 (2 <sup>nd</sup> person)

Assisted Living Fees  
Average Dollar Amount of Increase

2019	2020	2021	2022	2023
\$162.40	\$154.80	\$159.40	\$164.20	\$338.40

6. Health Care Fees. The per diem rates for health care in the Community's Health Center are:

Semi-Private Room	\$289.00 daily
Private Room	\$305.00 daily

Health Care Fees  
Average Dollar Amount of Increase

2019	2020	2021	2022	2023
\$7.50	\$8.00	\$8.00	\$7.00	\$16.50

7. Adjustment of Fees. UMRH may adjust the Monthly Fee as determined by the Board of Trustees in order to maintain the desired quality of service and to operate the Community on a fiscally sound basis. UMRH shall provide the resident with 30 days' written notice in advance of any change in the Monthly Fees.

## FINANCIAL INFORMATION

1. Financial Statements. UMRH operates on a fiscal year ending September 30. The financial position of UMRH is represented by the independent auditors' report prepared by Dixon Hughes Goodman LLP. The audited financial statements for UMRH present the consolidated operations for Croasdaile Village, Cypress Glen and Wesley Pines. The independent auditors' report for the fiscal year ending September 30, 2022 for UMRH is reproduced in its entirety and is attached to this Disclosure Statement as Attachment 1.

2. Forecasted Financial Statements. Forecasted financial statements for the next five years are included as part of this Disclosure Statement as Attachment 2. These forecasted financial statements present the consolidated operations of Croasdaile Village, Cypress Glen and Wesley Pines and the individual operations for Wesley Pines.

3. Interim Unaudited Financial Statements. Interim unaudited financial statements are included as part of this Disclosure Statement as Attachment 3. These statements present the consolidated operations of Croasdaile Village, Cypress Glen and Wesley Pines and the individual operations for Wesley Pines.

4. Explanations of Material Differences. Explanations of the material differences for the Balance Sheet, Statement of Operations, and Statement of Cash Flows for the fiscal year 2022 and the actual results for the fiscal year 2022 are included as part of this Disclosure Statement as Attachment 4.

5. Reserves. In accordance with Section 58-64-33 of the North Carolina General Statutes, UMRH is required to maintain an operating reserve for the Community equal to 25 percent of the total operating costs projected for the 12-month period following the period covered by the most recent annual statement filed with the Department of Insurance. Based on the operating reserve calculation submitted to the Department of Insurance, UMRH meets the operating reserve requirement for the Community.

6. Financing. See Notes 7 and 8 of the UMRH audited financial statements for information on long-term debt and financing.

## RESERVES AND INVESTMENTS

1. Reserve Requirement. In accordance with Section 58-64-33, North Carolina General Statutes, UMRH is required to maintain \$2,565,551 in an operating reserve for the Community. As of this Disclosure Statement print date, UMRH meets the operating reserve requirement for the Community. Based on the financial forecasts, management believes that UMRH will continue to possess sufficient reserves to satisfy the operating reserve requirement.

2. Financial Assistance Funds. UMRH attempts to provide benevolent care funds to those individuals who have exhausted their resources. The funds are in the amounts necessary to make up the difference between the financial resources of the individual and the Monthly Fees for the occupancy of the residence. Some of the benevolence is covered through apportionments from the North Carolina Annual Conference of The United Methodist Church, Southeastern

Jurisdiction; benevolent care endowments; The United Methodist Retirement Homes Foundation; special offerings conducted by local churches; and individual gifts. Persons receiving benevolent care funds must be residents who have entered the Community under a continuing care residency agreement and must have met all "spend-down" provisions established in the UMRH Benevolence Policy. UMRH does not offer benevolent care funds to those residents who are admitted directly to assisted living or the Health Center as private pay residents. Private pay residents are individuals who did not execute a continuing care residency agreement. The resident must agree to apply for public assistance funds and/or Medicaid, depending on the level of care required by the resident. Benevolent care funds are available as long as providing such funds does not impair UMRH's ability to operate the Community on a sound financial basis for the benefit of all residents.

The Marketing, Occupancy, and Benevolence Committee of the Board of Trustees reviews each benevolence application, provides a recommendation to the Board of Trustees, monitors the availability of benevolent funds, and projects potential future demands on benevolent funds.

3. Investments. Investment decisions are made by the Finance Committee of the Board of Trustees of UMRH. Committee members include: Lee Harris, Charles Mercer, John Link, Paul Lee, Gray Southern and Susan Ezekiel. Funds are invested in accordance with UMRH's Investment Policy in the following investment portfolios:

(a) *United Methodist Retirement Homes Trust Fund #1. Investment Goal – Maintain principal values with adequate liquidity for debt/cash ratio.*

(b) *United Methodist Retirement Home Reserve Fund. Investment Goal – This Fund includes assets that may be managed for long-term capital growth with a moderate level of income.*

A copy of the Investment Policy is available to residents upon request.

## **OTHER MATERIAL INFORMATION**

As of the date of this Disclosure Statement, there is no material litigation pending against the Community.

## **AGREEMENTS WITH RESIDENTS**

A copy of the current Standard Residency Agreement is attached to this Disclosure Statement as Attachment 5.

This agreement is in compliance with the pertinent specifications of Section 58-64-25 of the North Carolina General Statutes. UMRH reserves the right to offer to new prospective residents alternative forms of Residency Agreements from time to time.

# **ATTACHMENT 1**

**Audited Financial Statements  
of  
The United Methodist  
Retirement Homes, Incorporated  
(Includes Consolidated Operations of  
Croasdaile Village, Cypress Glen  
and Wesley Pines)**

**The United Methodist  
Retirement Homes,  
Incorporated, Its  
Affiliate, and  
Subsidiary**

**Independent Auditor's Report,  
Consolidated Financial  
Statements, and Supplementary  
Information**

**September 30, 2022 and 2021**



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## Independent Auditor's Report

Board of Trustees of  
The United Methodist Retirement Homes, Incorporated,  
its Affiliate, and Subsidiary

### **Opinion**

We have audited the accompanying consolidated financial statements of The United Methodist Retirement Homes, Incorporated, its Affiliate, and Subsidiary (the "Company"), which comprise the consolidated balance sheets as of September 30, 2022 and 2021, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of September 30, 2022 and 2021, and the results of their operations, changes in net assets, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are required to be independent of the Company 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 Consolidated Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 consolidated financial statements.

# FORVIS

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 consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Company'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company'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.

### ***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements that collectively comprise the Company's basis consolidated financial statements. The consolidating balance sheet information and the consolidating statement of operation and changes in net assets information listed in the table of contents is presented for purposes of additional analysis rather than to present the financial position and results of operations of the individual organizations and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements.

The consolidating balance sheet information and the consolidating statement of operation and changes in net assets information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

**FORVIS, LLP**

**Raleigh, NC  
January 27, 2023**

**The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary**  
**Consolidated Balance Sheets**  
**September 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 5,954,084	\$ 8,745,863
Contributions receivable, current portion	2,412	24,721
Investments	81,293,248	89,249,575
Assets limited as to use, current portion	17,271,385	3,097,758
Accounts receivable, net of allowance for uncollectible accounts of approximately \$265,000 and \$310,000 in 2022 and 2021, respectively	3,127,429	3,652,948
Other receivables	1,291,459	2,002,041
Inventories	177,215	131,679
Prepaid expenses and other current assets	1,212,086	1,188,405
	<u>110,329,318</u>	<u>108,092,990</u>
Total current assets		
Non-current assets:		
Assets limited as to use, net of current portion	24,307,039	31,367,370
Investments - restricted	7,793,000	9,643,224
Assets held for resale	197,103	215,827
Property and equipment, net	214,309,967	204,684,302
Investment in Wesley Ridge	75,494	-
Trusts receivable	119,600	156,312
Deferred marketing costs, net	101,570	116,127
Interest rate swap agreements	10,442,208	-
	<u>257,345,981</u>	<u>246,183,162</u>
Total non-current assets		
	<u>\$ 367,675,299</u>	<u>\$ 354,276,152</u>
Total assets		

**The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary**  
**Consolidated Balance Sheets**  
**September 30, 2022 and 2021**

(Continued)

	<u>2022</u>	<u>2021</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Annuity payable, current portion	\$ 81,502	\$ 108,013
Bonds payable, current portion	5,785,000	4,540,000
Accounts payable	4,120,054	4,835,876
Accrued salaries and related expenses	2,152,753	2,374,227
Accrued interest payable	1,719,639	2,713,381
Provider relief advanced funding	120,181	605,600
Total current liabilities	<u>13,979,129</u>	<u>15,177,097</u>
Long-term liabilities:		
Annuity payable, less current portion	439,945	623,436
Bonds payable, less current portion	160,327,909	140,012,208
Liability to other foundations	-	8,732
Liability for refundable advance fees	14,737,849	14,066,851
Deferred revenue from non-refundable advance fees	76,325,122	73,374,773
Due to related parties	71,377	-
Funds held for others	147,814	186,895
Interest rate swap agreements	-	190,745
Total long-term liabilities	<u>252,050,016</u>	<u>228,463,640</u>
Total liabilities	<u>266,029,145</u>	<u>243,640,737</u>
Net assets:		
Without donor restrictions	89,297,478	98,067,336
With donor restrictions	12,348,676	12,568,079
Total net assets	<u>101,646,154</u>	<u>110,635,415</u>
Total liabilities and net assets	<u>\$ 367,675,299</u>	<u>\$ 354,276,152</u>

**The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary**  
**Consolidated Statements of Operations and Changes in Net Assets**  
**Years Ended September 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Revenues, gains and other support without donor restrictions:		
Net resident and patient service revenue	\$ 70,475,317	\$ 65,170,743
Amortization of advance fees	9,599,475	9,619,811
Net assets released from restrictions	703,837	526,923
Other	92,726	25,952
Interest and dividend income	3,679,989	3,309,597
	<u>84,551,344</u>	<u>78,653,026</u>
Expenses:		
Nursing services	20,461,059	18,303,465
Dietary and food services	12,184,286	10,569,171
Administration	12,973,682	11,868,219
Plant operations, maintenance and security	7,582,907	6,779,268
Laundry and housekeeping	4,228,726	3,939,925
Resident services - activities	2,620,070	2,594,140
Home care	3,054,319	3,311,602
Interest	4,134,114	5,722,547
Depreciation and amortization	14,284,564	13,704,313
Bad debt expense	374,718	110,471
	<u>81,898,445</u>	<u>76,903,121</u>
Total expenses	<u>81,898,445</u>	<u>76,903,121</u>
Operating income	<u>2,652,899</u>	<u>1,749,905</u>
Non-operating gains (losses):		
Net investment gains, realized	933,264	2,910,694
Net investment gains (losses), unrealized	(21,617,264)	3,982,754
Provider relief funding	484,919	1,130,698
Loss on disposal of property and equipment	(115,890)	(116,109)
Contributions	71,614	30,633
Construction related marketing costs	(8,971)	(144,505)
Loss on early extinguishment of debt	(2,076,605)	-
Change in fair value of interest rate swap agreement	10,632,953	186,280
Other	7,999	(3,005)
	<u>(11,687,981)</u>	<u>7,977,440</u>
Net non-operating gains (losses)	<u>(11,687,981)</u>	<u>7,977,440</u>
Excess (deficit) of revenues, gains and other support over expenses	<u>(9,035,082)</u>	<u>9,727,345</u>
Net assets released from restrictions for purchase of property and equipment	<u>265,224</u>	<u>130,103</u>
Change in net assets without donor restrictions	<u>\$ (8,769,858)</u>	<u>\$ 9,857,448</u>

See accompanying notes to the consolidated financial statements.

**The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary**  
**Consolidated Statements of Operations and Changes in Net Assets**  
**Years Ended September 30, 2022 and 2021**

**(Continued)**

	<b>2022</b>	<b>2021</b>
Change in net assets with donor restrictions:		
Contributions	\$ 2,914,469	\$ 1,022,201
Interest and dividend income	484,549	311,474
Net investment gains, realized	134,008	202,846
Net investment gains (losses), unrealized	(2,521,556)	1,318,725
Change in split interest agreements	(487,187)	240,246
Maturity of split interest agreement	247,684	-
Change in value of pledges	(24,898)	(27,891)
Bad debt expense	2,589	2,927
Net assets released from restrictions	(969,061)	(657,026)
	<b>(219,403)</b>	<b>2,413,502</b>
Change in net assets	<b>(8,989,261)</b>	<b>12,270,950</b>
Net assets, beginning of year	<b>110,635,415</b>	<b>98,364,465</b>
Net assets, end of year	<b>\$ 101,646,154</b>	<b>\$ 110,635,415</b>

**The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary**  
**Consolidated Statements of Cash Flows**  
**Years Ended September 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (8,989,261)	\$ 12,270,950
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	14,270,007	13,689,755
Amortization of deferred financing costs	70,512	88,754
Amortization of bond premium	(187,410)	(294,426)
Amortization of deferred marketing costs	14,557	14,558
Amortization of deferred revenue from advance fees	(9,599,475)	(9,619,811)
Non-refundable entrance fees received	14,560,528	13,216,980
Bad debt expense	374,718	110,471
Loss on disposal of property and equipment	115,890	116,109
Unrealized (gains) losses on investments and assets limited as to use	24,138,820	(5,301,479)
Realized gains on investments and assets limited as to use	(1,067,272)	(3,113,540)
Loss on early extinguishment of debt	2,076,605	-
Change in fair value of interest rate swap agreement	(10,632,953)	(186,280)
Net change in:		
Accounts receivable - residents and patients	150,801	(1,528,260)
Accounts receivable - other	(525,674)	(2,043,246)
Trusts receivable	36,712	(11,315)
Contributions receivable	22,309	24,964
Due from/to related parties	71,377	-
Inventories	(45,536)	7,350
Prepaid expenses and other current assets	(23,681)	(103,301)
Accounts payable	10,410	1,811,549
Accrued salaries and related expenses	(221,474)	(511,507)
Provider relief advanced funding	(485,419)	(820,074)
Liability to other foundations	(8,732)	1,018
Accrued interest payable	(993,742)	(29,891)
Funds held for others	(39,081)	62,464
	<u>23,093,536</u>	<u>17,851,792</u>
Net cash provided by operating activities		

**The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary**  
**Consolidated Statements of Cash Flows**  
**Years Ended September 30, 2022 and 2021**

**(Continued)**

	<u>2022</u>	<u>2021</u>
Cash flows from investing activities:		
Purchase of property and equipment	\$ (24,737,794)	\$ (18,633,740)
Net change in investments and assets limited as to use	(11,259,465)	1,462,430
Change in assets held for resale	<u>18,724</u>	<u>(531)</u>
Net cash used by investing activities	<u>(35,978,535)</u>	<u>(17,171,841)</u>
Cash flows from financing activities:		
Refunds of deposits and refundable fees	(1,437,176)	(1,126,181)
Refundable entrance fees received	1,333,726	1,536,098
Payments on bonds and note payable	(115,125,979)	(4,345,000)
Deferred costs, net	(1,718,255)	(58,752)
Proceeds from issuance of bonds	136,445,228	-
Net change in annuity obligations	<u>(210,002)</u>	<u>(34,479)</u>
Net cash provided (used) by financing activities	<u>19,287,542</u>	<u>(4,028,314)</u>
Change in cash	6,402,543	(3,348,363)
Cash, cash equivalents, and restricted cash, beginning of year	<u>23,525,903</u>	<u>26,874,266</u>
Cash, cash equivalent, and restricted cash, end of year	<u>\$ 29,928,446</u>	<u>\$ 23,525,903</u>
Supplemental cash flow information:		
Cash paid during the year for interest	<u>\$ 5,577,701</u>	<u>\$ 5,902,666</u>
Additions of property and equipment included in accounts payable	<u>\$ 1,336,149</u>	<u>\$ 2,062,381</u>



## **Notes to Consolidated Financial Statements**

### **1. Summary of Significant Accounting Policies**

#### ***Organization***

The United Methodist Retirement Homes, Incorporated (“UMRH”) is a not-for-profit corporation, which principally provides housing, health care, and other related services to residents through the ownership and operation of Wesley Pines Retirement Community in Lumberton, North Carolina, Cypress Glen Retirement Community (“Cypress Glen”) in Greenville, North Carolina, and Croasdaile Village Retirement Community (“Croasdaile Village”) in Durham, North Carolina. UMRH was incorporated in North Carolina in 1946. UMRH’s corporate office is located in Durham, North Carolina.

The United Methodist Retirement Homes Foundation, Inc. (the “Foundation”), an affiliate of UMRH, is a not-for-profit corporation which was organized in order to raise endowment funds for the residential facilities operated by UMRH, to support benevolent care for residents who are unable to pay for continuing care at the residential facilities operated by UMRH, and to support special programs at the residential facilities operated by UMRH. The Foundation was incorporated under the laws of the State of North Carolina in 1994.

UMRH Affordable Housing Development, LLC (“UMRH-AHD”), a subsidiary of UMRH, is a limited liability company, which was organized in North Carolina in 2002 to further the charitable purposes of UMRH by developing affordable rental housing for senior citizens. UMRH is the sole member of UMRH-AHD.

The consolidated financial statements include the financial statements of UMRH, the Foundation, and UMRH-AHD. All significant intercompany accounts and transactions have been eliminated. UMRH, the Foundation, and UMRH-AHD are collectively referred to as the “Company”.

#### ***Basis of Accounting and Presentation***

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

#### ***Cash and Cash Equivalents***

Cash and cash equivalents include short-term, highly liquid investments both readily convertible to known amounts of cash and so near maturity at acquisition (three-months or less when purchased) that there is an insignificant risk of change in value because of changes in interest rates. Cash equivalents are stated at cost, which approximates fair value. Throughout the year the Company has bank balances which exceed federal depository limits.

**The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary**  
**Notes to Consolidated Financial Statements**

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the balance sheets that sum to the total amounts shown in the consolidated statements of cash flows:

	<u>2022</u>	<u>2021</u>
Cash	\$ 5,954,084	\$ 8,745,863
Investments – restricted	350,308	198,916
Assets limited as to use:		
Construction funds	13,470,453	2,879,126
Debt service held by trustee	4,687,166	8,742,988
Held for others	147,814	186,895
Entrance fee escrow	234,120	234,120
Net assets with donor restrictions	<u>5,084,501</u>	<u>2,537,995</u>
Total cash, cash equivalents, and restricted cash shown in the consolidated statements of cash flows	<u>\$ 29,928,446</u>	<u>\$ 23,525,903</u>

***Investments***

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheets. Interest and dividend income are included in operating income unless the income or loss is restricted by donor or law. Gains and losses, both realized and unrealized, on investments in debt and equity securities are included in non-operating gains (losses).

***Assets Limited as to Use***

Assets limited as to use consist of funds held for debt service in accordance with the Company's bond issues, funds reserved by insurance regulation, construction funds, and funds held for residents. Net assets with donor restrictions are restricted by donors or grantors for a specific purpose.

Insurance regulation assets whose use is limited represents funds reserved to comply with North Carolina Department of Insurance regulations. The amount of this reserve is calculated annually in accordance with the requirements of N.C. General Statute 58, Article 64. These investments consist of cash, cash equivalents, and other short-term investments.

***Fair Value of Financial Instruments***

The carrying amount of cash and cash equivalents approximates its fair value. The fair value of the Company's investments is presented in Note 3 and Note 5 and is based on quoted market prices. The carrying values of accounts receivable, other receivables, accounts payable, and accrued expenses approximate fair value due to the short-term nature of these instruments. The fair value of the Company's interest rate swaps is presented in Note 8. The Company's long-term debt approximates the fair values of those obligations.

***Accounts Receivable, Net***

Accounts receivable are reported at estimated net realizable amounts from residents and responsible third-party payers. Amounts owed to the Company are reported net of explicit and implicit price concessions. Specific resident balances are written off at the time they are determined to be uncollectible. The process for estimating the ultimate collection of accounts receivable involves significant assumptions and judgments. In this regard, the Company has implemented a standardized approach to estimate and review the collectability of its receivables based on resident receivable aging trends. Historical collection and payer reimbursement experience are an integral part of the estimation process related to determining the ultimate collectability of accounts. In addition, the Company assesses the current state of its billing functions in order to identify any known collection or reimbursement issues to determine the impact, if any, on its reserve estimates, which involve judgment.

**The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary  
Notes to Consolidated Financial Statements**

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Revisions in reserve estimates are recorded as adjustments to the explicit and implicit price concessions. Management believes that its collection and reserve processes, along with the monitoring of its billing processes, help to reduce the risk associated with material revisions to reserve estimates resulting from adverse changes in collection, reimbursement experience and billing functions.

***Trusts Receivable***

Trusts receivable represent the present value of irrevocable charitable remainder unitrusts (“CRUTs”) and charitable gift annuities (“CGAs”). The assets related to these CRUTs and CGAs will become the property of the designated beneficiaries upon the donor’s death. An amount equal to the receivable was recorded as net assets with donor restrictions. Adjustments to the asset to reflect changes in present value are recognized as activity through net assets with donor restrictions.

***Assets Held for Resale***

Assets held for resale consist of one gifted property in 2022 and two gifted properties in 2021 which are stated at net book value, which approximates fair value.

***Property and Equipment, Net***

Property and equipment are recorded at cost. Donated property is recorded at its estimated fair value at the date of receipt, which is then treated as cost. Interest is capitalized on facilities during the construction period. Depreciation is provided using the straight-line method over the estimated useful lives of the assets shown below:

Land improvements	15 to 30 years
Buildings and improvements	5 to 40 years
Equipment and fixtures	2 to 25 years

***Annuity Payable***

The Foundation acts as trustee for irrevocable charitable remainder unitrusts (“CRUTs”), charitable gift annuities (“CGAs”), and charitable remainder annuity trusts (“CRATs”). The assets in these trusts will remain in trust, paying distributions to the donors during their lifetimes, and the remainder assets will become the property of the designated beneficiaries upon the donors’ deaths. Such amounts received are recorded as “investments – restricted” on the consolidated balance sheets. These trusts require specified distributions to be made to the trusts’ designated beneficiaries over the trusts’ terms. The present value of the expected distributions is recorded as annuity obligations. Adjustments to the annuity obligations to reflect amortization of discounts, revaluations of the present value of the estimated future payments and changes in actuarial assumptions are recorded as a change in the value of split-interest agreements.

***Funds Held for Others***

This liability represents agency funds held in trust for UMRH residents. The related asset is included in assets limited as to use.

***Interest Rate Swaps***

The interest rate swap agreements are carried at fair value, estimated using a discounted cash flow method at a rate commensurate with the risk involved. A change in the fair value of the interest rate swap agreements is reported in non-operating gains (losses) in the consolidated statements of operations and changes in net assets.

**The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary**  
**Notes to Consolidated Financial Statements**

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***Liability for Refundable Advance Fees***

Entrance fee plans available to residents include a standard rate plan, a 50% refundable plan, 80% refundable plan, and a 90% refundable plan. The non-refundable portions of these fees are recorded as deferred revenue. The refundable portion is treated as a long-term liability. Refunds of refundable entrance fees are paid upon termination of the agreement (provided the resident's independent living unit is reoccupied) or within twenty-four months, whichever occurs first. The total amount of contractual refund obligations under existing contracts (that is, if all residents with a refundable balance were to have withdrawn) totaled approximately \$37,345,000 and \$38,730,000 at September 30, 2022 and 2021, respectively.

***Deferred Revenue from Non-refundable Advance Fees***

Deferred revenue from non-refundable advance fees represent payments made by a resident in exchange for the use and privileges of the community for life or until termination of the residency agreement. These advance fees may be partially refundable upon termination of the agreement and decline at a rate of 2% per month of occupancy and are paid after termination of the residency agreement (provided the resident's independent living unit is remarketed) or within twenty-four months, whichever occurs first.

Advance fees are recorded as deferred revenue and recognized as revenue earned on a straight-line basis over the estimated remaining life of each resident, beginning with the date of occupancy. Any unrecognized deferred revenue, less any related refund, at the date of death or termination of the contract is recorded as income in the period the death or termination of the contract occurs.

***CARES Act Provider Relief Funding***

These relief funds are considered voluntary non-exchange transactions subject to terms and conditions specified by the resource provider distributed by the Health Resources Service Administration section of the U.S. Department of Health and Human Services ("HHS"). These conditions create a restriction that such funds must be used to prevent, prepare or respond to the coronavirus ("COVID-19"), creating purpose restrictions in addition to conditions. This conditional grant revenue is recognized as other non-operating gain to the extent conditions/restrictions for entitlement are met for COVID-19 related expenses or lost revenues. Such funds are subject to recoupment to the extent the conditions for entitlement are not met.

***Net Assets***

Net assets of the Company and changes therein are classified and reported as follows:

***Net Assets without Donor Restrictions*** - Net assets that are not subject to donor-imposed stipulations.

***Net Assets with Donor Restrictions*** - Include those net assets subject to donor-imposed stipulations that may or will be met either by action of the Company and/or the passage of time or those net assets subject to donor-imposed stipulations that they be maintained permanently by the Company. Generally, the donors of these assets permit the Company to use all or part of the income earned on related investments for general or specific purposes.

***Net Assets Released from Restrictions*** - The Company reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor-imposed 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 consolidated statements of operations and changes in net assets as net assets released from restrictions.

**The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary**  
**Notes to Consolidated Financial Statements**

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***Net Resident and Patient Service Revenues***

Net resident and patient service revenues are reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered, and includes estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. Historically, such adjustments for the Company have been immaterial in relation to the consolidated financial statements as a whole.

Revenues under third-party payor agreements are subject to examination and retroactive adjustment. Provisions for estimated third-party payor settlements are provided in the period the related services are rendered. Differences between the amounts accrued and subsequent settlements are recorded in operations in the year of settlement.

***Excess (Deficit) of Revenues, Gains and Other Support Over Expenses***

The consolidated statements of operations and changes in net assets includes excess (deficit) of revenues, gains and other support over expenses. Changes in net assets without donor restrictions, which are excluded from excess (deficit) of revenues, gains and other support over expenses, consistent with industry practice, would include net assets released from restriction for purchase of property and equipment and contributions of long-lived assets (including assets acquired using contributions which by donor restrictions were to be used for the purposes of acquiring such assets).

***Benevolent Assistance and Community Benefits***

The Company currently maintains a benevolent assistance program and policy for residents holding continuing-care residency agreements in the event the resident(s) should become unable to pay for services. The Company reserves the right to change the program and policy from time to time. The benevolent assistance policy will not apply to residents who have impaired their ability to meet financial obligations by transferring assets other than to meet ordinary and customary living expenses, or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance, or other health insurance after assuming occupancy. Upon review of each resident's individual financial situation, the Company may permit the resident to remain at the facility for a lesser fee based on the resident's ability to pay, but only after meeting all of the "spend-down" provisions of eligibility for the Medicaid program and any public assistance funds. The Company may decline new benevolent assistance applications if it is determined that deferment of such charges may impair the Company's ability to operate on a sound financial basis. Since the Company does not expect to collect the normal charges for services provided for those residents who meet the benevolent assistance provisions, charges for such assistance are not included in net patient service revenue.

The Company also contributes certain dollars, volunteer hours, healthcare, and housing services to benefit the surrounding community. Total community benefits and charity care were approximately \$5,213,000 and \$5,189,000 for the year ended September 30, 2022 and 2021, respectively, which was made up of \$4,825,000 and \$4,846,000 in unreimbursed healthcare, housing and services and \$388,000 and \$343,000 in community benefits for the year ended September 30, 2022 and 2021, respectively.

***Continuing-Care Contracts***

The Company enters into continuing-care contracts with various residents. A continuing-care contract is an agreement between a resident and the Company specifying the services and facilities to be provided to a resident over his or her remaining life. Under the contracts, the Company has the ability to increase fees as deemed necessary. At the end of each fiscal year, the Company calculates the present value of the net cost of future services to be provided to current residents and compares the amount with the deferred revenue from advance fees at that date. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from

**The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary**  
**Notes to Consolidated Financial Statements**

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advance fees, a liability (obligation for future costs) is recorded. No liability has been recorded as of September 30, 2022 or 2021, because the present value of the estimated net costs of future services and use of facilities is less than deferred revenues from advances fees. The present value of the net cost of future services and use of facilities was discounted at 3.81% and 1.89% in 2022 and 2021, respectively.

***Concentration of Credit Risk***

Concentrations of credit risk with respect to patient accounts receivable are limited due to the formalized agreements with third-party payors. The Company has significant accounts receivable (approximately 55% and 32% in 2022 and 2021, respectively) whose collectability or realizability is dependent upon the performance of certain governmental programs, primarily Medicare and North Carolina Medicaid. Management does not believe there are significant credit risks associated with these governmental programs.

***Use of Estimates***

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

***Income Taxes***

The Company is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, the accompanying consolidated financial statements do not reflect a provision or liability for federal and state income taxes. The Company has determined that it does not have any material unrecognized tax benefits or obligations as of September 30, 2022.

***Subsequent Events***

The Company evaluated the effect subsequent events would have on the consolidated financial statements through January 27, 2023, which is the date the consolidated financial statements were issued.

**2. Revenue Recognition**

The Company generates revenues, primarily by providing housing and health services to its residents. The following streams of revenue are recognized as follows:

***Monthly fees:***

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

**The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary**  
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**Advanced fees:**

The non-refundable advanced fees are recognized as deferred revenue upon receipt of the payment and included in liabilities in the consolidated balance sheets until the performance obligations are satisfied. The refundable portion of an entrance fee is not considered part of the transaction price and as such is recorded as a liability in the consolidated balance sheets. Additionally, management has determined the contracts do not contain a significant financing component as the advanced payment assures residents the access to health care in the future. These deferred amounts are then amortized on a straight-line basis into revenue on a monthly basis over the life of the resident as the performance obligation is the material right associated with access to future services as described in FASB ASC 606-10-55 paragraph 42 and 51.

**Health care services:**

In the facility, the Company provides assisted and nursing care to residents who are covered by government and commercial payers. The Company is paid fixed daily rates from government payers. The fixed daily rates and other fees are billed in arrears monthly. The monthly fees represent the most likely amount to be received from the 3<sup>rd</sup> party payors. Most rates are predetermined from Medicare and Medicaid. Under ASC Topic 606, management has elected to utilize the portfolio approach in aggregating the revenues under these revenue streams.

The Company disaggregates its revenue from contracts with customers by payor source, as the Company believes it best depicts how the nature, timing and uncertainty of its revenues and cash flows are affected by economic factors. See details on a reportable segment basis in the table below:

	<b>September 30, 2022</b>			
	<b>Independent Living</b>	<b>Assisted Living &amp; Memory Care</b>	<b>Skilled Nursing</b>	<b>Total</b>
Private pay	\$ 34,632,885	\$ 12,271,191	\$ 10,710,006	\$ 57,614,082
Government reimbursement	-	51,350	10,840,304	10,891,654
Other third-party payor programs	-	-	1,969,581	1,969,581
Total	<u>\$ 34,632,885</u>	<u>\$ 12,322,541</u>	<u>\$ 23,519,891</u>	<u>\$ 70,475,317</u>

	<b>September 30, 2021</b>			
	<b>Independent Living</b>	<b>Assisted Living &amp; Memory Care</b>	<b>Skilled Nursing</b>	<b>Total</b>
Private pay	\$ 34,100,567	\$ 10,218,089	\$ 8,237,248	\$ 52,555,904
Government reimbursement	-	48,650	10,429,896	10,478,546
Other third-party payor programs	-	-	2,136,293	2,136,293
Total	<u>\$ 34,100,567</u>	<u>\$ 10,266,739</u>	<u>\$ 20,803,437</u>	<u>\$ 65,170,743</u>

**The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary**  
**Notes to Consolidated Financial Statements**

**3. Investments**

Aggregate fair values of investments at September 30 are summarized below:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 9,049,845	\$ 7,510,429
Equity	34,674,643	40,638,923
Fixed income	<u>45,361,760</u>	<u>50,743,447</u>
Total investments	89,086,248	98,892,799
Short-term investments	<u>81,293,248</u>	<u>89,249,575</u>
Investments - restricted	<u>\$ 7,793,000</u>	<u>\$ 9,643,224</u>

A summary of net investment income for the years ended September 30 follows:

	<u>2022</u>	<u>2021</u>
Net realized gains	\$ 1,067,272	\$ 3,113,540
Net unrealized gains (losses)	<u>(24,138,820)</u>	<u>5,301,479</u>
Net investment income (loss)	<u>\$ (23,071,548)</u>	<u>\$ 8,415,019</u>

**4. Assets Limited as to Use**

The composition of assets limited as to use at September 30 is set forth in the following table:

	<u>2022</u>	<u>2021</u>
Cash funds and cash equivalents	\$ 23,624,054	\$ 10,425,485
U.S. Government and agency funds	-	4,155,637
Equity	6,700,925	7,099,062
Fixed income	<u>11,253,445</u>	<u>12,784,944</u>
Total assets limited as to use	<u>\$ 41,578,424</u>	<u>\$ 34,465,128</u>
	<u>2022</u>	<u>2021</u>
<b>Board Designated Assets Limited to Use:</b>		
Construction funds	\$ 13,470,453	\$ 2,879,126
Debt service held by trustees	6,923,497	12,898,625
Insurance regulation	15,627,968	14,595,716
Held for others	147,813	186,895
Entrance fee escrow	234,120	234,120
Net assets with donor restrictions	<u>5,174,573</u>	<u>3,670,646</u>
Total assets limited as to use	41,578,424	34,465,128
Less current portion required to meet current obligations	<u>(17,271,385)</u>	<u>(3,097,758)</u>
Assets limited as to use, net of current portion	<u>\$ 24,307,039</u>	<u>\$ 31,367,370</u>



## 5. Fair Value of Assets and Liabilities

Fair value as defined under U.S. GAAP is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. U.S. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

- **Level 1:** Observable inputs such as quoted prices in active markets.
- **Level 2:** Inputs other than quoted prices in active markets that are either directly or indirectly observable.
- **Level 3:** Unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

When quoted prices are available in active markets for identical instruments, investment securities are classified within Level 1 of the fair value hierarchy. Level 1 investments include mutual funds, exchange-traded funds, government and agency bond funds, and money market funds which are valued based on prices readily available in active markets in which those securities are traded. Level 2 investments include interest rate swap agreements which are valued on a recurring basis based on inputs that are readily available in public markets or can be derived from information available in publicly quoted markets.

The Company does not have any financial assets or liabilities measured at fair value on a recurring basis categorized as Level 3, and there were no transfers in or out of Level 3 during 2022. There were no changes during 2022 to the Company's valuation techniques used to measure asset and liability fair values on a recurring basis.

The following tables set forth by level the fair value hierarchy the Company's financial assets accounted for at fair value on a recurring basis as of September 30, 2022 and 2021.

	<b>September 30, 2022</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Mutual funds	\$ 75,594,834	\$ -	\$ -	\$ 75,594,834
Exchange-traded funds	20,159,791	-	-	20,159,791
Government and agency bond funds	2,236,331	-	-	2,236,331
Money market funds	29,047,594	-	-	29,047,594
Interest rate swap agreements	-	10,442,208	-	10,442,208
Total assets at fair value	<u>\$127,038,550</u>	<u>\$ 10,442,208</u>	<u>\$ -</u>	<u>\$137,480,758</u>

The Company has \$3,626,122 of cash balances included in investments and assets limited as to use as of September 30, 2022, which are not included in the fair value hierarchy.

**The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary**  
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	<b>September 30, 2021</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets:</b>				
Mutual funds	\$ 76,797,576	\$ -	\$ -	\$ 76,797,576
Exchange-traded funds	30,288,731	-	-	30,288,731
Government and agency bond funds	4,155,637	-	-	4,155,637
Money market funds	<u>20,383,302</u>	<u>-</u>	<u>-</u>	<u>20,383,302</u>
Total assets at fair value	<u>\$131,625,246</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$131,625,246</u>
<b>Liabilities:</b>				
Interest rate swap agreements	<u>\$ -</u>	<u>\$ 190,745</u>	<u>\$ -</u>	<u>\$ 190,745</u>

The Company has \$1,732,681 of cash balances included in investments and assets limited as to use as of September 30, 2021, which are not included in the fair value hierarchy.

## **6. Property and Equipment**

Property and equipment consists of the following at September 30:

	<u>2022</u>	<u>2021</u>
Land	\$ 6,717,324	\$ 6,604,438
Land improvements	24,973,508	24,791,542
Buildings and improvements	285,788,481	281,807,436
Equipment and fixtures	23,545,890	22,782,288
Construction in progress	<u>24,800,359</u>	<u>6,857,868</u>
Total property and equipment	<b>365,825,562</b>	342,843,572
Less accumulated depreciation	<u>(151,515,595)</u>	<u>(138,159,270)</u>
Property and equipment, net	<u>\$ 214,309,967</u>	<u>\$ 204,684,302</u>

Construction in progress includes various projects, the largest of which is a campus expansion project. The Company had depreciation expense of approximately \$14,270,000 and \$13,690,000 for the years ended September 30, 2022 and 2021, respectively.

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**Notes to Consolidated Financial Statements**

**7. Bonds Payable**

Bonds payable consists of the following at September 30:

	<u>2022</u>	<u>2021</u>
First Mortgage Revenue Refunding Bonds, Series 2013A:		
Serial bonds due through October 1, 2022		
yielding between 3.05% and 3.68%	\$ -	\$ 60,000
Term bonds:		
Due October 1, 2033 yielding 4.60%	-	1,730,000
Due October 1, 2033 yielding 4.56%	-	6,370,000
First Mortgage Revenue Bonds, Series 2014A:		
Variable rate of 2.785% due October 1, 2024		
See related swap disclosure in Note 8	<b>815,000</b>	2,195,000
First Mortgage Revenue Bonds, Series 2014B:		
Variable rate of 2.745% due October 1, 2024		
See related swap disclosure in Note 8	<b>4,350,000</b>	6,305,000
First Mortgage Revenue Bonds, Series 2016A:		
Serial bonds due through October 1, 2026		
yielding between 2.500% to 2.625%	-	4,845,000
Term bonds:		
Due October 1, 2030 yielding 2.880%	<b>8,250,000</b>	8,250,000
Due October 1, 2030 yielding 3.250%	-	2,500,000
Due October 1, 2031 yielding 2.950%	<b>3,000,000</b>	3,000,000
Due October 1, 2035 yielding 3.180%	<b>13,390,000</b>	13,390,000
Due October 1, 2035 yielding 3.600%	-	2,500,000
First Mortgage Revenue and Revenue Refunding Bonds, Series 2017A:		
Serial bonds due through October 1, 2047		
yielding between 1.84% and 3.28%	-	23,290,000
Term Bonds:		
Due October 1, 2037 yielding 3.460%	-	12,670,000
Due October 1, 2038 yielding 3.830%	-	2,690,000
Due October 1, 2042 yielding 3.530%	-	12,155,000
Due October 1, 2047 yielding 3.600%	-	19,040,000
First Mortgage Revenue Bonds, Series 2017B:		
Variable rate term bonds at 2.65% due:		
October 1, 2041	-	15,625,000
First Mortgage Revenue and Revenue Refunding Bonds, Series 2021A:		
Serial bonds due through October 1, 2036		
yielding between 0.840% and 2.390%	<b>16,030,000</b>	-
Term Bonds:		
Due October 1, 2041 yielding 2.500%	<b>5,045,000</b>	-
Due October 1, 2046 yielding 2.660%	<b>6,000,000</b>	-
Due October 1, 2051 yielding 2.760%	<b>22,395,000</b>	-

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First Mortgage Revenue Refunding Bonds, Series 2021B:		
Due October 1, 2033 yielding 2.359%	<b>8,545,000</b>	-
Due October 1, 2047 yielding 2.411%	<u><b>72,710,000</b></u>	<u>-</u>
Total bonds payable	<u><b>160,530,000</b></u>	<u>136,615,000</u>
Less current portion of bonds payable	<b>(5,785,000)</b>	(4,540,000)
Less deferred financing costs, net	<b>(2,071,033)</b>	(2,499,896)
Add unamortized premium	<u><b>7,653,942</b></u>	<u>10,437,104</u>
Bonds payable, net of current portion	<u><b>\$ 160,327,909</b></u>	<u>\$ 140,012,208</u>

In April 2013, the Company issued \$8,370,000 of tax-exempt, fixed rate First Mortgage Revenue Refunding Bonds ("2013A Bonds") through the North Carolina Medical Care Commission. The proceeds of the 2013A Bonds, net of issuance expense and fund amounts deposited into a debt service reserve fund, along with cash reserves held by the Company, were used to refund the Series 2004C Bonds total outstanding debt.

In September 2014, the Company issued \$12,025,000 of tax-exempt, variable First Mortgage Revenue Refunding Bonds ("2014A Bonds") through the North Carolina Medical Care Commission. Of this total amount, \$1,310,000 funded the partial refunding of the Series 2005B Bonds and \$10,715,000 refunded the entirety of the Series 2004A and a portion of the Series 2005A Bonds, which was funded on October 1, 2014. The interest rate on the 2014A Bonds is variable based on prevailing market rates and is reset monthly based on 79% SOFR plus 1.00%. The Company entered into an interest rate swap agreement on the Series 2014A Bonds, which is described in Note 8.

In December 2014, the North Carolina Medical Care Commission authorized the issuance of tax-exempt, adjustable rate Retirement Facilities First Mortgage Revenue Refunding Bonds, Series 2014B ("2014B Bonds") in the aggregate principal amount of up to \$16,630,000. Of this total amount, \$6,390,000 and \$10,040,000 funded the partial refunding of the Series 2005C Bonds due October 1, 2019 and October 1, 2024, respectively. The interest rate on the 2014B Bonds is variable based on prevailing market rates and is reset monthly based on 79% SOFR plus 1.60%. The Company entered into an interest rate swap agreement on the Series 2014B Bonds, which is described in Note 8.

In May 2016, the North Carolina Medical Care Commission authorized the issuance of tax-exempt, fixed rate Retirement Facilities First Mortgage Revenue Refunding Bonds, Series 2016A ("2016A Bonds") in the aggregate principal amount of up to \$34,485,000. The bond funds were used to refund the entirety of the 2005A Bonds due October 1, 2025 and October 1, 2035, and the remaining outstanding amount of \$22,715,000 of the 2005C Bonds due October 1, 2032.

In December 2017, the Company issued \$71,970,000 of rated tax-exempt fixed rate Series 2017A Bonds ("2017A Bonds"), consisting of serial and term maturities from October 1, 2018 to October 1, 2047 and \$31,235,000 of tax-exempt direct purchase bank revenue Series 2017B Bonds ("2017B Bonds") issued by the North Carolina Medical Care Commission and to be purchased by BB&T Community Holdings Co. The 2017B Bonds consist of \$16,150,000 of Series 2017B-1 Bonds to be redeemed by October 1, 2041. The Series 2017B-2 Bonds of \$15,085,000 were redeemed in full in October 2020 with initial entrance fee proceeds received from the Project's new independent living units. The interest rate on the 2017B Bonds is variable based on prevailing market rates and is reset monthly based on 82.65% of 1-Month LIBOR plus 0.988%.

In December 2021, the Company issued \$49,470,000 of Public Finance Authority Retirement Facilities First Mortgage Revenue and Revenue Refunding 2021A Bonds ("2021A Bonds"). The proceeds of the 2021A Bonds refunded a portion of the outstanding 2016A Bonds, refunded the 2017B Bonds, and built a 54-unit independent living apartment building at Croasdale Village. In addition, the Company issued \$81,375,000 Direct Bank Bonds issued through the North Carolina Medical Care Commission ("2021B Bonds") and bought by Truist Bank with a

**The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary**  
**Notes to Consolidated Financial Statements**

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15-year commitment. The proceeds of the 2021B Bonds refunded the outstanding 2013A and 2017A Bonds. The 2021B Bonds are initially taxable at an all-in swap rate of 1.748% until July 2023, at which time the interest rate will convert to an all-in tax-exempt swap rate of 2.47%. The Company entered into two interest rate swap agreements on the Series 2021B Bonds, which are described in Note 8.

Principal repayments on bonds payable, excluding discounts and premiums, for the next five years and thereafter, are summarized as follows:

2023	\$ 5,785,000
2024	5,410,000
2025	5,565,000
2026	5,720,000
2027	5,920,000
Thereafter	<u>132,130,000</u>
	<u>\$ 160,530,000</u>

All series of bonds are subject to annual mandatory sinking fund requirements prior to their due dates. There are certain covenants associated with the bonds that are outlined in the Master Trust indentures. The most restrictive of these covenants requires maintenance of a long-term debt service coverage ratio, as defined, of not less than 1.20.

The Company incurred deferred financing costs in the amount of approximately \$2,490,000 and \$2,963,000 in association with the issuance of the above Series Bonds at September 30, 2022 and 2021, respectively. Amortization expense of approximately \$71,000 and \$88,000 was recognized during 2022 and 2021, respectively, to the interest expense line item on the consolidated statements of operations and changes in net assets. Accumulated amortization was \$419,000 and \$463,000 for the years ended September 30, 2022 and 2021, respectively. During fiscal year 2022, approximately \$1,979,000 of deferred financing costs, net were written off associated with the 2021A Bond and 2021B Bond refunding.

## **8. Interest Rate Swap**

Variable rate long-term debt exposes the Company to variability in interest payments due to changes in interest rates. Management believes it is prudent to limit the variability of a portion of its interest payments. To meet this objective, management entered into interest rate swap agreements to manage fluctuations in cash flows resulting from interest rate risk.

In August 2014, the Company entered into a forward interest rate swap agreement with a financial institution in conjunction with the 2014A Bonds that took effect October 1, 2014. The Company pays a fixed rate of 2.97% while the financial institution pays based on 78% of 1-Month LIBOR plus 1.3925%. The difference between the fixed and floating rates is accrued and recorded in interest expense in the accompanying consolidated statements of operations and changes in net assets. The fair value of this derivative instrument is recorded on the consolidated balance sheets as a long-term asset in fiscal year 2022 and as a long-term liability in fiscal year 2021.

In December 2014, the Company entered into a forward interest rate swap agreement with a financial institution in conjunction with the 2014B Bonds that took effect October 1, 2015. The Company pays a fixed rate of 3.195% while the financial institution pays based on 78% of 1-Month Libor plus 1.3925%. The difference between the fixed and floating rates is accrued and recorded in interest expense in the accompanying consolidated statements of operations and changes in net assets. The fair value of this derivative instrument is recorded on the

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**Notes to Consolidated Financial Statements**

consolidated balance sheets as a long-term asset in fiscal year 2022 and as a long-term liability in fiscal year 2021.

In December 2021, the Company entered into a interest rate swap agreement with a financial institution in conjunction with the 2021B Bonds that took effect December 1, 2021. The Company pays a fixed rate of 1.748% while the financial institution pays based on 100% of 1-Day SOFR plus 1.350%. The difference between the fixed and floating rates is accrued and recorded in interest expense in the accompanying consolidated statements of operations and changes in net assets. The fair value of this derivative instrument is recorded on the consolidated balance sheets as a long-term asset in fiscal year 2022.

In December 2021, the Company entered into a forward interest rate swap agreement with a financial institution in conjunction with the 2021B Bonds that takes effect July 12, 2023. The Company pays a fixed rate of 2.470% while the financial institution pays based on 79% of 1-Day SOFR plus 1.067%. The difference between the fixed and floating rates is accrued and recorded in interest expense in the accompanying consolidated statements of operations and changes in net assets. The fair value of this derivative instrument is recorded on the consolidated balance sheets as a long-term asset in fiscal year 2022.

The following schedule outlines the terms and fair values of the interest rate swap agreement.

	<u>2014A Bond Bank Swap</u>	<u>2014B Bond Bank Swap</u>	<u>2021B Bond Bank Swap</u>	<u>2021B Bond Bank Swap</u>
Notional amount	\$ 8,955,000	\$ 15,200,000	\$ 81,345,000	\$ 78,655,000
Trade date	8/25/2014	12/22/2014	11/4/2021	11/4/2021
Effective date	10/1/2014	10/1/2015	12/1/2021	7/12/2023
Termination date	10/1/2024	10/1/2024	7/12/2023	12/1/2036
Fixed rate	2.970%	3.195%	1.748%	2.470%
Fair value at September 30, 2020	\$ (78,474)	\$ (298,551)	\$ -	\$ -
Unrealized gains	<u>45,886</u>	<u>140,394</u>	<u>-</u>	<u>-</u>
Fair value at September 30, 2021	(32,588)	(158,157)	-	-
Unrealized gains	<u>44,911</u>	<u>224,220</u>	<u>2,375,157</u>	<u>7,988,665</u>
Fair value at September 30, 2022	<u>\$ 12,323</u>	<u>\$ 66,063</u>	<u>\$ 2,375,157</u>	<u>\$ 7,988,665</u>

By using an interest rate swap to hedge exposure to change in interest rates, the Company exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. Market risk is the adverse effect on the value of the financial instrument that results from a change in interest rates. The market risk associated with an interest rate swap is managed by establishing and monitoring parameters that limit the types and degrees of market risk that may be undertaken.

**9. Benevolent Assistance and Other Contractual Adjustments**

UMRH maintains records to identify and monitor the level of benevolent assistance it provides. These records include the amount of charges forgone for services and supplies furnished under its benevolent assistance policy. Amounts of benevolent assistance provided based on the cost to provide was approximately \$889,000 and \$830,000 for the years ended September 30, 2022 and 2021, respectively.

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Additionally, residents in the health center and assisted living levels of care may be eligible to participate in the North Carolina Medicaid or federal Medicare programs. Contractual adjustments represent the difference between UMRH's standard rates and the rates paid by net third party payors. For the years ended September 30, 2022 and 2021, the net reduction to patient service revenue by net third party payor contractual adjustments (primarily Medicaid and Medicare) of approximately \$2,936,000 and \$3,241,000, respectively.

**10. Retirement Plans**

Effective July 1, 2002, UMRH formed a 403(b) defined-contribution retirement plan covering substantially all its employees. UMRH matches 50% of eligible employee contributions up to eight percent on employees' annual compensation. Matching contributions begin on the first payroll of the first calendar quarter after the employee's hire date. The employees are immediately vested in their contributions. UMRH matching contributions are vested after the twelfth consecutive month period beginning with the first day of the plan year and ending with the last day of the plan year in which the employee is credited with at least 1,000 hours of service. At the end of the plan year, UMRH's matching contributions are vested on a sliding scale from zero to 100% based on years of vesting service where employees are 100% vested after 5 years. Retirement plan expense amounted to approximately \$480,000 and \$435,000 for the years ended September 30, 2022 and 2021, respectively.

**11. Net Assets with Donor Restrictions**

Net assets at September 30 were available for the following purposes:

	<u>2022</u>	<u>2021</u>
Benevolent care	\$ 2,296,721	\$ 3,494,288
Split interest agreements	308,020	382,889
Use and maintenance of the Cypress Glen facility	1,362,031	1,814,041
Other	3,124,716	1,461,652
Facility operations and maintenance	119,219	163,016
Capital campaign	<u>13,127</u>	<u>13,127</u>
	<u>\$ 7,223,834</u>	<u>\$ 7,329,013</u>

Net assets restricted to investment in perpetuity, the income from which is expendable to support:

	<u>2022</u>	<u>2021</u>
Benevolent endowment fund	\$ 3,259,575	\$ 3,063,434
Split interest agreements	425,857	838,177
Use and maintenance of the Cypress Glen facility	649,525	649,525
Other	689,194	587,239
Facility operations and maintenance	<u>100,691</u>	<u>100,691</u>
	<u>\$ 5,124,842</u>	<u>\$ 5,239,066</u>
Total net assets with donor restrictions	<u>\$ 12,348,676</u>	<u>\$ 12,568,079</u>

## **12. Commitments and Contingencies**

The Company is involved in litigation in the ordinary course of business related to professional liability claims. Management believes these claims, if asserted, would be settled within the limits of coverage, which is on a claims-made basis, with insurance limits of \$1,000,000 per claim and \$3,000,000 in the aggregate.

Should the policies not be renewed or replaced with equivalent insurance, claims based on occurrences during their terms but reported subsequently would be uninsured. Management anticipates that such coverage will be renewed or replaced with equivalent insurance as these policies expire.

## **13. Contingent Liabilities**

The Company is self-insured for its employee health insurance and records an estimate for claims incurred but unpaid at year end. The estimated liability for these claims approximated \$299,000 and \$303,000 for the years ended September 30, 2022 and 2021, respectively. The liability is included in current liabilities on the consolidated balance sheet. The total self-insurance expenses were approximately \$3,110,000 and \$3,090,000. The self-insured plan has a stop loss coverage of \$125,000 per individual per plan year ended September 30, 2022 and 2021, and has an \$1,000,000 annual aggregate.

## **14. Management Fees**

The Company pays management fees to Life Care Services LLC ("LCS") pursuant to a Client Services Agreement dated January 1, 2018. Under this Agreement, LCS is to: (i) provide a qualified Corporate Executive Director, who is an employee of LCS; (ii) perform general, financial, personnel, facility and other management services necessary for operation of UMRH's corporate office and the operation and marketing of the communities. The term of the Client Services Agreement is five years terminable by UMRH, with six months' notice, at the conclusion of the third anniversary without cause or penalty. The Company recognized management fee expenses of approximately \$2,468,000 and \$2,265,000 for the years ended September 30, 2022 and 2021, respectively which are included in administrative expenses on the consolidated statement of operations and changes in net assets.

## **15. Endowment Funds**

The Company's endowments consist of individual funds established for a variety of purposes including support for residents in financial need, plant operations and maintenance and other general obligations. The endowments consist of donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

### ***Interpretation of Relevant Law***

The Board of Trustees of the Company has interpreted the State Prudent Management of Institutional Funds Act ("SPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Company classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent



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endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with SPMIFA, the Company considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Company and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Company
- The investment policies of the Company

**Endowment Net Asset Composition by Type of Fund as of September 30, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment	\$ <u>          -</u>	\$ <u>11,614,799</u>	\$ <u>11,614,799</u>

**Changes in Endowment Net Assets for the Year Ended September 30, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 11,347,013	\$ 11,347,013
Investment gains	-	(1,902,999)	(1,902,999)
Contributions to principal and transfers, net	-	2,914,471	2,914,471
Change in value of pledges	-	(24,898)	(24,898)
Bad debt expense, net	-	2,589	2,589
Releases from restriction	-	(969,061)	(969,061)
Maturity of split interest agreement	-	247,684	247,684
Endowment net assets, end of year	\$ <u>          -</u>	\$ <u>11,614,799</u>	\$ <u>11,614,799</u>

**Endowment Net Asset Composition by Type of Fund as of September 30, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment	\$ <u>          -</u>	\$ <u>11,347,013</u>	\$ <u>11,347,013</u>

**Changes in Endowment Net Assets for the Year Ended September 30, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 9,173,756	\$ 9,173,756
Investment gains	-	1,833,045	1,833,045
Contributions to principal and transfers, net	-	1,022,202	1,022,202
Change in value of pledges	-	(27,891)	(27,891)
Bad debt expense, net	-	2,927	2,927
Releases from restriction	-	(657,026)	(657,026)
Endowment net assets, end of year	\$ <u>          -</u>	\$ <u>11,347,013</u>	\$ <u>11,347,013</u>

**The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary**  
**Notes to Consolidated Financial Statements**

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***Return Objectives and Risk Parameters***

The Company has adopted investment and spending policies for endowment assets that attempt to emphasize long-term growth of principal while avoiding excessive risk. Short-term volatility will be tolerated in as much as it is consistent with the volatility of a comparable market index. Endowment assets include those assets of donor-restricted funds that the Company must hold in perpetuity.

***Strategies Employed for Achieving Objectives***

To satisfy its long-term rate-of-return objectives, the Company relies on a combination strategy of capital preservation and modest capital growth. The Company targets a diversified asset allocation that places a greater emphasis on fixed income investments to achieve its long-term return objectives within prudent risk constraints.

***Spending Policy and How the Investment Objectives Relate to Spending Policy***

The Company has a policy of utilizing the interest and dividends earned on these endowments for their restricted purposes. The Company believes the investment policy established will facilitate the growth of these endowed funds and allow for earnings on these endowed funds to be used consistent with the intent of the donors.

**16. Liquidity and Availability**

As part of its liquidity management, the Company has a policy to structure its financial assets to be available as its general expenses, liabilities, and other obligations come due. In addition, the Company invests cash in excess of daily operating funds in short-term investments such as mutual funds, exchange-traded funds, and, money market funds.

The following schedule reflects the Company's financial assets to meet cash needs for general expenses within one year. The financial assets were derived from the total assets on the consolidated balance sheets by excluding the assets that are unavailable for general expenses in the next 12 months. The Company seeks to maintain sufficient liquid assets to cover 120 days' operating and capital expenses.

Financial assets available for general expenditure within one year of the balance sheet date, consist of the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 5,954,086	\$ 8,745,863
Contributions receivable, current portion	2,412	24,721
Accounts receivable	3,127,429	3,652,948
Other receivables	1,291,459	2,002,041
Investments	<u>81,293,248</u>	<u>89,249,575</u>
	<u>\$ 91,668,634</u>	<u>\$ 103,675,148</u>

**The United Methodist Retirement Homes, Incorporated, Its Affiliate, and Subsidiary**  
**Notes to Consolidated Financial Statements**

**17. Schedule of Expenses by Natural Classification and Function**

The following is a schedule of expenses by both natural classification and function for the year ended September 30, 2022:

	<b>September 30, 2022</b>			<b>Total</b>
	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	
Salaries and benefits	\$ 28,555,766	\$ 5,964,399	\$ 183,956	\$ 34,704,121
Fees for services	7,127,822	1,940,537	-	9,068,359
Supplies	6,062,698	816,704	1,557	6,880,959
Medical and personal care	3,450,588	-	-	3,450,588
Occupancy	2,511,069	18,691	-	2,529,760
Insurance	780,735	115,335	-	896,070
Interest	4,133,448	666	-	4,134,114
Depreciation and amortization	14,055,550	229,014	-	14,284,564
Other	<u>3,636,841</u>	<u>2,283,760</u>	<u>29,310</u>	<u>5,949,911</u>
Total expense	<u>\$ 70,314,517</u>	<u>\$ 11,369,105</u>	<u>\$ 214,823</u>	<u>\$ 81,898,445</u>

The following is a schedule of expenses by both natural classification and function for the year ended September 30, 2021:

	<b>September 30, 2021</b>			<b>Total</b>
	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	
Salaries and benefits	\$ 25,216,048	\$ 7,391,793	\$ 196,580	\$ 32,804,421
Fees for services	5,588,248	1,663,404	7,600	7,259,252
Supplies	5,349,017	724,358	1,247	6,074,622
Medical and personal care	3,152,847	-	-	3,152,847
Occupancy	2,253,113	16,801	-	2,269,914
Insurance	782,639	65,714	-	848,353
Interest	5,718,285	4,262	-	5,722,547
Depreciation and amortization	13,414,362	289,951	-	13,704,313
Other	<u>3,047,958</u>	<u>1,995,035</u>	<u>23,859</u>	<u>5,066,852</u>
Total expense	<u>\$ 64,522,517</u>	<u>\$ 12,151,318</u>	<u>\$ 229,286</u>	<u>\$ 76,903,121</u>

**18. COVID-19 Pandemic**

In response to the COVID-19 pandemic, the Coronavirus Aid, Relief and Economic Security (“CARES”) Act was signed into law on March 27, 2020. One provision of the CARES Act was the establishment of the Provider Relief Funds, administered by HHS. The Provider Relief Funds are being distributed to healthcare providers throughout the country to support the battle against the COVID-19 outbreak. The Company received approximately \$310,000 and \$2,083,000 in general Provider Relief Funds (“PRF”) in fiscal year 2021 and 2020, respectively. These funds are intended to reimburse qualifying expenses and lost revenues attributable to COVID-19 and are subject to the terms, conditions, and regulatory requirements set forth by HHS. If the total distributions received by the Company exceed the cumulative amount of qualifying expenses and lost revenues attributable to COVID-19 through December 31, 2021, any excess funding may be subject recoupment. The Provider Relief Funds are accounted for as voluntary nonexchange transactions and related revenues are recognized as eligibility criteria are met. The company recognized approximately \$485,000 and \$1,131,000 in non-operating gains for the year ended September 30, 2022 and 2021, respectively.

***Supplementary Information***

The United Methodist Retirement Homes, Inc., Its Affiliate and Subsidiary  
Consolidating Balance Sheet Information  
September 30, 2022

	Corporate	Wesley Pines	Cypress Glen	Croasdaile Village	Eliminating Entries	Total UMRH	UMRH Foundation	Eliminating Entries	Obligated Group	UMRH AHD	Consolidated
<b>ASSETS</b>											
Current assets:											
Cash	\$ 5,795,446	\$ 400	\$ 2,259	\$ 550	\$ -	\$ 5,798,655	\$ 69,077	\$ -	\$ 5,867,732	\$ 86,352	\$ 5,954,084
Contributions receivable, current portion	-	35,404	2,648,583	49,005	-	2,732,992	2,412	(2,732,992)	2,412	-	2,412
Investments	96,821,215	-	-	-	(15,527,967)	81,293,248	-	-	81,293,248	-	81,293,248
Assets limited as to use - debt service, current portion	-	-	-	16,980,398	-	16,980,398	-	-	16,980,398	-	16,980,398
Assets limited as to use, current portion	28	15,668	264,178	10,813	-	290,687	-	-	290,687	300	290,987
Accounts receivable, net of allowance for uncollectible accounts	-	777,649	162,600	2,187,180	-	3,127,429	-	-	3,127,429	-	3,127,429
Other receivables	2,569	49,188	340,762	898,940	-	1,291,459	-	-	1,291,459	-	1,291,459
Due from related parties	1,561,074	-	32,964,460	86,205,565	(120,530,208)	200,891	-	(200,891)	-	-	-
Inventories	825	34,110	61,280	81,000	-	177,215	-	-	177,215	-	177,215
Prepaid expenses and other current assets	151,745	133,049	279,266	647,252	-	1,211,312	774	-	1,212,086	-	1,212,086
<b>Total current assets</b>	<b>104,332,902</b>	<b>1,045,468</b>	<b>36,723,388</b>	<b>107,060,703</b>	<b>(136,058,175)</b>	<b>113,104,286</b>	<b>72,263</b>	<b>(2,933,883)</b>	<b>110,242,666</b>	<b>86,652</b>	<b>110,329,318</b>
Non-current assets:											
Assets limited as to use - statutory operating reserve	-	2,273,224	3,810,787	9,443,957	-	15,527,968	100,000	-	15,627,968	-	15,627,968
Assets limited as to use - debt service, net of current portion	-	-	1,211,259	2,202,293	-	3,413,552	-	-	3,413,552	-	3,413,552
Assets limited as to use, net of current portion	674,525	-	1,362,031	234,120	-	2,270,676	2,994,843	-	5,265,519	-	5,265,519
Investments - restricted	-	-	-	-	-	-	7,793,000	-	7,793,000	-	7,793,000
Assets held for resale	197,103	-	-	-	-	197,103	-	-	197,103	-	197,103
Property and equipment, net	109,654	11,644,473	40,085,884	162,469,956	-	214,309,967	-	-	214,309,967	-	214,309,967
Investment in Wesley Ridge	75,494	-	-	-	-	75,494	-	-	75,494	-	75,494
Trusts receivable	-	-	-	-	-	-	119,600	-	119,600	-	119,600
Contributions receivable, net of current portion	-	594,981	2,768,779	2,976,390	-	6,340,150	-	(6,340,150)	-	-	-
Deferred marketing costs, net	-	-	6,967	94,603	-	101,570	-	-	101,570	-	101,570
Interest rate swap agreement	-	1,040,527	1,790,857	7,610,824	-	10,442,208	-	-	10,442,208	-	10,442,208
<b>Total non-current assets</b>	<b>1,056,776</b>	<b>15,553,205</b>	<b>51,036,564</b>	<b>185,032,143</b>	<b>-</b>	<b>252,678,688</b>	<b>11,007,443</b>	<b>(6,340,150)</b>	<b>257,345,981</b>	<b>-</b>	<b>257,345,981</b>
<b>Total assets</b>	<b>\$ 105,389,678</b>	<b>\$ 16,598,673</b>	<b>\$ 87,759,952</b>	<b>\$ 292,092,846</b>	<b>\$ (136,058,175)</b>	<b>\$ 365,782,974</b>	<b>\$ 11,079,706</b>	<b>\$ (9,274,033)</b>	<b>\$ 367,588,647</b>	<b>\$ 86,652</b>	<b>\$ 367,675,299</b>
<b>LIABILITIES AND NET ASSETS</b>											
Current liabilities:											
Annuity payable, current portion	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 81,502	\$ -	\$ 81,502	\$ -	\$ 81,502
Bonds payable, current portion	-	322,000	870,000	4,593,000	-	5,785,000	-	-	5,785,000	-	5,785,000
Accounts payable	637,422	332,911	592,184	2,541,963	-	4,104,480	15,574	-	4,120,054	-	4,120,054
Accrued salaries and related expenses	485,842	342,149	582,700	742,062	-	2,152,753	-	-	2,152,753	-	2,152,753
Accrued interest payable	-	10,367	18,837	1,690,435	-	1,719,639	-	-	1,719,639	-	1,719,639
Insurance regulation - statutory operating reserve	-	2,273,224	3,810,787	9,443,956	(15,527,967)	-	-	-	-	-	-
Due to related parties	119,170,026	1,360,182	-	-	(120,530,208)	-	2,732,992	(2,732,992)	-	-	-
Provider relief advanced funding	120,181	-	-	-	-	120,181	-	-	120,181	-	120,181
<b>Total current liabilities</b>	<b>120,413,471</b>	<b>4,640,833</b>	<b>5,874,508</b>	<b>19,011,416</b>	<b>(136,058,175)</b>	<b>13,882,053</b>	<b>2,830,068</b>	<b>(2,732,992)</b>	<b>13,979,129</b>	<b>-</b>	<b>13,979,129</b>
Long-term liabilities:											
Annuity payable, less current portion	-	-	-	-	-	-	439,945	-	439,945	-	439,945
Bonds payable, less current portion	-	7,768,638	13,501,710	139,057,561	-	160,327,909	-	-	160,327,909	-	160,327,909
Qualified intermediate-term debt	-	-	-	-	-	-	-	-	-	-	-
Liability for refundable advance fees	-	48,222	6,063,234	8,626,393	-	14,737,849	-	-	14,737,849	-	14,737,849
Deferred revenue from non-refundable advance fees	-	1,635,122	17,728,714	56,961,286	-	76,325,122	-	-	76,325,122	-	76,325,122
Deferred revenue - other	-	-	-	-	-	-	-	-	-	-	-
Contributions payable, less current portion	-	-	-	-	-	-	6,340,150	(6,340,150)	-	-	-
Due to related parties	71,377	-	-	-	-	71,377	200,891	(200,891)	71,377	-	71,377
Funds held for others	-	14,353	128,820	4,641	-	147,814	-	-	147,814	-	147,814
<b>Total long-term liabilities</b>	<b>71,377</b>	<b>9,466,335</b>	<b>37,422,478</b>	<b>204,649,881</b>	<b>-</b>	<b>251,610,071</b>	<b>6,980,986</b>	<b>(6,541,041)</b>	<b>252,050,016</b>	<b>-</b>	<b>252,050,016</b>
<b>Total liabilities</b>	<b>120,484,848</b>	<b>14,107,168</b>	<b>43,296,986</b>	<b>223,661,297</b>	<b>(136,058,175)</b>	<b>265,492,124</b>	<b>9,811,054</b>	<b>(9,274,033)</b>	<b>266,029,145</b>	<b>-</b>	<b>266,029,145</b>
Net assets:											
Without donor restrictions	(15,769,723)	1,859,806	37,548,215	65,399,998	-	89,038,296	172,830	-	89,211,126	86,352	89,297,478
With donor restrictions	674,553	631,699	6,914,751	3,031,551	-	11,252,554	1,095,822	-	12,348,376	300	12,348,676
<b>Total net assets</b>	<b>(15,095,170)</b>	<b>2,491,505</b>	<b>44,462,966</b>	<b>68,431,549</b>	<b>-</b>	<b>100,290,850</b>	<b>1,268,652</b>	<b>-</b>	<b>101,559,502</b>	<b>86,652</b>	<b>101,646,154</b>
<b>Total liabilities and net assets</b>	<b>\$ 105,389,678</b>	<b>\$ 16,598,673</b>	<b>\$ 87,759,952</b>	<b>\$ 292,092,846</b>	<b>\$ (136,058,175)</b>	<b>\$ 365,782,974</b>	<b>\$ 11,079,706</b>	<b>\$ (9,274,033)</b>	<b>\$ 367,588,647</b>	<b>\$ 86,652</b>	<b>\$ 367,675,299</b>

See Independent Auditor's Report.

The United Methodist Retirement Homes, Inc., Its Affiliate and Subsidiary  
Consolidating Statement of Operations and Changes in Net Assets Information  
September 30, 2022

	Corporate	Wesley Pines	Cypress Glen	Croasdaille Village	Total UMRH	UMRH Foundation	Eliminating Entries	Obligated Group	UMRH AHD	Consolidated
Unrestricted revenues, gains and other support:										
Net resident and patient service revenue	\$ -	\$ 10,001,491	\$ 17,846,596	\$ 42,627,230	\$ 70,475,317	\$ -	\$ -	\$ 70,475,317	\$ -	\$ 70,475,317
Amortization of advance fees	-	275,278	2,682,509	6,641,688	9,599,475	-	-	9,599,475	-	9,599,475
Net assets released from restriction	961	115,918	132,241	382,862	631,982	71,855	-	703,837	-	703,837
Other	28,996	15,168	28,515	20,047	92,726	-	-	92,726	-	92,726
Interest and dividend income	3,624,594	-	16,990	38,157	3,679,741	239	-	3,679,980	9	3,679,989
Total unrestricted revenues, gains and other support	3,654,551	10,407,855	20,706,851	49,709,984	84,479,241	72,094	-	84,551,335	9	84,551,344
Expenses:										
Nursing services	-	4,933,423	4,485,183	11,042,453	20,461,059	-	-	20,461,059	-	20,461,059
Dietary and food services	-	1,554,289	3,221,993	7,408,004	12,184,286	-	-	12,184,286	-	12,184,286
Administration	5,623,225	1,117,250	2,153,654	3,991,469	12,885,598	87,881	-	12,973,479	203	12,973,682
Plant operations, maintenance and security	-	825,186	2,539,165	4,218,556	7,582,907	-	-	7,582,907	-	7,582,907
Laundry and housekeeping	-	502,264	1,045,007	2,681,455	4,228,726	-	-	4,228,726	-	4,228,726
Resident services - activities	-	150,584	613,958	1,855,528	2,620,070	-	-	2,620,070	-	2,620,070
Home care	-	-	-	3,054,319	3,054,319	-	-	3,054,319	-	3,054,319
Interest	-	47,331	153,889	3,932,894	4,134,114	-	-	4,134,114	-	4,134,114
Depreciation and amortization	85,640	628,235	3,398,373	10,172,316	14,284,564	-	-	14,284,564	-	14,284,564
Bad debt expense	-	159,730	7,144	207,844	374,718	-	-	374,718	-	374,718
Total expenses	5,708,865	9,918,292	17,618,366	48,564,838	81,810,361	87,881	-	81,898,242	203	81,898,445
Operating income (loss)	(2,054,314)	489,563	3,088,485	1,145,146	2,668,880	(15,787)	-	2,653,093	(194)	2,652,899
Non-operating gains (losses):										
Net investment gains, realized	933,264	-	-	-	933,264	-	-	933,264	-	933,264
Net investment gains, unrealized	(21,491,632)	-	(62,062)	(63,570)	(21,617,264)	-	-	(21,617,264)	-	(21,617,264)
Provider relief funding	-	103,039	177,869	204,011	484,919	-	-	484,919	-	484,919
Loss on disposal of property and equipment	100	(7,345)	(20,030)	(88,615)	(115,890)	-	-	(115,890)	-	(115,890)
Contributions	18,215	1,326	300	47,613	67,454	4,160	-	71,614	-	71,614
Loss on extinguishment of debt	-	(197,964)	(979,281)	(899,360)	(2,076,605)	-	-	(2,076,605)	-	(2,076,605)
Construction related marketing costs	-	-	(6,147)	(2,824)	(8,971)	-	-	(8,971)	-	(8,971)
Change in fair value of interest rate swap agreement	-	1,040,527	1,812,753	7,779,673	10,632,953	-	-	10,632,953	-	10,632,953
Other	-	283	7,503	213	7,999	-	-	7,999	-	7,999
Net non-operating gains (losses)	(20,540,053)	939,866	930,905	6,977,141	(11,692,141)	4,160	-	(11,687,981)	-	(11,687,981)
Excess of revenues, gains and other support over expenses	(22,594,367)	1,429,429	4,019,390	8,122,287	(9,023,261)	(11,627)	-	(9,034,888)	(194)	(9,035,082)
Net assets released from restrictions for purchase of property and equipment	-	-	193,552	71,672	265,224	-	-	265,224	-	265,224
Change in net assets without donor restrictions	(22,594,367)	1,429,429	4,212,942	8,193,959	(8,758,037)	(11,627)	-	(8,769,664)	(194)	(8,769,858)
Change in net assets with donor restrictions:										
Contributions	881	115,976	2,245,117	474,977	2,836,951	77,518	-	2,914,469	-	2,914,469
Interest and dividend income	-	30,730	261,097	134,639	426,466	58,083	-	484,549	-	484,549
Investment income	-	(150,419)	(1,289,679)	(662,234)	(2,102,332)	(285,216)	-	(2,387,548)	-	(2,387,548)
Change in split interest agreement	-	(17,570)	(100,687)	(356,893)	(475,150)	(12,037)	-	(487,187)	-	(487,187)
Maturity of split interest agreement	-	8,793	15,707	223,184	247,684	-	-	247,684	-	247,684
Change in value of pledges	-	-	-	(24,898)	(24,898)	-	-	(24,898)	-	(24,898)
Recovery of bad debt expense	-	-	-	2,589	2,589	-	-	2,589	-	2,589
Net assets released from donor restriction	(961)	(115,918)	(325,793)	(454,534)	(897,206)	(71,855)	-	(969,061)	-	(969,061)
Change in net assets with donor restrictions	(80)	(128,408)	805,762	(663,170)	14,104	(233,507)	-	(219,403)	-	(219,403)
Change in net assets	(22,594,447)	1,301,021	5,018,704	7,530,789	(8,743,933)	(245,134)	-	(8,989,067)	(194)	(8,989,261)
Net assets, beginning of year	7,499,277	1,190,484	39,444,262	60,900,760	109,034,783	1,513,786	-	110,548,569	86,846	110,635,415
Net assets, end of year	\$ (15,095,170)	\$ 2,491,505	\$ 44,462,966	\$ 68,431,549	\$ 100,290,850	\$ 1,268,652	\$ -	\$ 101,559,502	\$ 86,652	\$ 101,646,154

## **ATTACHMENT 2**

**Forecasted Financial Statements  
of  
The United Methodist  
Retirement Homes, Incorporated  
Includes**

- **Consolidated Operations of Croasdaile Village, Cypress Glen and Wesley Pines**
- **Individual Operations of Wesley Pines**

# **The United Methodist Retirement Homes, Incorporated**

**Accountant's Compilation  
Report, Forecasted Financial  
Statements, and Supplementary  
Information**

**September 30, 2023  
through 2027**





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## Accountant's Compilation Report

Board of Trustees of  
The United Methodist Retirement Homes, Incorporated  
Durham, NC

Management is responsible for the accompanying forecast of The United Methodist Retirement Homes, Incorporated ("UMRH"), which comprises the forecasted consolidated balance sheets as of September 30, 2023 through 2027, and the forecasted consolidated statements of operations and changes in net assets, and forecasted consolidated cash flows for the years then ending, and the related summaries of significant assumptions and accounting policies in accordance with guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants (AICPA). We have performed 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 forecast nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on this forecast.

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

The accompanying forecasts and this report are intended solely for the information and use of UMRH and to comply with the requirements of North Carolina General Statutes, Chapter 58, Article 64, they are not intended to be and should not be used by anyone other than these specified parties.

As disclosed in Note 1 to the audited consolidated financial statements for UMRH and Affiliates, accounting principles generally accepted in the United States of America require that the financial statements for affiliates meeting certain criteria be consolidated with the parent organization's financial statements. For purposes of this forecast, the financial statements of two affiliates, which should be consolidated with UMRH's consolidated financial statements under accounting principles generally accepted in the United States of America, have been excluded from the forecasted financial statements. The effects of this departure from accounting principles generally accepted in the United States of America on the forecasted financial position, results of operations and cash flows have not been determined.

The accompanying supplementary information on pages 15 - 23 is presented for purposes of additional analysis and is not a required part of the forecast. Such information is the responsibility of management. The supplementary information was subject to our compilation engagement. We have not examined or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

**FORVIS, LLP**

**Raleigh, NC  
March 23, 2023**

**The United Methodist Retirement Homes, Incorporated**  
**Forecasted Consolidated Balance Sheets**  
**September 30, 2023 through 2027**  
(dollars in thousands)

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
<b>ASSETS</b>					
Current assets:					
Cash	\$ 23,428	\$ 6,223	\$ 11,357	\$ 18,390	\$ 27,603
Contributions receivable from					
UMRH Foundation, current portion	2,583	2,433	2,283	2,258	2,109
Investments	81,660	82,170	84,165	86,095	88,092
Assets limited as to use - debt service, current portion	835	825	634	616	616
Assets limited as to use - all other, current portion	291	291	291	291	291
Accounts receivable, net	3,201	3,488	3,503	3,619	3,739
Other receivables	1,596	3,133	2,265	2,501	2,590
Due from related parties	201	201	201	201	201
Inventories	171	177	182	188	194
Prepaid expenses and other current assets	1,246	1,373	1,412	1,452	1,492
Total current assets	<u>115,212</u>	<u>100,314</u>	<u>106,293</u>	<u>115,611</u>	<u>126,927</u>
Assets limited as to use:					
Assets limited as to use - statutory operating reserve	16,927	18,841	19,329	19,943	20,552
Assets limited as to use - debt service, net of current portion	3,414	3,414	3,414	3,414	3,414
Assets limited as to use - all other, net of current portion	2,305	2,340	2,375	2,412	2,450
Investment in Wesley Ridge	75	75	75	75	75
	<u>22,721</u>	<u>24,670</u>	<u>25,193</u>	<u>25,844</u>	<u>26,491</u>
Property and equipment, net	209,476	231,748	226,292	221,928	218,760
Other assets:					
Interest rate swap agreement	10,442	10,442	10,442	10,442	10,442
Contributions receivable from					
UMRH Foundation, net of current portion	6,340	6,338	6,339	6,216	6,213
Deferred marketing costs, net	87	175	155	135	115
	<u>16,869</u>	<u>16,955</u>	<u>16,936</u>	<u>16,793</u>	<u>16,770</u>
Total assets	<u>\$ 364,278</u>	<u>\$ 373,687</u>	<u>\$ 374,714</u>	<u>\$ 380,176</u>	<u>\$ 388,948</u>
<b>LIABILITIES AND NET ASSETS</b>					
Current liabilities:					
Bonds payable, current portion	\$ 6,398	\$ 5,565	\$ 5,720	\$ 5,920	\$ 6,120
Accounts payable	4,601	4,759	4,912	5,054	5,217
Accrued salaries and related expenses	2,140	2,460	2,115	2,793	2,970
Accrued interest payable	1,760	1,037	928	914	899
Total current liabilities	<u>14,899</u>	<u>13,821</u>	<u>13,675</u>	<u>14,681</u>	<u>15,206</u>
Long-term liabilities:					
Bonds payable, less current portion	154,918	149,295	143,466	137,189	130,674
Liability for refundable advanced fees	14,907	15,042	15,108	15,535	16,091
Deferred revenue for non-refundable advanced fees	77,388	91,379	92,767	95,381	99,737
Fund held for others	148	148	148	148	148
Total long-term liabilities	<u>247,361</u>	<u>255,864</u>	<u>251,489</u>	<u>248,253</u>	<u>246,650</u>
Total liabilities	<u>262,260</u>	<u>269,685</u>	<u>265,164</u>	<u>262,934</u>	<u>261,856</u>
Net assets:					
Net assets without donor restrictions	90,916	92,900	98,448	106,140	115,990
Net assets with donor restrictions	11,102	11,102	11,102	11,102	11,102
Total net assets	<u>102,018</u>	<u>104,002</u>	<u>109,550</u>	<u>117,242</u>	<u>127,092</u>
Total liabilities and net assets	<u>\$ 364,278</u>	<u>\$ 373,687</u>	<u>\$ 374,714</u>	<u>\$ 380,176</u>	<u>\$ 388,948</u>

**The United Methodist Retirement Homes, Incorporated**  
**Forecasted Consolidated Statements of Operations and Changes in Net Assets**  
**For the years ending September 30, 2023 through 2027**  
**(dollars in thousands)**

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Revenue:					
Net resident services, apartments	\$ 33,992	\$ 38,799	\$ 40,275	\$ 41,781	\$ 43,327
Net resident services, health care center	23,312	23,907	24,523	25,158	25,814
Net resident services, assisted living	10,146	10,511	10,890	11,283	11,689
Net resident services, memory care	3,164	3,278	3,395	3,517	3,643
Net resident services, home care	2,324	2,417	2,514	2,615	2,719
Amortization of advanced fees	9,511	9,877	11,761	12,082	12,587
Net assets released from restriction	603	603	603	603	603
Other	161	42	42	42	42
Interest and dividend income	1,853	2,512	2,573	2,634	2,699
	<u>85,066</u>	<u>91,946</u>	<u>96,576</u>	<u>99,715</u>	<u>103,123</u>
Total revenue					
Expenses:					
Health care center	17,099	17,616	18,148	18,698	19,263
Assisted living	3,142	3,236	3,334	3,434	3,537
Memory care	1,471	1,516	1,562	1,608	1,656
Home care	2,223	2,289	2,358	2,429	2,502
Resident services	2,935	3,052	3,144	3,238	3,336
Dietary and food service	13,384	13,802	14,239	14,691	15,152
Housekeeping	4,356	4,909	5,066	5,222	5,380
Laundry	221	1,019	1,041	1,059	1,080
Plant	7,638	8,329	8,592	8,859	9,130
General and administration	13,160	13,951	14,392	14,748	15,212
Depreciation	14,575	15,113	14,233	13,532	12,747
Interest	3,135	5,130	4,919	4,505	4,278
	<u>83,339</u>	<u>89,962</u>	<u>91,028</u>	<u>92,023</u>	<u>93,273</u>
Total expenses					
Change in net assets	1,727	1,984	5,548	7,692	9,850
Net assets beginning of year	<u>100,291</u>	<u>102,018</u>	<u>104,002</u>	<u>109,550</u>	<u>117,242</u>
Net assets end of year	<u>\$ 102,018</u>	<u>\$ 104,002</u>	<u>\$ 109,550</u>	<u>\$ 117,242</u>	<u>\$ 127,092</u>

**The United Methodist Retirement Homes, Incorporated**  
**Forecasted Consolidated Statements of Cash Flows**  
**For the years ending September 30, 2023 through 2027**  
**(dollars in thousands)**

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Operating activities:					
Change in net assets	\$ 1,727	\$ 1,984	\$ 5,548	\$ 7,692	\$ 9,850
Adjustments to reconcile change in net assets to net cash from operating activities:					
Depreciation	14,575	15,113	14,233	13,532	12,747
Amortization of deferred financing costs	-	91	40	116	94
Amortization of bond premium	-	(149)	(149)	(473)	(489)
Amortization of advanced fees	(9,511)	(9,877)	(11,761)	(12,082)	(12,587)
Non-refundable entrance fees received	12,739	29,146	20,062	21,884	22,930
Bad debt expense	168	406	409	422	435
Net change in:					
Accounts receivable - residents and patients	(241)	(693)	(424)	(538)	(555)
Accounts receivable - other	(304)	(1,537)	868	(236)	(89)
Contributions receivable	150	150	150	150	150
Due to/from related parties	(71)	-	-	-	-
Inventories	6	(6)	(5)	(6)	(6)
Prepaid expenses and other current assets	(35)	(127)	(39)	(40)	(40)
Accounts payable	492	158	153	142	163
Accrued salaries and related expenses	(13)	320	(345)	678	177
Provider relief advanced funding	(120)	-	-	-	-
Accrued interest payable	(947)	(723)	(109)	(14)	(15)
Net cash provided by operating activities	<u>18,615</u>	<u>34,256</u>	<u>28,631</u>	<u>31,227</u>	<u>32,765</u>
Investing activities:					
Purchase of property and equipment	(7,750)	(37,363)	(8,758)	(9,150)	(9,557)
Net change in investments and assets limited as to use	14,348	(2,449)	(2,327)	(2,563)	(2,644)
Change in assets held for resale	197	-	-	-	-
Net cash provided by (used in) investing activities	<u>6,795</u>	<u>(39,812)</u>	<u>(11,085)</u>	<u>(11,713)</u>	<u>(12,201)</u>
Financing activities:					
Refunds of deposits and refundable fees	(3,003)	(6,923)	(8,250)	(8,398)	(7,107)
Refundable entrance fees received	1,007	1,780	1,403	1,637	1,676
Payments on bonds and note payable	(5,785)	(6,398)	(5,565)	(5,720)	(5,920)
Deferred financing costs	-	(108)	-	-	-
Net cash used in financing activities	<u>(7,781)</u>	<u>(11,649)</u>	<u>(12,412)</u>	<u>(12,481)</u>	<u>(11,351)</u>
Change in cash	17,629	(17,205)	5,134	7,033	9,213
Cash, beginning of year	<u>5,799</u>	<u>23,428</u>	<u>6,223</u>	<u>11,357</u>	<u>18,390</u>
Cash, end of year	<u>\$ 23,428</u>	<u>\$ 6,223</u>	<u>\$ 11,357</u>	<u>\$ 18,390</u>	<u>\$ 27,603</u>

## Summary of Significant Forecasted Assumptions and Accounting Policies

### 1. Nature of Business

The United Methodist Retirement Homes, Incorporated (“UMRH”) is a not-for-profit corporation, which principally provides housing, health care, and other related services to residents through the ownership and operation of Wesley Pines Retirement Community (“Wesley Pines”) in Lumberton, North Carolina, Cypress Glen Retirement Community (“Cypress Glen”) in Greenville, North Carolina, and Croasdaile Village Retirement Community (“Croasdaile Village”) in Durham, North Carolina. UMRH was incorporated in North Carolina in 1946. UMRH’s corporate office is located in Durham, North Carolina.

The financial forecast presents, to the best of management’s knowledge and belief, the expected financial position, results of operations, and cash flows for the forecast period of UMRH, excluding its two affiliates, UMRH Affordable Housing Development, LLC (“UMRH-AHD”) and The United Methodist Retirement Homes Foundation, Inc. (the “Foundation”). UMRH-AHD is a limited liability company, which was organized in North Carolina in 2002 to further the charitable purposes of UMRH by developing affordable rental housing for senior citizens. UMRH is the sole member of UMRH-AHD. The Foundation is a not-for-profit corporation which was organized in order to raise endowment funds for the residential facilities operated by UMRH, to support benevolent care for those residents who are unable to pay for continuing care at the residential facilities operated by UMRH, and to support special programs at the residential facilities operated by UMRH. Accordingly, this forecast reflects management’s judgment as of March 23, 2023, the date of completion of this forecast, of the expected conditions and its course of action.

The assumptions disclosed herein are those that management believes are significant to the forecasted statements. UMRH recognizes that there will be differences between forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

### 2. Significant Accounting Policies

#### ***Basis of Presentation***

The consolidated financial statements included in the forecast have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) with the exception of excluding its two Affiliates. Significant accounting policies are described in the appropriate assumptions and notes to the forecasted financial statements. The assumptions described are not all-inclusive, however.

#### ***Use of Estimates***

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

#### ***Cash***

Short-term investments presented as investments in the consolidated balance sheets are not considered cash equivalents since UMRH considers them part of their investing activities. Throughout the year UMRH has bank balances which exceed federal depository limits.

## **The United Methodist Retirement Homes, Incorporated**

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

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#### ***Restricted Cash***

During 2020, UMRH adopted FASB ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The amendment's in this update require that a statement of cash flows explain the cash during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents which reconciling the beginning of period and end of period total amounts shown on the statements of cash flows. As of September 30, 2022 and 2021, UMRH had approximately \$29,900,000 and \$23,530,000, respectively, invested in cash, cash equivalents, and restricted cash on the statements of cash flows. For purposes of the forecast, management has not presented restricted cash on the statement of cash flows.

#### ***Investments***

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheets. Interest and dividend income are included in operating income unless the income or loss is restricted by donor or law. Gains and losses, both realized and unrealized, on investments in debt and equity securities are included in non-operating gains (losses).

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

Assets limited as to use consist of funds held for debt service in accordance with UMRH's bond issues, funds reserved by insurance regulation, entrance fee escrow funds, funds held for future construction, and funds held for residents. Net assets with donor restrictions are restricted by donors or grantors for a specific purpose.

Insurance regulation assets whose use is limited represents funds reserved to comply with North Carolina Department of Insurance regulations. The amount of this reserve is calculated annually in accordance with the requirements of N.C. General Statute 58, Article 64. These investments consist of cash, cash equivalents, and other short-term investments.

#### ***Accounts Receivable, net***

Accounts receivable are reported at estimated net realizable amounts from residents and responsible third-party payers. Amounts owed to UMRH are reported net of explicit and implicit price concessions. Specific resident balances are written off at the time they are determined to be uncollectible. The process for estimating the ultimate collection of receivables involves significant assumptions and judgments. In this regard, UMRH has implemented a standardized approach to estimate and review the collectability of its receivables based on resident receivable aging trends. Historical collection and payer reimbursement experience is an integral part of the estimation process related to determining the ultimate collectability of accounts. In addition, UMRH assesses the current state of its billing functions in order to identify any known collection or reimbursement issues to determine the impact, if any, on its reserve estimates, which involve judgment. Revisions in reserve estimates are recorded as an adjustment to accounts receivable. Management believes that its collection and reserve processes, along with the monitoring of its billing processes, help to reduce the risk associated with material revisions to reserve estimates resulting from adverse changes in collection, reimbursement experience and billing functions.

#### ***Inventories***

Inventories are stated at average cost (approximately first-in, first-out) not in excess of net realizable value.

#### ***Assets Held for Resale***

Assets held for resale consist of one gifted property which is stated at net book value, which approximates fair value.

**The United Methodist Retirement Homes, Incorporated**  
**Summary of Significant Forecasted Assumptions and Accounting Policies**

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***Property and Equipment***

Property and equipment are recorded at cost. Donated property is recorded at its estimated fair value at the date of receipt, which is then treated as cost. The cost of major renewals and betterments are capitalized and depreciated over their estimated useful lives. Upon disposition of equipment, the asset and related accumulated depreciation accounts are relieved and the related gain or loss is credited or charged to operating gains or losses. Expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed using the straight-line method based on the following estimated useful lives:

Land improvements	8 to 30 years
Buildings and improvements	5 to 40 years
Furniture and equipment	2 to 25 years

***Funds Held for Others***

The liability balance represents agency funds held in trust for UMRH residents. The related asset is included in assets limited as to use. Activity related to these funds is not recorded in UMRH's statements of forecasted operations and changes in net assets.

***Interest Rate Swaps***

The interest rate swap agreements are carried at fair value, estimated using a discounted cash flow method at a rate commensurate with the risk involved. A change in the fair value of the interest rate swap agreements is reported in non-operating gains (losses) in the consolidated statements of operations and changes in net assets.

***Liability for Refundable Advance Fees***

Entrance Fee plans available to residents include a standard rate plan, a 50% refundable, 80% refundable, and a 90% refundable plan. The non-refundable portions of these fees are recorded as deferred revenue for non-refundable advanced fees. The refundable portion is treated as a long-term liability. Refunds of refundable entrance fees are paid upon termination of the agreement (provided the resident's independent living unit is reoccupied) or within twenty-four months, whichever occurs first.

***Deferred Revenue for Non-refundable Advance Fees***

Deferred revenue from non-refundable advance fees represents payments made by a resident in exchange for the use and privileges of the community for life or until termination of the residency agreement. These advance fees may be partially refundable upon termination of the agreement and generally decline at a rate of 2% per month of occupancy and are paid after termination of the residency agreement (provided the resident's independent living unit is reoccupied) or within twenty-four months, whichever occurs first.

Advance fees are recorded as deferred revenue and recognized as revenue earned on a straight-line basis over the estimated remaining life of each resident beginning with the date of occupancy. Any unrecognized deferred revenue, less any related refund, at the date of death or termination of the contract is recorded as income in the period the death or termination of the contract occurs.



## The United Methodist Retirement Homes, Incorporated Summary of Significant Forecasted Assumptions and Accounting Policies

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### **Net Assets**

Net assets of UMRH and changes therein are classified and reported as follows:

**Net Assets without Donor Restrictions** - Net assets that are not subject to donor-imposed stipulations.

**Net Assets with Donor Restrictions** - include those net assets subject to donor-imposed stipulations that may or will be met either by action of UMRH and/or the passage of time or those net assets subject to donor-imposed stipulations that they be maintained permanently by UMRH. Generally, the donors of these assets permit UMRH to use all or part of the income earned on related investments for general or specific purposes.

**Net Assets Released from Restrictions** - UMRH reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor-imposed 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 consolidated statements of operations and changes in net assets as net assets released from restrictions.

### **Net Resident and Patient Service Revenues**

Net resident and patient service revenues are reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered, and includes estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. Historically, such adjustments for UMRH have been immaterial in relation to the consolidated financial statements as a whole.

Revenues under third-party payor agreements are subject to examination and retroactive adjustment. Provisions for estimated third-party payor settlements are provided in the period the related services are rendered. Differences between the amounts accrued and subsequent settlements are recorded in operations in the year of settlement.

### **Benevolent Assistance**

UMRH currently maintains a benevolent assistance program and policy for residents holding continuing care residency agreements in the event the resident(s) should become unable to pay for services. UMRH reserves the right to change the program and policy from time to time. The benevolent assistance policy will not apply to residents who have impaired their ability to meet financial obligations by transferring assets other than to meet ordinary and customary living expenses, or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance or other health insurance after assuming occupancy. Upon review of each resident's individual financial situation, UMRH may permit the resident to remain at the facility for a lesser fee based on the resident's ability to pay, but only after meeting all of the "spend-down" provisions of eligibility for the Medicaid program and any public assistance funds. UMRH may decline new benevolent assistance applications if it is determined that deferment of such charges may impair the UMRH's ability to operate on a sound financial basis. Since UMRH does not expect to collect the normal charges for services provided for those residents who meet the benevolent assistance provisions, charges for such assistance are not included in net patient service revenue.

### **Continuing-Care Contracts**

UMRH enters into continuing-care contracts with various residents. A continuing-care contract is an agreement between a resident and UMRH specifying the services and facilities to be provided to a resident over his or her remaining life. Under the contracts, UMRH has the ability to increase fees as deemed necessary. No obligation for future costs associated with these contracts has been provided by UMRH because management believes that future cash inflows will be sufficient to cover such costs.

## **The United Methodist Retirement Homes, Incorporated**

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

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#### ***Revenue Recognition***

UMRH generates revenues, primarily by providing housing and health services to its residents. The following streams of revenue are recognized as follows:

##### Monthly fees:

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

##### Advanced fees:

The non-refundable advanced fees are recognized as deferred revenue upon receipt of the payment and included in liabilities in the consolidated balance sheets until the performance obligations are satisfied. The refundable portion of an entrance fee is not considered part of the transaction price and as such is recorded as a liability in the consolidated balance sheets. Additionally, management has determined the contracts do not contain a significant financing component as the advanced payment assures residents the access to health care in the future. These deferred amounts are then amortized on a straight-line basis into revenue on a monthly basis over the life of the resident as the performance obligation is the material right associated with access to future services as described in FASB ASC 606-10-55 paragraph 42 and 51.

##### Health care services:

In the facility, UMRH provides assisted and nursing care to residents who are covered by government and commercial payors. UMRH is paid fixed daily rates from government payors. The fixed daily rates and other fees are billed in arrears monthly. The monthly fees represent the most likely amount to be received from the 3<sup>rd</sup> party payors. Most rates are predetermined from Medicare and Medicaid. Under ASC Topic 606, management has elected to utilize the portfolio approach in aggregating the revenues under these revenue streams.

#### ***Concentration of Credit Risk***

Concentrations of credit risk with respect to patient accounts receivable are limited due to the formalized agreements with third-party payors. UMRH has significant accounts receivable whose collectability or realizability is dependent upon the performance of certain governmental programs, primarily Medicare and North Carolina Medicaid. Management does not believe there are significant credit risks associated with these governmental programs.

#### ***Income Taxes***

UMRH has been recognized by the Internal Revenue Service as a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code ("IRC") and is exempt from federal income taxes pursuant to Section 501(a) of the IRC. Accordingly, no provision for income taxes is included in the accompanying forecasted financial statements.

**The United Methodist Retirement Homes, Incorporated**  
**Summary of Significant Forecasted Assumptions and Accounting Policies**

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**3. Summary of Significant Forecasted Balance Sheet Assumptions**

***Cash***

Forecasted cash is a result from the application of all other assumptions.

***Investments***

Forecasted short-term investments are a result of all other forecasted changes. The forecasted amounts do not include any estimate for a change in the fair value of the underlying securities.

***Accounts Receivable, net***

The 2023 forecasted accounts receivable is based on the 2023 budget. Forecasted accounts receivable are based on the percentage change in forecasted operating revenues and are forecasted to increase by an average of approximately 4.0% in 2024 through 2027. Other receivables are forecasted to increase by an average of approximately 20.6% in 2024 through 2027.

***Assets Limited as to Use***

Forecasted assets limited as to use is based on the forecasted change in restricted cash.

***Inventories***

The 2023 balances are based on the 2023 budget. Inventories are forecasted to increase by an average of approximately 3.2% in years 2024 through 2027.

***Prepaid Expenses and other current assets***

The 2023 balances are based on the 2023 budget. Prepaid expenses and other current assets are forecasted to increase by an average of approximately 4.7% in years 2024 through 2027.

***Property and Equipment***

The 2023 property and equipment additions are based on UMRH's budgeted additions. Additions are estimated to be as follows (dollars in thousands).

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Beginning of year, property and equipment	\$ 352,455	\$ 362,181	\$ 369,340	\$ 349,651	\$ 331,755
Additions	9,726	37,363	8,758	9,150	9,557
Disposals	<u>-</u>	<u>(30,204)</u>	<u>(28,447)</u>	<u>(27,046)</u>	<u>(3,168)</u>
End of year, property and equipment	362,181	369,340	349,651	331,755	338,144
Accumulated depreciation	<u>(152,705)</u>	<u>(137,592)</u>	<u>(123,359)</u>	<u>(109,827)</u>	<u>(119,384)</u>
Total property and equipment, net	<u>\$ 209,476</u>	<u>\$ 231,748</u>	<u>\$ 226,292</u>	<u>\$ 221,928</u>	<u>\$ 218,760</u>

Forecasted depreciation is computed on the straight-line method over the estimated lives of depreciable property and equipment. The forecast assumes all disposals during the forecast period will be fully depreciated with no resulting gain or loss.

**The United Methodist Retirement Homes, Incorporated**  
**Summary of Significant Forecasted Assumptions and Accounting Policies**

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***Contributions Receivable from UMRH Foundation***

Contributions receivable from UMRH Foundation are forecasted to decrease in future years at the completion of various renovation and expansion projects.

***Due from Related Party***

Due from related parties represents the net amount due to affiliates of UMRH. The 2023 balance is based on the 2023 budget and forecasted to remain consistent from 2024 through 2027.

***Accounts Payable and Accrued Salaries and Related Expenses***

The 2023 balances are based on the 2023 budget. Forecasted accounts payable and accrued expenses are based on the percentage change in forecasted operating expenses and capital expenditures less depreciation expense and are forecasted to increase by an average of approximately 6.5% in years 2024 through 2027.

***Deferred Entrance Fee Revenue and Entrance Fees Earned***

Forecasted annual resident entry fees are based on estimated average unit prices times an actuarial forecasted number of units released coupled with a 2.0% per year increase in the average entry fee for the years 2024 through 2027. Forecasted refunds are based on actuarial estimates of the number of refunds times the estimated average refund potential. Amortization into revenue of these advance fees is computed using the straight-line method over the estimated remaining life expectancy of the resident.

***Long-Term Debt***

In April 2013, UMRH issued \$8,370,000 of tax-exempt, fixed rate First Mortgage Revenue Refunding Bonds ("2013A Bonds") through the North Carolina Medical Care Commission. The proceeds of the 2013A Bonds, net of issuance expense and fund amounts deposited into a debt service reserve fund, along with cash reserves held by UMRH, were used to refund the Series 2004C Bonds total outstanding debt.

In September 2014, UMRH issued \$12,025,000 of tax-exempt, variable First Mortgage Revenue Refunding Bonds ("2014A Bonds") through the North Carolina Medical Care Commission. Of this total amount, \$1,310,000 funded the partial refunding of the Series 2005B Bonds and \$10,715,000 refunded the entirety of the Series 2004A and a portion of the Series 2005A Bonds, which was funded on October 1, 2014. The interest rate on the 2014A Bonds is variable based on prevailing market rates and is reset monthly based on 82.65% of 1-Month LIBOR plus 1.692%. UMRH entered into an interest rate swap agreement on the Series 2014A Bonds, which is described below.

In December 2014, the North Carolina Medical Care Commission authorized the issuance of tax-exempt, adjustable rate Retirement Facilities First Mortgage Revenue Refunding Bonds, Series 2014B ("2014B Bonds") in the aggregate principal amount of up to \$16,630,000. Of this total amount, \$6,390,000 and \$10,040,000 funded the partial refunding of the Series 2005C Bonds due October 1, 2019 and October 1, 2024, respectively. The interest rate on the 2014B Bonds is variable based on prevailing market rates and is reset monthly based on 82.65% of 1-Month LIBOR plus 1.692%. UMRH entered into an interest rate swap agreement on the Series 2014B Bonds, which is described below.

In May 2016, the North Carolina Medical Care Commission authorized the issuance of tax-exempt, fixed rate Retirement Facilities First Mortgage Revenue Refunding Bonds, Series 2016A ("2016A Bonds") in the aggregate principal amount of up to \$34,485,000. The bond funds were used to refund the entirety of the 2005A Bonds due October 1, 2025 and October 1, 2035, and the remaining outstanding amount of \$22,715,000 of the 2005C Bonds due October 1, 2032.

## The United Methodist Retirement Homes, Incorporated Summary of Significant Forecasted Assumptions and Accounting Policies

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In December 2017, UMRH issued \$71,970,000 of rated tax-exempt fixed rate Series 2017A Bonds (“2017A Bonds”), consisting of serial and term maturities from October 1, 2018 to October 1, 2047 and \$31,235,000 of tax-exempt direct purchase bank revenue Series 2017B Bonds (“2017 Bonds”) issued by the North Carolina Medical Care Commission and to be purchased by Truist Bank. The 2017B Bonds consist of \$16,150,000 of Series 2017B-1 Bonds to be redeemed by October 1, 2041 and \$15,085,000 of Series 2017B-2 Bonds, to be redeemed in full by October 1, 2020 with initial entrance fee proceeds received from the Project’s new independent living units. The interest rate on the 2017B Bonds is variable based on prevailing market rates and is reset monthly based on 82.65% of 1-Month LIBOR plus 0.988%.

In December 2021, the Company issued \$49,470,000 of Public Finance Authority Retirement Facilities First Mortgage Revenue and Revenue Refunding 2021A Bonds (“2021A Bonds”). The proceeds of the 2021A Bonds refunded a portion of the outstanding 2016A Bonds, refunded the 2017B Bonds, and build a 54-unit independent living apartment building at Croasdaile Village. The 2021A Bonds have a final maturity of 30-years with a wrapped debt service structure, resulting in a weighted average maturity of 19.9 years and an overall yield to maturity of 3.18%. In addition, the Company issued \$81,375,000 Direct Bank Bonds issued through the North Carolina Medical Care Commission (“2021B Bonds”) and bought by Truist Bank with a 15-year commitment. The proceeds of the 2021B Bonds refunded the outstanding 2013A and 2017A Bonds. The 2021B Bonds are initially taxable at an all-in swap rate of 1.748% until July 2023, at which time the interest rate will convert to an all-in tax-exempt swap rate of 2.47%, which is described below.

Principal repayments, excluding discounts and premiums, for the next five years and thereafter, are summarized as follows (in thousands):

2023	\$	5,785
2024		6,398
2025		5,565
2026		5,720
2027		5,920
Thereafter		<u>132,130</u>
	\$	<u>161,518</u>

### **Interest Rate Swaps**

Variable rate long-term debt exposes UMRH to variability in interest payments due to changes in interest rates. Management believes it is prudent to limit the variability of a portion of its interest payments. To meet this objective, management entered into interest rate swap agreements to manage fluctuations in cash flows resulting from interest rate risk. The 2023 balance is based on the 2023 budget and is forecasted to remain consistent over the forecasted period.

In August 2014, the Company entered into a forward interest rate swap agreement with a financial institution in conjunction with the 2014A Bonds that took effect October 1, 2014. The Company pays a fixed rate of 2.97% while the financial institution pays based on 78% of 1-Month LIBOR plus 1.3925%. The difference between the fixed and floating rates is accrued and recorded in interest expense in the accompanying consolidated statements of operations and changes in net assets. The fair value of this derivative instrument is recorded on the consolidated balance sheets as a long-term asset.

In December 2014, the Company entered into a forward interest rate swap agreement with a financial institution in conjunction with the 2014B Bonds that took effect October 1, 2015. The Company pays a fixed rate of 3.195% while the financial institution pays based on 78% of 1-Month Libor plus 1.3925%. The difference between the fixed and floating rates is accrued and recorded in interest expense in the accompanying consolidated statements of operations and changes in net assets. The fair value of this derivative instrument is recorded on the consolidated balance sheets as a long-term asset.

## **The United Methodist Retirement Homes, Incorporated**

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

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In December 2021, the Company entered into a interest rate swap agreement with a financial institution in conjunction with the 2021B Bonds that took effect December 1, 2021. The Company pays a fixed rate of 1.748% while the financial institution pays based on 100% of 1-Day SOFR plus 1.350%. The difference between the fixed and floating rates is accrued and recorded in interest expense in the accompanying consolidated statements of operations and changes in net assets. The fair value of this derivative instrument is recorded on the consolidated balance sheets as a long-term asset.

In December 2021, the Company entered into a forward interest rate swap agreement with a financial institution in conjunction with the 2021B Bonds that takes effect July 12, 2023. The Company pays a fixed rate of 2.470% while the financial institution pays based on 79% of 1-Day SOFR plus 1.067%. The difference between the fixed and floating rates is accrued and recorded in interest expense in the accompanying consolidated statements of operations and changes in net assets. The fair value of this derivative instrument is recorded on the consolidated balance sheets as a long-term asset.

By using an interest rate swap to hedge exposure to change in interest rates, UMRH exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. Market risk is the adverse effect on the value of the financial instrument that results from a change in interest rates. The market risk associated with an interest rate swap is managed by establishing and monitoring parameters that limit the types and degrees of market risk that may be undertaken.

#### **4. Summary of Significant Forecasted Assumptions for Revenues and Expenses**

##### ***Resident Services***

Apartments, Health Care Center, Assisted Living, Memory Care, and Home Care revenue is reported at the estimated net realizable amounts from residents. They are based on average daily fees and occupancy levels. Daily rates are forecasted based on 2023 budgeted rates for each type of unit. Apartment revenues are forecasted to increase on average approximately 6.3% in years 2024 through 2027. Health Care Center revenues are forecasted to increase on average approximately 2.6% in years 2024 through 2027. Assisted Living revenues are forecasted to increase on average approximately 3.6% in years 2024 through 2027. Memory Care revenues are forecasted to increase on average approximately 3.6% in years 2024 through 2027. Home Care revenues are forecasted to increase on average approximately 4.0% in years 2024 through 2027.

##### ***Interest and Dividend Income***

Interest and dividend income is forecasted to increase on average approximately 2.4% in years 2024 through 2027.

##### ***Other Revenue***

Other revenue is based on budgeted other revenue for 2023 and is projected to remain consistent throughout the projection period with the exception of 2023 where it is forecasted UMRH will recognize approximately \$120,000 in provider relief funding.

##### ***Expenses***

The 2023 expenses, which include resident care, dietary, housekeeping, plant, and general and administrative expenses are forecasted based on the 2023 budget. Expenses are forecasted to increase approximately 2.9% in years 2024 through 2027.

**The United Methodist Retirement Homes, Incorporated**  
**Summary of Significant Forecasted Assumptions and Accounting Policies**

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**5. Debt Service Coverage Ratio**

Credit analysts and lenders generally consider the debt service coverage ratio to be an important factor in evaluating a continuing care retirement community's ability to fund annual debt service with cash flow from net cash revenues and net entrance fees. The debt service coverage ratio computation is not defined by GAAP and is described as a non-GAAP metric. The lack of standardization in calculating debt service coverage ratios makes it difficult to draw relevant comparisons among companies.

The debt service coverage ratio as calculated below comes from the 2014 Financial Ratios & Trends of CARF-CCAC Accredited Organizations, calculated using annual debt service (the current year's capitalized interest cost plus interest expense and scheduled principal payments) in the denominator as annual debt service. (dollars in thousands):

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Excess (deficiency) of revenue over expenses	\$ 1,727	\$ 1,984	\$ 5,548	\$ 7,692	\$ 9,850
Interest expense	3,135	5,130	4,919	4,505	4,278
Depreciation	14,575	15,113	14,233	13,532	12,747
Net proceeds from advance fees	10,743	24,003	13,214	15,123	17,499
Amortization of advanced fees	<u>(9,511)</u>	<u>(9,877)</u>	<u>(11,761)</u>	<u>(12,082)</u>	<u>(12,587)</u>
Cash available for debt service (1)	<u>\$ 20,669</u>	<u>\$ 36,353</u>	<u>\$ 26,153</u>	<u>\$ 28,770</u>	<u>\$ 31,787</u>
Interest (A)	\$ 3,135	\$ 5,130	\$ 4,919	\$ 4,505	\$ 4,278
Principal payments	<u>5,785</u>	<u>5,410</u>	<u>5,565</u>	<u>5,720</u>	<u>5,920</u>
Annual Debt Service (2)	<u>\$ 8,920</u>	<u>\$ 10,540</u>	<u>\$ 10,484</u>	<u>\$ 10,225</u>	<u>\$ 10,198</u>
Debt Service Coverage Ratio (1/2)	<u>2.32</u>	<u>3.45</u>	<u>2.49</u>	<u>2.81</u>	<u>3.12</u>

(A) Interest includes interest capitalized and interest expense as assumed by management.

***Supplementary Information***



**Wesley Pines Retirement Community**  
**Forecasted Balance Sheets**  
**September 30, 2023 through 2027**  
(dollars in thousands)

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
<b>ASSETS</b>					
Current assets:					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions receivable from					
UMRH Foundation, current portion	35	35	35	35	35
Assets limited as to use - all other, current portion	16	16	16	16	16
Accounts receivable, net	737	755	773	791	810
Other receivables	14	15	15	16	16
Inventories	35	36	37	38	39
Prepaid expenses and other current assets	137	140	144	148	151
Total current assets	<u>974</u>	<u>997</u>	<u>1,020</u>	<u>1,044</u>	<u>1,067</u>
Assets limited as to use:					
Assets limited as to use - statutory operating reserve					
current portion	<u>2,566</u>	<u>2,649</u>	<u>2,783</u>	<u>2,794</u>	<u>2,874</u>
Property and equipment, net	<u>11,573</u>	<u>11,557</u>	<u>11,586</u>	<u>11,639</u>	<u>11,710</u>
Other assets:					
Interest rate swap	1,041	1,041	1,041	1,041	1,041
Contributions receivable from					
UMRH Foundation, net of current portion	595	595	595	595	595
	<u>1,636</u>	<u>1,636</u>	<u>1,636</u>	<u>1,636</u>	<u>1,636</u>
Total assets	<u>\$ 16,749</u>	<u>\$ 16,839</u>	<u>\$ 17,025</u>	<u>\$ 17,113</u>	<u>\$ 17,287</u>
<b>LIABILITIES AND NET ASSETS (DEFICIT)</b>					
Current liabilities:					
Bonds payable, current portion	\$ 297	\$ 538	\$ 289	\$ 289	\$ 307
Accounts payable	393	403	415	429	441
Accrued salaries and related expenses	344	384	326	436	464
Accrued interest payable	13	17	18	15	13
Insurance regulation - statutory operating reserve	2,566	2,649	2,783	2,794	2,874
Due to related parties	2,315	3,653	5,981	8,485	10,055
Total current liabilities	<u>5,928</u>	<u>7,644</u>	<u>9,812</u>	<u>12,448</u>	<u>14,154</u>
Long-term liabilities:					
Bonds payable, less current portion	7,472	6,937	6,650	6,366	6,062
Liability for refundable advanced fees	48	48	48	48	48
Deferred revenue for non-refundable advanced fees	1,594	1,425	721	(377)	(176)
Fund held for others	14	14	14	14	14
Total long-term liabilities	<u>9,128</u>	<u>8,424</u>	<u>7,433</u>	<u>6,051</u>	<u>5,948</u>
Total liabilities	<u>15,056</u>	<u>16,068</u>	<u>17,245</u>	<u>18,499</u>	<u>20,102</u>
Net assets (deficit):					
Net deficit without donor restrictions	1,061	139	(852)	(2,018)	(3,447)
Net assets with donor restrictions	632	632	632	632	632
Total net assets (deficit)	<u>1,693</u>	<u>771</u>	<u>(220)</u>	<u>(1,386)</u>	<u>(2,815)</u>
Total liabilities and net assets (deficit)	<u>\$ 16,749</u>	<u>\$ 16,839</u>	<u>\$ 17,025</u>	<u>\$ 17,113</u>	<u>\$ 17,287</u>

**Wesley Pines Retirement Community**  
**Forecasted Statements of Operations and Changes in Net Assets (Deficit)**  
**For the years ending September 30, 2023 through 2027**  
(dollars in thousands)

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Revenue:					
Net resident services, apartments	\$ 1,026	\$ 1,061	\$ 1,099	\$ 1,137	\$ 1,177
Net resident services, health care center	6,341	6,456	6,575	6,695	6,818
Net resident services, assisted living	2,113	2,187	2,264	2,343	2,425
Net resident services, memory care					
Amortization of advanced fees	275	268	240	121	(63)
Net assets released from restriction	15	15	15	15	15
Other	19	7	7	7	7
	<u>9,789</u>	<u>9,994</u>	<u>10,200</u>	<u>10,318</u>	<u>10,379</u>
Total revenue					
Expenses:					
Health care center	4,482	4,617	4,755	4,898	5,045
Assisted living	440	453	467	481	495
Resident services	160	165	170	175	180
Dietary and food service	1,629	1,676	1,728	1,780	1,833
Housekeeping	529	545	562	578	596
Plant	807	831	856	882	908
General and administration	866	892	917	944	972
Depreciation	640	610	592	596	606
Interest	151	197	186	177	168
Corporate allocation - depreciation	7	5	3	2	2
Corporate allocation - all other	877	925	955	971	1,003
	<u>10,588</u>	<u>10,916</u>	<u>11,191</u>	<u>11,484</u>	<u>11,808</u>
Total expenses					
Deficiency of revenue over expenses and change in net assets	(799)	(922)	(991)	(1,166)	(1,429)
Net assets (deficit) beginning of year	<u>2,492</u>	<u>1,693</u>	<u>771</u>	<u>(220)</u>	<u>(1,386)</u>
Net assets (deficit) end of year	<u>\$ 1,693</u>	<u>\$ 771</u>	<u>\$ (220)</u>	<u>\$ (1,386)</u>	<u>\$ (2,815)</u>

**Wesley Pines Retirement Community**  
**Forecasted Statements of Cash Flows**  
**For the years ending September 30, 2023 through 2027**  
**(dollars in thousands)**

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Operating activities:					
Change in net assets	\$ (799)	\$ (922)	\$ (991)	\$ (1,166)	\$ (1,429)
Adjustments to reconcile change in net assets to net cash from operating activities:					
Depreciation	640	610	592	596	606
Amortization of deferred financing costs	-	3	4	4	4
Amortization of advanced fees	(275)	(268)	(240)	(121)	63
Non-refundable entrance fees received	370	128	133	139	145
Bad debt expense	87	155	159	163	166
Net change in:					
Accounts receivable - residents and patients	(46)	(173)	(177)	(181)	(185)
Accounts receivable - other	35	-	-	-	-
Due to/from related parties	955	1,338	2,328	2,504	1,570
Inventories	(1)	(1)	(1)	(1)	(1)
Prepaid expenses and other current assets	(3)	(3)	(4)	(4)	(3)
Accounts payable	61	10	12	13	12
Accrued salaries and related expenses	2	40	(58)	110	28
Accrued interest payable	2	3	1	(3)	(2)
Net cash provided by operating activities	<u>1,028</u>	<u>920</u>	<u>1,758</u>	<u>2,053</u>	<u>974</u>
Investing activities:					
Purchase of property and equipment	<u>(568)</u>	<u>(594)</u>	<u>(621)</u>	<u>(649)</u>	<u>(677)</u>
Financing activities:					
Refunds of deposits and refundable fees	(138)	(29)	(597)	(1,116)	(7)
Payments on bonds and note payable	<u>(322)</u>	<u>(297)</u>	<u>(540)</u>	<u>(288)</u>	<u>(290)</u>
Net cash used in financing activities	<u>(460)</u>	<u>(326)</u>	<u>(1,137)</u>	<u>(1,404)</u>	<u>(297)</u>
Change in cash	-	-	-	-	-
Cash, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Cypress Glen Retirement Community**  
**Forecasted Balance Sheets**  
**September 30, 2023 through 2027**  
(dollars in thousands)

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
<b>ASSETS</b>					
Current assets:					
Cash	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2
Contributions receivable from					
UMRH Foundation, current portion	2,499	2,349	2,199	2,175	2,025
Assets limited as to use - all other, current portion	264	264	264	264	264
Accounts receivable, net	171	177	182	188	194
Other receivables	613	869	802	973	983
Due from related parties	33,750	35,195	36,311	39,239	42,302
Inventories	53	55	57	59	61
Prepaid expenses and other current assets	287	294	302	310	318
Total current assets	<u>37,639</u>	<u>39,205</u>	<u>40,119</u>	<u>43,210</u>	<u>46,149</u>
Assets limited as to use:					
Assets limited as to use - statutory operating reserve	4,145	4,283	4,428	4,550	4,693
Assets limited as to use - debt service, net of current portion	1,211	1,211	1,211	1,211	1,211
Assets limited as to use - all other, net of current portion	1,396	1,431	1,467	1,503	1,541
current portion	<u>6,752</u>	<u>6,925</u>	<u>7,106</u>	<u>7,264</u>	<u>7,445</u>
Property and equipment, net	39,363	39,021	38,874	39,005	39,550
Other assets:					
Interest rate swap agreement	1,791	1,791	1,791	1,791	1,791
Contributions receivable from					
UMRH Foundation, net of current portion	2,769	2,769	2,769	2,643	2,643
Deferred costs, net	6	5	4	3	3
	<u>4,566</u>	<u>4,565</u>	<u>4,564</u>	<u>4,437</u>	<u>4,437</u>
Total assets	<u>\$ 88,320</u>	<u>\$ 89,716</u>	<u>\$ 90,663</u>	<u>\$ 93,916</u>	<u>\$ 97,581</u>
<b>LIABILITIES AND NET ASSETS</b>					
Current liabilities:					
Bonds payable, current portion	\$ 711	\$ 937	\$ 483	\$ 494	\$ 516
Accounts payable	752	777	802	829	858
Accrued salaries and related expenses	567	634	536	720	767
Accrued interest payable	22	28	26	24	23
Insurance regulation - statutory operating reserve	4,145	4,283	4,428	4,550	4,693
Total current liabilities	<u>6,197</u>	<u>6,659</u>	<u>6,275</u>	<u>6,617</u>	<u>6,857</u>
Long-term liabilities:					
Bonds payable, less current portion	12,791	11,878	11,399	10,914	10,402
Liability for refundable advanced fees	6,518	6,847	7,133	7,654	8,195
Deferred revenue for non-refundable advanced fees	17,004	17,126	16,888	17,626	18,227
Fund held for others	129	129	129	129	129
Total long-term liabilities	<u>36,442</u>	<u>35,980</u>	<u>35,549</u>	<u>36,323</u>	<u>36,953</u>
Total liabilities	<u>42,639</u>	<u>42,639</u>	<u>41,824</u>	<u>42,940</u>	<u>43,810</u>
Net assets:					
Net assets without donor restrictions	38,917	40,313	42,075	44,212	47,007
Net assets with donor restrictions	6,764	6,764	6,764	6,764	6,764
Total net assets	<u>45,681</u>	<u>47,077</u>	<u>48,839</u>	<u>50,976</u>	<u>53,771</u>
Total liabilities and net assets	<u>\$ 88,320</u>	<u>\$ 89,716</u>	<u>\$ 90,663</u>	<u>\$ 93,916</u>	<u>\$ 97,581</u>

**Cypress Glen Retirement Community**  
**Forecasted Statements of Operations and Changes in Net Assets**  
**For the years ending September 30, 2023 through 2027**  
**(dollars in thousands)**

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Revenue:					
Net resident services, apartments	\$ 11,078	\$ 11,466	\$ 11,867	\$ 12,283	\$ 12,713
Net resident services, health care center	3,361	3,451	3,544	3,640	3,739
Net resident services, assisted living	3,006	3,096	3,189	3,285	3,383
Net resident services, memory care	1,331	1,371	1,412	1,455	1,498
Amortization of advanced fees	2,536	2,534	2,698	2,798	3,069
Net assets released from restriction	189	189	189	189	189
Other	54	8	8	8	8
Interest and dividend income	20	20	20	20	20
	<u>21,575</u>	<u>22,135</u>	<u>22,927</u>	<u>23,678</u>	<u>24,619</u>
Total revenue					
Expenses:					
Health care center	2,943	3,035	3,130	3,229	3,330
Assisted living	1,428	1,471	1,516	1,561	1,608
Memory care	614	633	652	671	691
Resident services	718	740	762	785	809
Dietary and food service	3,452	3,561	3,672	3,795	3,918
Housekeeping	1,112	1,147	1,182	1,218	1,255
Plant	2,661	2,745	2,831	2,920	3,013
General and administration	2,165	2,231	2,302	2,372	2,443
Depreciation	3,495	3,239	3,174	3,032	2,760
Interest	272	359	318	304	287
Corporate allocation - depreciation	12	9	5	3	4
Corporate allocation - all other	1,485	1,569	1,621	1,651	1,706
	<u>20,357</u>	<u>20,739</u>	<u>21,165</u>	<u>21,541</u>	<u>21,824</u>
Total expenses					
Excess of revenue over expenses	1,218	1,396	1,762	2,137	2,795
Net assets beginning of year	<u>44,463</u>	<u>45,681</u>	<u>47,077</u>	<u>48,839</u>	<u>50,976</u>
Net assets end of year	<u>\$ 45,681</u>	<u>\$ 47,077</u>	<u>\$ 48,839</u>	<u>\$ 50,976</u>	<u>\$ 53,771</u>

**Cypress Glen Retirement Community**  
**Forecasted Statements of Cash Flows**  
**For the years ending September 30, 2023 through 2027**  
**(dollars in thousands)**

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Operating activities:					
Change in net assets	\$ 1,218	\$ 1,396	\$ 1,762	\$ 2,137	\$ 2,795
Adjustments to reconcile change in net assets to net cash from operating activities:					
Depreciation	3,495	3,239	3,174	3,032	2,760
Amortization of deferred financing costs	-	24	5	9	5
Amortization of advanced fees	(2,536)	(2,534)	(2,698)	(2,798)	(3,069)
Non-refundable entrance fees received	3,182	4,632	4,243	5,200	5,248
Bad debt expense	2	8	8	8	9
Net change in:					
Accounts receivable - residents and patients	(10)	(14)	(13)	(14)	(15)
Accounts receivable - other	(273)	(256)	69	(170)	(10)
Contributions receivable/(payable)	150	150	150	150	150
Due to/from related parties	(786)	(1,445)	(1,116)	(2,928)	(3,063)
Inventories	8	(2)	(2)	(2)	(2)
Prepaid expenses and other current assets	(7)	(6)	(9)	(8)	(8)
Accounts payable	159	25	25	27	29
Accrued salaries and related expenses	(16)	67	(98)	184	47
Accrued interest payable	4	6	(2)	(1)	(1)
Net cash provided by operating activities	<u>4,590</u>	<u>5,290</u>	<u>5,498</u>	<u>4,826</u>	<u>4,875</u>
Investing activities:					
Purchase of property and equipment	(2,771)	(2,897)	(3,027)	(3,163)	(3,305)
Assets limited as to use	(34)	(35)	(36)	(37)	(38)
Net cash used in investing activities	<u>(2,805)</u>	<u>(2,932)</u>	<u>(3,063)</u>	<u>(3,200)</u>	<u>(3,343)</u>
Financing activities:					
Refunds of deposits and refundable fees	(1,628)	(2,670)	(2,435)	(2,293)	(2,197)
Refundable entrance fees received	713	1,023	938	1,150	1,160
Payments on bonds and note payable	(870)	(711)	(938)	(483)	(495)
Net cash used in financing activities	<u>(1,785)</u>	<u>(2,358)</u>	<u>(2,435)</u>	<u>(1,626)</u>	<u>(1,532)</u>
Change in cash	-	-	-	-	-
Cash, beginning of year	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
Cash, end of year	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ 2</u>

**Croasdaile Village Retirement Community**  
**Forecasted Balance Sheets**  
**September 30, 2023 through 2027**  
(dollars in thousands)

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
<b>ASSETS</b>					
Current assets:					
Cash	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1
Contributions receivable from					
UMRH Foundation, current portion	49	49	49	49	49
Assets limited as to use - debt service, current portion	835	825	634	616	616
Assets limited as to use - all other, current portion	11	11	11	11	11
Accounts receivable, net	2,293	2,556	2,548	2,640	2,735
Other receivables	965	2,245	1,443	1,509	1,587
Due from related parties	103,881	86,455	92,750	99,268	106,908
Inventories	83	86	88	91	94
Prepaid expenses and other current assets	667	777	799	822	844
Total current assets	<u>108,785</u>	<u>93,005</u>	<u>98,323</u>	<u>105,007</u>	<u>112,845</u>
Assets limited as to use:					
Assets limited as to use - statutory operating reserve	10,217	11,908	12,117	12,599	12,984
Assets limited as to use - debt service, net of current portion	2,202	2,202	2,202	2,202	2,202
Assets limited as to use - all other, net of current portion	234	234	234	234	234
current portion	<u>12,653</u>	<u>14,344</u>	<u>14,553</u>	<u>15,035</u>	<u>15,420</u>
Property and equipment, net	158,426	181,042	175,673	171,089	167,271
Other assets:					
Interest rate swap agreement	7,611	7,611	7,611	7,611	7,611
Contributions receivable from					
UMRH Foundation, net of current portion	2,976	2,976	2,976	2,976	2,976
Deferred costs, net	81	170	151	132	113
	<u>10,668</u>	<u>10,757</u>	<u>10,738</u>	<u>10,719</u>	<u>10,700</u>
Total assets	<u>\$ 290,532</u>	<u>\$ 299,148</u>	<u>\$ 299,287</u>	<u>\$ 301,850</u>	<u>\$ 306,236</u>
<b>LIABILITIES AND NET ASSETS</b>					
Current liabilities:					
Bonds payable, current portion	\$ 5,390	\$ 4,090	\$ 4,948	\$ 5,137	\$ 5,297
Accounts payable	2,775	2,860	2,950	3,042	3,140
Accrued salaries and related expenses	725	910	726	1,059	1,137
Accrued interest payable	1,726	994	887	876	862
Insurance regulation - statutory operating reserve	10,217	11,908	12,117	12,599	12,984
Total current liabilities	<u>20,833</u>	<u>20,762</u>	<u>21,628</u>	<u>22,713</u>	<u>23,420</u>
Long-term liabilities:					
Bonds payable, less current portion	134,656	130,481	125,417	119,908	114,210
Liability for refundable advanced fees	8,341	8,147	7,927	7,833	7,847
Deferred revenue for non-refundable advanced fees	58,790	72,828	75,158	78,132	81,687
Fund held for others	5	5	5	5	5
Total long-term liabilities	<u>201,792</u>	<u>211,461</u>	<u>208,507</u>	<u>205,878</u>	<u>203,749</u>
Total liabilities	<u>222,625</u>	<u>232,223</u>	<u>230,135</u>	<u>228,591</u>	<u>227,169</u>
Net assets:					
Net assets without donor restrictions	64,875	63,893	66,120	70,227	76,035
Net assets with donor restrictions	3,032	3,032	3,032	3,032	3,032
Total net assets	<u>67,907</u>	<u>66,925</u>	<u>69,152</u>	<u>73,259</u>	<u>79,067</u>
Total liabilities and net assets	<u>\$ 290,532</u>	<u>\$ 299,148</u>	<u>\$ 299,287</u>	<u>\$ 301,850</u>	<u>\$ 306,236</u>

**Croasdaile Village Retirement Community**  
**Forecasted Statements of Operations and Changes in Net Assets**  
**For the years ending September 30, 2023 through 2027**  
**(dollars in thousands)**

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Revenue:					
Net resident services, apartments	\$ 21,888	\$ 26,272	\$ 27,309	\$ 28,361	\$ 29,437
Net resident services, health care center	13,610	14,000	14,404	14,823	15,257
Net resident services, assisted living	5,027	5,228	5,437	5,655	5,881
Net resident services, memory care	1,833	1,907	1,983	2,062	2,145
Net resident services, home care	2,324	2,417	2,514	2,615	2,719
Amortization of advanced fees	6,700	7,075	8,823	9,163	9,581
Net assets released from restriction	399	399	399	399	399
Other	63	2	2	2	2
Interest and dividend income	27	27	27	27	27
<b>Total revenue</b>	<u>51,871</u>	<u>57,327</u>	<u>60,898</u>	<u>63,107</u>	<u>65,448</u>
Expenses:					
Health care center	9,674	9,964	10,263	10,571	10,888
Assisted living	1,274	1,312	1,351	1,392	1,434
Memory care	857	883	910	937	965
Home care	2,223	2,289	2,358	2,429	2,502
Resident services	2,057	2,147	2,212	2,278	2,347
Dietary and food service	8,303	8,565	8,839	9,116	9,401
Housekeeping	2,715	3,217	3,322	3,426	3,529
Laundry	223	1,021	1,041	1,059	1,080
Plant	4,170	4,753	4,905	5,057	5,209
General and administration	4,250	4,623	4,763	4,911	5,059
Depreciation	10,394	11,228	10,448	9,891	9,365
Interest	2,712	4,574	4,415	4,024	3,823
Corporate allocation - depreciation	27	22	11	8	10
Corporate allocation - all other	3,517	3,711	3,833	3,901	4,028
<b>Total expenses</b>	<u>52,396</u>	<u>58,309</u>	<u>58,671</u>	<u>59,000</u>	<u>59,640</u>
Excess (deficiency) of revenue over expenses and change in net assets	(525)	(982)	2,227	4,107	5,808
Net assets beginning of year	<u>68,432</u>	<u>67,907</u>	<u>66,925</u>	<u>69,152</u>	<u>73,259</u>
<b>Net assets end of year</b>	<u>\$ 67,907</u>	<u>\$ 66,925</u>	<u>\$ 69,152</u>	<u>\$ 73,259</u>	<u>\$ 79,067</u>



**Croasdaile Village Retirement Community**  
**Forecasted Statements of Cash Flows**  
**For the years ending September 30, 2023 through 2027**  
**(dollars in thousands)**

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Operating activities:					
Change in net assets	\$ (525)	\$ (982)	\$ 2,227	\$ 4,107	\$ 5,808
Adjustments to reconcile change in net assets to net cash from operating activities:					
Depreciation	10,394	11,228	10,448	9,891	9,365
Amortization of deferred financing costs	-	64	33	101	88
Amortization of bond premium	-	(149)	(149)	(473)	(489)
Amortization of advanced fees	(6,700)	(7,075)	(8,823)	(9,163)	(9,581)
Non-refundable entrance fees received	9,188	24,386	15,686	16,545	17,537
Bad debt expense	79	243	242	251	260
Net change in:					
Accounts receivable - residents and patients	(185)	(506)	(234)	(343)	(355)
Accounts receivable - other	(66)	(1,280)	802	(66)	(78)
Due to/from related parties	(17,675)	17,426	(6,295)	(6,518)	(7,640)
Inventories	(2)	(3)	(2)	(3)	(3)
Prepaid expenses and other current assets	(19)	(110)	(22)	(23)	(22)
Accounts payable	233	85	90	92	98
Accrued salaries and related expenses	(16)	185	(185)	333	78
Accrued interest payable	(953)	(732)	(107)	(11)	(14)
Net cash provided by (used in) operating activities	<u>(6,247)</u>	<u>42,780</u>	<u>13,711</u>	<u>14,720</u>	<u>15,052</u>
Investing activities:					
Purchase of property and equipment	(4,360)	(33,825)	(5,060)	(5,288)	(5,528)
Assets limited as to use	16,145	10	192	18	-
Net cash provided by (used in) investing activities	<u>11,785</u>	<u>(33,815)</u>	<u>(4,868)</u>	<u>(5,270)</u>	<u>(5,528)</u>
Financing activities:					
Refunds of deposits and refundable fees	(1,239)	(4,223)	(5,217)	(4,989)	(4,903)
Refundable entrance fees received	294	756	464	487	516
Payments on bonds and note payable	(4,593)	(5,390)	(4,090)	(4,948)	(5,137)
Deferred financing costs	-	(108)	-	-	-
Net cash used in financing activities	<u>(5,538)</u>	<u>(8,965)</u>	<u>(8,843)</u>	<u>(9,450)</u>	<u>(9,524)</u>
Change in cash	-	-	-	-	-
Cash, beginning of year	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Cash, end of year	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 1</u>

The United Methodist Retirement Homes, Incorporated  
Projected Balance Sheets  
September 30, 2023 through 2027  
(dollars in thousands)

	Corporate 2023	Wesley Pines 2023	Cypress Glen 2023	Cypress Glen (expansion only) 2023	Croasdaile Village 2023	Croasdaile Village (expansion only) 2023	Eliminations 2023	2023
<b>ASSETS</b>								
<b>Current assets:</b>								
Cash	23,424,992	400	2,260	-	550	-	-	23,428,202
Contributions receivable, current portion	-	35,403	2,498,583	-	49,007	-	-	2,582,992
Investments	98,587,478	-	-	-	-	-	(16,927,253)	81,660,225
Assets limited as to use - debt service, current portion	-	-	-	-	835,353	-	-	835,353
Assets limited as to use - future construction, current portion	-	-	-	-	-	-	-	-
Assets limited as to use - all other, current portion	28	15,668	264,178	-	10,813	-	-	290,687
Accounts receivable, net of allowance for uncollectible accounts	-	737,050	171,070	-	2,292,673	-	-	3,200,793
Other receivables	3,200	14,422	613,409	-	964,840	-	-	1,595,871
Due from related parties	2,515,649	-	33,750,097	-	103,880,653	-	(139,945,508)	200,891
Inventories	-	34,727	53,268	-	83,266	-	-	171,261
Prepaid expenses and other current assets	156,654	136,548	286,558	-	666,669	-	-	1,246,429
<b>Total current assets</b>	<b>124,688,001</b>	<b>974,218</b>	<b>37,639,422</b>	<b>-</b>	<b>108,783,824</b>	<b>-</b>	<b>(156,872,761)</b>	<b>115,212,704</b>
<b>Non-current assets:</b>								
Assets limited as to use - statutory operating reserve	-	2,565,551	4,144,521	-	10,217,181	-	-	16,927,253
Assets limited as to use - debt service, net of current portion	-	-	1,211,259	-	2,202,295	-	-	3,413,553
Assets limited as to use - all other, net of current portion	674,525	-	1,396,082	-	234,120	-	-	2,304,727
Assets held for resale	-	-	-	-	-	-	-	-
Property and equipment, net	113,979	11,572,948	39,363,176	-	156,450,159	-	-	207,500,262
Contributions receivable, net of current portion	-	594,981	2,768,779	-	2,976,390	-	-	6,340,150
Deferred costs, net	-	-	6,087	-	80,923	-	-	87,010
Investment in Wesley Ridge	75,494	-	-	-	-	-	-	75,494
<b>Total non-current assets</b>	<b>863,998</b>	<b>14,733,481</b>	<b>48,889,903</b>	<b>-</b>	<b>172,161,067</b>	<b>-</b>	<b>-</b>	<b>236,648,448</b>
<b>Total assets</b>	<b>125,551,998</b>	<b>15,707,699</b>	<b>86,529,325</b>	<b>-</b>	<b>280,944,892</b>	<b>-</b>	<b>(156,872,761)</b>	<b>351,861,152</b>
<b>LIABILITIES AND NET ASSETS</b>								
<b>Current liabilities:</b>								
Bonds payable, current portion	-	297,000	711,000	-	4,402,000	-	-	5,410,000
Accounts payable	680,693	393,642	751,126	-	2,775,538	-	-	4,600,999
Accrued salaries and related expenses	502,997	343,936	566,929	-	726,208	-	-	2,140,070
Accrued interest payable	-	12,411	22,356	-	737,663	-	-	772,431
Insurance regulation - statutory operating reserve	-	2,565,551	4,144,521	-	10,217,181	-	(16,927,253)	-
Due to related parties	137,630,750	2,314,758	-	-	-	-	(139,945,508)	-
<b>Total current liabilities</b>	<b>138,814,440</b>	<b>5,927,298</b>	<b>6,195,932</b>	<b>-</b>	<b>18,858,590</b>	<b>-</b>	<b>(156,872,761)</b>	<b>12,923,500</b>
<b>Long-term liabilities:</b>								
Bonds payable, less current portion	-	7,471,638	12,790,710	-	134,655,561	-	-	154,917,909
Liability for refundable advance fees	-	48,223	6,518,342	-	8,340,641	-	-	14,907,205
Deferred revenue from non-refundable advance fees	-	1,594,451	17,004,277	-	58,789,637	-	-	77,388,364
Due to related parties	-	-	-	-	-	-	-	-
Funds held for others	-	14,354	128,819	-	4,641	-	-	147,813
Interest rate swap agreement	-	(1,040,527)	(1,790,857)	-	(7,610,824)	-	-	(10,442,208)
<b>Total long-term liabilities</b>	<b>-</b>	<b>8,088,137</b>	<b>34,651,290</b>	<b>-</b>	<b>194,179,656</b>	<b>-</b>	<b>-</b>	<b>236,919,083</b>
<b>Total liabilities</b>	<b>138,814,440</b>	<b>14,015,435</b>	<b>40,847,222</b>	<b>-</b>	<b>213,038,247</b>	<b>-</b>	<b>(156,872,761)</b>	<b>249,842,583</b>
<b>Net assets:</b>								
Unrestricted	(13,936,995)	1,060,564	38,917,352	-	64,875,077	-	-	90,915,998
Temporarily restricted	28	409,506	4,885,701	-	1,205,541	-	-	6,500,776
Permanently restricted	674,525	222,193	1,879,051	-	1,826,027	-	-	4,601,796
<b>Total net assets</b>	<b>(13,262,442)</b>	<b>1,692,263</b>	<b>45,682,103</b>	<b>-</b>	<b>67,906,645</b>	<b>-</b>	<b>-</b>	<b>102,018,569</b>
<b>Total liabilities and net assets</b>	<b>125,551,998</b>	<b>15,707,699</b>	<b>86,529,325</b>	<b>-</b>	<b>280,944,892</b>	<b>-</b>	<b>(156,872,761)</b>	<b>351,861,152</b>

The United Methodist Retirement Homes, Incorporated  
Operating Reserve Calculation by Fiscal Year

	Corporate	Wesley Pines	Cypress Glen	Cypress Glen (expansion only)	Croasdaile Village	Croasdaile Village (expansion only)
Operating expenses:						
Health care center	-	4,482,099	2,942,617	-	9,673,652	-
Assisted living	-	440,082	1,428,470	-	1,273,682	-
Memory care	-	-	614,020	-	857,322	-
Home care	-	-	-	-	2,222,771	-
Resident services	-	160,146	717,864	-	2,056,637	-
Dietary and food services	-	1,627,599	3,451,639	-	8,304,842	-
Housekeeping	-	529,288	1,112,481	-	2,714,947	-
Laundry	-	-	-	-	222,701	-
Plant	-	806,709	2,660,672	-	4,170,060	-
General and administration	5,879,378	866,078	2,165,191	-	4,249,980	-
Depreciation and amortization	45,675	640,000	3,494,880	-	10,393,680	-
Interest	-	151,000	272,000	-	2,712,238	-
Corporate allocation - depreciation	(45,675)	6,815	11,538	-	27,322	-
Corporate allocation - all other	(5,879,378)	877,203	1,485,131	-	3,517,044	-
Total operating expenses	-	10,587,019	20,356,503	-	52,396,878	-
Plus:						
Principal payments	+	322,000	870,000	-	4,593,000	-
Subtotal		10,909,019	21,226,503	-	56,989,878	-
Less:						
Depreciation and amortization	-	(646,815)	(3,506,418)	-	(10,421,002)	-
Debt service portion provided by separate reserve account (as of 9/30 of PYE)	-	-	(1,142,000)	-	(5,700,154)	-
Total operating costs	=	10,262,204	16,578,085	-	40,868,722	-
Occupancy factor (see subsection C)*	X	25%	25%	25%	25%	25%
Operating reserve requirement	=	2,565,551	4,144,521	-	10,217,181	-

The United Methodist Retirement Homes, Incorporated  
Operating Reserve Calculation by Fiscal Year

	Corporate	Wesley Pines	Cypress Glen	Cypress Glen (expansion only)	Croasdaile Village	Croasdaile Village (expansion only)
Operating expenses:						
Health care center	-	4,616,562	3,034,956	-	9,963,861	-
Assisted living	-	453,285	1,471,487	-	1,311,892	-
Memory care	-	-	632,533	-	883,042	-
Home care	-	-	-	-	2,289,453	-
Resident services	-	164,950	739,682	-	2,118,336	28,346
Dietary and food services	-	1,676,427	3,561,863	-	8,566,652	-
Housekeeping	-	545,167	1,146,551	-	2,796,396	420,542
Laundry	-	-	-	-	229,382	-
Plant	-	830,911	2,744,580	-	4,295,162	458,115
General and administration	6,205,167	891,623	2,231,949	-	4,377,480	244,332
Depreciation and amortization	36,464	609,966	3,238,812	-	9,606,793	1,620,843
Interest	-	196,507	359,305	-	4,573,763	-
Corporate allocation - depreciation	(36,464)	5,437	9,218	-	21,809	-
Corporate allocation - all other	(6,205,167)	925,190	1,568,666	-	3,711,311	-
Total operating expenses	-	10,916,025	20,739,602	-	54,745,333	2,772,178
Plus:						
Principal payments	+	297,000	711,000	-	4,402,000	-
Subtotal		11,213,025	21,450,602	-	59,147,333	2,772,178
Less:						
Depreciation and amortization	-	(615,403)	(3,248,030)	-	(9,628,602)	(1,620,843)
Debt service portion provided by separate reserve account (as of 9/30 of PYE)	-	-	(1,070,305)	-	(3,037,648)	-
Total operating costs	=	10,597,622	17,132,267	-	46,481,083	1,151,335
Occupancy factor (see subsection C)*	X	25%	25%	25%	25%	25%
Operating reserve requirement	=	2,649,406	4,283,067	-	11,620,271	287,834

	Corporate	Wesley Pines	Cypress Glen	Cypress Glen (expansion only)	Croasdaile Village	Croasdaile Village (expansion only)
Operating expenses:						
Health care center	-	4,755,059	3,130,225	-	10,262,776	-
Assisted living	-	466,884	1,515,800	-	1,351,249	-
Memory care	-	-	651,606	-	909,533	-
Home care	-	-	-	-	2,358,137	-
Resident services	-	169,899	762,164	-	2,181,886	29,763
Dietary and food services	-	1,726,720	3,675,627	-	8,836,760	-
Housekeeping	-	561,522	1,181,668	-	2,880,288	441,569
Laundry	-	-	-	-	236,263	-
Plant	-	855,838	2,831,149	-	4,424,017	481,021
General and administration	6,409,410	917,922	2,300,785	-	4,508,805	256,548
Depreciation and amortization	18,556	592,206	3,173,883	-	8,812,346	1,635,779
Interest	-	185,578	318,071	-	4,415,079	-
Corporate allocation - depreciation	(18,556)	2,765	4,693	-	11,098	-
Corporate allocation - all other	(6,409,410)	955,002	1,620,940	-	3,833,468	-
Total operating expenses	-	11,189,395	21,166,610	-	55,021,706	2,844,680
Plus:						
Principal payments	+	538,000	937,000	-	4,090,000	-
Subtotal		11,727,395	22,103,610	-	59,111,706	2,844,680
Less:						
Depreciation and amortization	-	(594,971)	(3,178,575)	-	(8,823,444)	(1,635,779)
Debt service portion provided by separate reserve account (as of 9/30 of PYE)	-	-	(1,211,259)	-	(3,027,687)	-
Total operating costs	=	11,132,424	17,713,776	-	47,260,574	1,208,901
Occupancy factor (see subsection C)*	X	25%	25%	25%	25%	25%

**The United Methodist Retirement Homes, Incorporated**  
**Operating Reserve Calculation by Fiscal Year**

*Operating reserve requirement*

$$= \frac{2,783,106}{4,428,444} - \frac{11,815,143}{302,225}$$

The United Methodist Retirement Homes, Incorporated  
Operating Reserve Calculation by Fiscal Year

	Corporate	Wesley Pines	Cypress Glen	Cypress Glen (expansion only)	Croasdaile Village	Croasdaile Village (expansion only)
<b>Operating expenses:</b>						
Health care center	-	4,897,710	3,228,518	-	10,570,659	-
Assisted living	-	480,891	1,561,449	-	1,391,786	-
Memory care	-	-	671,253	-	936,819	-
Home care	-	-	-	-	2,428,881	-
Resident services	-	174,996	785,331	-	2,247,342	30,953
Dietary and food services	-	1,778,521	3,793,047	-	9,115,429	-
Housekeeping	-	578,368	1,217,864	-	2,966,697	459,232
Laundry	-	-	-	-	243,351	-
Plant	-	881,514	2,920,462	-	4,556,738	500,262
General and administration	6,523,299	944,999	2,371,765	-	4,644,069	266,810
Depreciation and amortization	13,626	595,859	3,031,815	-	8,239,897	1,651,462
Interest	-	177,260	303,673	-	4,024,416	-
Corporate allocation - depreciation	(13,626)	2,029	3,449	-	8,148	-
Corporate allocation - all other	(6,523,299)	971,319	1,651,047	-	3,900,933	-
<b>Total operating expenses</b>	-	11,483,466	21,539,673	-	55,275,166	2,908,719
<b>Plus:</b>						
Principal payments	+	289,000	483,000	-	4,948,000	-
<b>Subtotal</b>		11,772,466	22,022,673	-	60,223,166	2,908,719
<b>Less:</b>						
Depreciation and amortization	-	(597,888)	(3,035,264)	-	(8,248,045)	(1,651,462)
Debt service portion provided by separate reserve account (as of 9/30 of PYE)	-	-	(786,673)	-	(2,835,845)	-
<b>Total operating costs</b>	=	11,174,578	18,200,736	-	49,139,276	1,257,257
Occupancy factor (see subsection C)*	X	25%	25%	25%	25%	25%
<b>Operating reserve requirement</b>	=	2,793,645	4,550,184	-	12,284,819	314,314

	Corporate	Wesley Pines	Cypress Glen	Cypress Glen (expansion only)	Croasdaile Village	Croasdaile Village (expansion only)
<b>Operating expenses:</b>						
Health care center	-	5,044,642	3,329,932	-	10,887,778	-
Assisted living	-	495,317	1,608,474	-	1,433,540	-
Memory care	-	-	691,494	-	964,923	-
Home care	-	-	-	-	2,501,747	-
Resident services	-	180,246	809,203	-	2,314,763	31,882
Dietary and food services	-	1,831,876	3,914,238	-	9,402,934	-
Housekeeping	-	595,719	1,255,171	-	3,055,697	473,009
Laundry	-	-	-	-	250,652	-
Plant	-	907,959	3,012,609	-	4,693,440	515,270
General and administration	6,737,332	972,877	2,444,957	-	4,783,391	274,814
Depreciation and amortization	16,489	606,465	2,760,333	-	7,697,433	1,667,929
Interest	-	177,260	303,673	-	4,024,416	-
Corporate allocation - depreciation	(16,489)	2,454	4,176	-	9,859	-
Corporate allocation - all other	(6,737,332)	1,002,711	1,706,348	-	4,028,273	-
<b>Total operating expenses</b>	-	11,817,526	21,840,608	-	56,048,846	2,962,904
<b>Plus:</b>						
Principal payments	+	289,000	494,000	-	5,137,000	-
<b>Subtotal</b>		12,106,526	22,334,608	-	61,185,846	2,962,904
<b>Less:</b>						
Depreciation and amortization	-	(608,919)	(2,764,509)	-	(7,707,292)	(1,667,929)
Debt service portion provided by separate reserve account (as of 9/30 of PYE)	-	-	(797,673)	-	(2,835,845)	-
<b>Total operating costs</b>	=	11,497,607	18,772,426	-	50,642,710	1,294,975
Occupancy factor (see subsection C)*	X	25%	25%	25%	25%	25%

**The United Methodist Retirement Homes, Incorporated**  
**Operating Reserve Calculation by Fiscal Year**

*Operating reserve requirement*

$$= \frac{2,874,402}{4,693,107} - \frac{12,660,677}{323,744}$$

2023

17,098,368  
3,142,234  
1,471,342  
2,222,771  
2,934,647  
13,384,080  
4,356,716  
222,701  
7,637,441  
13,160,627  
14,574,235  
3,135,238

-  

---

83,340,400

5,785,000  

---

89,125,400

(14,574,235)

(6,842,154)  

---

67,709,011

---

16,927,253



2024

17,615,379  
3,236,664  
1,515,575  
2,289,453  
3,051,314  
13,804,942  
4,908,656  
229,382  
8,328,768  
13,950,551  
15,112,878  
5,129,575

-  
-

---

89,173,138

5,410,000

---

94,583,138

(15,112,878)

(4,107,953)

---

75,362,307

---

18,840,578

2025

18,148,060  
3,333,933  
1,561,139  
2,358,137  
3,143,712  
14,239,107  
5,065,047  
236,263  
8,592,025  
14,393,470  
14,232,770  
4,918,728

-  
-

---

90,222,391

5,565,000

---

95,787,391

(14,232,770)

(4,238,946)

---

77,315,675

19,328,918

2026

18,696,887  
3,434,126  
1,608,072  
2,428,881  
3,238,622  
14,686,997  
5,222,161  
243,351  
8,858,976  
14,750,942  
13,532,659  
4,505,349

-  
-

---

91,207,023

5,720,000

---

96,927,023

(13,532,659)

(3,622,518)

---

79,771,847

---

19,942,962

2027

19,262,352  
3,537,331  
1,656,417  
2,501,747  
3,336,094  
15,149,048  
5,379,596  
250,652  
9,129,278  
15,213,371  
12,748,649  
4,505,349

-  
-

---

92,669,884

5,920,000

---

98,589,884

(12,748,649)

(3,633,518)

---

82,207,718

20,551,930

## **ATTACHMENT 3**

**Interim Unaudited Financial Statements  
of  
The United Methodist  
Retirement Homes, Incorporated  
Includes**

- **Consolidated Operations of Croasdaile Village, Cypress Glen and Wesley Pines**
- **Individual Operations of Wesley Pines**

The United Methodist Retirement Homes, Inc., and Affiliate  
Consolidated Balance Sheet Information  
December 31, 2022

	Current month	Prior month	Variance	Prior year end	Variance
<b>ASSETS</b>					
<b>Current assets:</b>					
Cash	5,202,374	5,189,409	12,965	5,867,734	(665,359)
Contributions receivable, current portion	2,412	2,412	-	2,412	-
Investments	84,200,567	87,578,445	(3,377,877)	81,293,248	2,907,320
Assets limited as to use - debt service, current portion	995,904	788,451	207,453	1,957,427	(961,523)
Assets limited as to use - all other, current portion	276,152	452,798	(176,646)	290,687	(14,535)
Accounts receivable, net of allowance for uncollectible accounts	3,396,083	3,504,478	(108,395)	3,127,429	268,654
Other receivables	938,903	773,779	165,124	1,291,459	(352,556)
Due from related parties	(0)	-	(0)	-	(0)
Inventories	206,179	206,146	33	177,214	28,965
Prepaid expenses and other current assets	963,349	1,059,966	(96,617)	1,212,085	(248,737)
<b>Total current assets</b>	<b>96,181,923</b>	<b>99,555,884</b>	<b>(3,373,961)</b>	<b>95,219,696</b>	<b>962,228</b>
<b>Non-current assets:</b>					
Assets limited as to use - statutory operating reserve	17,026,903	15,627,967	1,398,936	15,627,967	1,398,936
Assets limited as to use - debt service, net of current portion	16,020,460	17,326,839	(1,306,379)	4,093,788	11,926,672
Assets limited as to use - all other, net of current portion	5,589,450	5,669,963	(80,513)	19,608,253	(14,018,803)
Investments - restricted	8,273,462	8,555,944	(282,482)	7,792,997	480,465
Assets held for resale	206,429	206,338	91	197,103	9,325
Property and equipment, net	215,681,393	215,847,244	(165,851)	214,309,967	1,371,426
Trusts receivable	119,596	119,596	-	119,596	-
Deferred costs, net	97,930	99,143	(1,213)	101,570	(3,639)
Investment in Wesley Ridge	86,168	75,494	10,674	75,494	10,674
Interest rate swap agreement	10,442,208	10,442,208	-	10,442,208	-
<b>Total non-current assets</b>	<b>273,544,000</b>	<b>273,970,738</b>	<b>(426,738)</b>	<b>272,368,944</b>	<b>1,175,056</b>
<b>Total assets</b>	<b>369,725,923</b>	<b>373,526,622</b>	<b>(3,800,699)</b>	<b>367,588,640</b>	<b>2,137,284</b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>Current liabilities:</b>					
Annuity payable, current portion	81,501	81,501	-	81,501	-
Bonds payable, current portion	5,610,000	5,630,000	20,000	5,785,000	175,000
Accounts payable	2,054,035	3,436,186	1,382,151	4,120,052	2,066,017
Accrued salaries and related expenses	3,153,744	2,996,070	(157,674)	2,152,750	(1,000,995)
Accrued interest payable	471,431	534,633	63,203	1,719,639	1,248,208
<b>Total current liabilities</b>	<b>11,370,712</b>	<b>12,678,391</b>	<b>1,307,679</b>	<b>13,858,942</b>	<b>2,488,231</b>
<b>Long-term liabilities:</b>					
Annuity payable, less current portion	425,905	437,581	11,676	439,946	14,041
Bonds payable, less current portion	158,878,360	159,329,876	451,516	160,327,909	1,449,549
Liability for refundable advance fees	15,326,706	14,966,775	(359,931)	14,737,848	(588,857)
Deferred revenue from non-refundable advance fees	76,626,269	76,623,038	(3,231)	76,325,122	(301,148)
Deferred revenue - other	113,181	115,514	2,333	120,181	7,000
Funds held for others	82,565	109,006	26,441	147,813	65,248
<b>Total long-term liabilities</b>	<b>251,524,363</b>	<b>251,653,168</b>	<b>128,804</b>	<b>252,170,195</b>	<b>645,832</b>
<b>Total liabilities</b>	<b>262,895,075</b>	<b>264,331,559</b>	<b>1,436,483</b>	<b>266,029,138</b>	<b>3,134,062</b>
<b>Net assets:</b>					
Unrestricted	93,610,470	95,473,160	1,862,690	89,211,109	(4,399,361)
Temporarily restricted	8,039,599	8,571,229	531,630	7,223,552	(816,047)
Permanently restricted	5,180,779	5,150,674	(30,105)	5,124,841	(55,938)
<b>Total net assets</b>	<b>106,830,848</b>	<b>109,195,063</b>	<b>2,364,216</b>	<b>101,559,502</b>	<b>(5,271,346)</b>
<b>Total liabilities and net assets</b>	<b>369,725,923</b>	<b>373,526,622</b>	<b>3,800,699</b>	<b>367,588,640</b>	<b>(2,137,284)</b>
	-	-	(0.00)	-	(0.00)

**The United Methodist Retirement Homes, Inc., and Affiliate**  
**Consolidated Statement of Operations and Changes in Net Assets Information**  
**December 31, 2022**

	CURRENT			YTD			Annual budget
	Budget	Actual	Variance	Budget	Actual	Variance	
Unrestricted revenues, gains and other support:							
Independent living	2,824,395	2,849,747	25,352	8,476,387	8,522,303	45,916	33,991,794
Clinic	36,131	41,950	5,819	107,227	125,850	18,623	428,485
Home care	192,143	106,066	(86,077)	576,429	306,435	(269,994)	2,324,361
Assisted living	851,288	850,038	(1,250)	2,530,810	2,525,194	(5,617)	10,146,302
Memory care	263,353	254,697	(8,656)	781,444	784,823	3,379	3,164,790
Health center	1,917,559	2,249,393	331,834	5,705,955	6,536,377	830,422	22,883,089
Net assets released from restriction	477,274	152,675	(324,599)	503,872	353,128	(150,744)	667,789
Other	5,372	3,458	(1,914)	16,116	6,896	(9,220)	64,450
Interest and dividend income	154,465	1,413,564	1,259,099	463,395	1,751,008	1,287,613	1,853,578
Total unrestricted revenues, gains and other support	<u>6,721,980</u>	<u>7,921,589</u>	<u>1,199,609</u>	<u>19,161,635</u>	<u>20,912,013</u>	<u>1,750,378</u>	<u>75,524,638</u>
Expenses:							
Health center	1,415,867	1,639,802	(223,935)	4,091,161	4,615,003	(523,842)	16,245,482
Assisted living	274,037	337,673	(63,636)	809,211	846,913	(37,702)	3,142,234
Memory care	132,334	170,955	(38,621)	373,948	407,230	(33,282)	1,471,342
Dietary and food services	1,117,299	1,319,324	(202,025)	3,342,551	3,631,412	(288,861)	13,384,080
Administration	1,205,099	1,177,954	27,145	3,431,929	3,316,216	115,714	13,232,427
Plant operations and maintenance	664,719	634,998	29,721	1,918,086	1,893,453	24,633	7,637,441
Environmental services	409,090	382,978	26,112	1,120,297	1,157,237	(36,940)	4,356,716
Laundry	22,260	16,784	5,476	58,272	57,750	522	222,701
Resident services	267,406	267,764	(358)	748,265	738,611	9,654	2,934,647
Clinic	74,497	79,442	(4,945)	214,284	225,543	(11,259)	852,886
Home care	232,008	160,857	71,151	593,836	512,368	81,468	2,222,771
Total expenses	<u>5,814,616</u>	<u>6,188,532</u>	<u>(373,916)</u>	<u>16,701,840</u>	<u>17,401,734</u>	<u>(699,894)</u>	<u>65,702,727</u>
Operating income (loss)	<u>907,364</u>	<u>1,733,057</u>	<u>825,693</u>	<u>2,459,795</u>	<u>3,510,279</u>	<u>1,050,484</u>	<u>9,821,911</u>
Non-operating gains (losses):							
Amortization of advance fees	792,583	1,042,637	250,054	2,377,749	2,629,467	251,718	9,511,000
Interest and dividend income	-	-	-	-	-	-	-
Net investment gain, realized	-	-	-	-	234,569	234,569	-
Net investment gain, unrealized	-	(3,399,346)	(3,399,346)	-	2,337,555	2,337,555	-
Interest	(261,270)	(50,397)	210,873	(783,810)	(713,389)	70,421	(3,135,238)
Depreciation and amortization	(1,214,520)	(959,648)	254,872	(3,643,560)	(3,576,826)	66,734	(14,574,235)
Gain/(loss) on disposal of property and equipment	-	500	500	-	(40,007)	(40,007)	-
Contributions	-	2,490	2,490	-	5,744	5,744	-
Loss on extinguishment of debt	-	-	-	-	-	-	-
Construction related marketing costs	-	-	-	-	-	-	-
Change in fair value of interest rate swap agreement	-	-	-	-	-	-	-
Other	-	1,106	1,106	-	11,969	11,969	-
Net non-operating gains (losses)	<u>(683,207)</u>	<u>(3,362,658)</u>	<u>(2,679,451)</u>	<u>(2,049,621)</u>	<u>889,082</u>	<u>2,938,703</u>	<u>(8,198,473)</u>
Excess of revenues, gains and other support over expenses	224,157	(1,629,800)	(1,853,757)	410,174	4,399,361	3,989,187	1,623,438
Net assets released from restrictions for purchase of property and equipment	-	-	-	-	-	-	-
Change in unrestricted net assets	<u>224,157</u>	<u>(1,629,800)</u>	<u>(1,853,757)</u>	<u>410,174</u>	<u>4,399,361</u>	<u>3,989,187</u>	<u>1,623,438</u>
Change in temporarily restricted net assets:							
Contributions	-	9,447	9,447	-	592,225	592,225	-
Interest and dividend income	-	191,867	191,867	-	201,770	201,770	-
Investment gain (loss)	-	(579,999)	(579,999)	-	363,093	363,093	-
Change in split interest agreement	-	(2,603)	(2,603)	-	5,088	5,088	-
Change in value of pledges	-	-	-	-	-	-	-
Recovery of bad debt, net (bad debt expense)	-	-	-	-	-	-	-
Net assets released from restriction	-	(150,342)	(150,342)	-	(346,128)	(346,128)	-
Change in temporarily restricted net assets	<u>-</u>	<u>(531,630)</u>	<u>(531,630)</u>	<u>-</u>	<u>816,047</u>	<u>816,047</u>	<u>-</u>
Change in permanently restricted net assets:							
Contributions	-	2,195	2,195	-	13,922	13,922	-
Interest and dividend income	-	-	-	-	-	-	-
Investment gain (loss)	-	-	-	-	-	-	-
Change in split interest agreement	-	27,910	27,910	-	42,016	42,016	-
Change in value of pledges	-	-	-	-	-	-	-
Recovery of bad debt, net (bad debt expense)	-	-	-	-	-	-	-
Net assets released from restriction	-	-	-	-	-	-	-
Change in permanently restricted net assets	<u>-</u>	<u>30,105</u>	<u>30,105</u>	<u>-</u>	<u>55,938</u>	<u>55,938</u>	<u>-</u>
Change in net assets	224,157	(2,131,126)	(2,355,283)	410,174	5,271,346	4,861,172	1,623,438
Net assets, beginning of year	<u>(501,525)</u>	<u>(501,525)</u>	<u>-</u>	<u>484,611</u>	<u>484,611</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>(277,368)</u>	<u>(2,632,651)</u>	<u>(2,355,283)</u>	<u>894,785</u>	<u>5,755,957</u>	<u>4,861,172</u>	<u>1,623,438</u>

**The United Methodist Retirement Homes, Inc., and Affiliate  
Consolidated Statements of Cash Flows  
December 31, 2022**

Cash flow from operating activities:	
Change in net assets	5,271,346
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	3,576,826
Amortization of deferred financing costs	1,034
Amortization of deferred marketing costs	3,639
Amortization of bond premium	(50,583)
Amortization of deferred revenue from advance fees	(2,629,467)
Non-refundable entrance fees received	3,254,655
Bad debt expense	11,979
Loss on disposal of property and equipment	40,007
Loss on early extinguishment of debt	-
Change in fair value of swap agreement	-
Net change in:	
Accounts receivable - residents and patients	(280,633)
Accounts receivable - other	122,118
Investments/insurance regulation	(3,387,785)
Assets limited as to use	1,669,254
Trusts receivable	-
Contributions receivable	(0)
Due to/from related parties	-
Inventories	(28,965)
Prepaid expenses and other current assets	248,737
Deferred marketing costs	(3,639)
Accounts payable	(2,066,017)
Accrued salaries and related expenses	1,000,995
Accrued interest payable	(1,248,208)
Funds held for others	(65,248)
Net cash provided by operating activities	<u>5,440,045</u>
Cash flow from investing activities:	
Purchase of property and equipment	(4,984,620)
Change in assets held for resale	(9,325)
Net cash used in investing activities	<u>(4,993,945)</u>
Cash flow from financing activities:	
Refunds of deposits and refundable fees	(328,086)
Refundable entrance fees received	823,340
Payments on bonds and note payable	(1,575,000)
Deferred financing costs, net	-
Proceeds from issuance of bonds	-
Net change in annuity obligations	(14,041)
Net cash provided (used) by financing activities	<u>(1,093,786)</u>
Change in cash	(647,686)
Cash, beginning of year	<u>5,867,734</u>
Cash, end of year	<u><u>5,220,048</u></u>



**The United Methodist Retirement Homes, Inc., and Affiliate**  
**Covenant Calculations**  
**December 31, 2022**

<b>Debt Service Coverage Ratio</b>	
Change in unrestricted net assets	4,399,361
Deduct:	
Amortization of advance fees	(2,629,467)
Net investment gain, unrealized	(2,337,555)
Change in fair value of interest rate swap agreement	-
Add:	
Depreciation and amortization	3,576,826
Interest	713,389
Bad debt expense	11,979
Gain/(loss) on disposal of property and equipment	40,007
Non-refundable entrance fees received	3,254,655
Refundable entrance fees received	823,340
Refunds of deposits and refundable fees	(328,086)
First-time entrance fees	46,277
Wait-list deposits	(83,000)
Options/upgrades	(51,877)
Loss on extinguishment of debt	-
Income available for debt service [ A ]	7,435,850
Annual debt service [ B ]	2,115,889
Annual debt service coverage ratio [ A / B ]	<u>3.51</u>
Maximum annual debt service [ C ]	2,681,063
Maximum annual debt service coverage ratio [ A / C ]	<u>2.77</u>
Covenant	<u>1.20</u>

<b>Days Cash on Hand</b>	
Unrestricted cash, cash equivalents and liquid investments	
Cash	5,202,374
Investments	84,200,567
Assets limited as to use - statutory operating reserve	17,026,903
Temporarily restricted net assets (for operations)	1,493,291
Total [A]	<u>107,923,136</u>
Daily cash expenses	
Total expenses	17,401,734
Bad debt expense	(11,979)
Interest	713,389
Subtotal	<u>18,103,144</u>
YTD days	92
Total [B]	<u>196,773</u>
Days cash on hand [A / B]	<u>548.46</u>
Covenant	<u>250.00</u>

<b>Available Reserves to Long-Term Debt</b>	
Available reserves	
Cash	5,202,374
Investments	84,200,567
Assets limited as to use - statutory operating reserve	17,026,903
Temporarily restricted net assets (for operations)	1,493,291
Debt service reserve funds	3,439,323
Total [ A ]	<u>111,362,459</u>
Long-term debt, considered for covenants [ B ]	123,290,000
Available reserves to long-term debt [ A / B ]	<u>90.33%</u>
Covenant	<u>35.00%</u>

<b>Debt to Capitalization</b>	
Long-term debt, considered for covenants [ A ]	123,290,000
Unrestricted net assets [ B ]	93,610,470
Debt to capitalization [ A / (A+B) ]	<u>56.84%</u>
Covenant	<u>85.00%</u>

The United Methodist Retirement Homes, Inc., and Affiliate  
Ratios Analysis  
December 31, 2022

**Margin (Profitability) Ratios**

Description	Measures
1. <b>Net Operating Margin Ratio</b>	Margin generated by cash operating revenues after payment of cash operating expenses.
2. <b>Net Operating Margin Ratio - Adjusted</b>	Margin generated by cash operating revenues and net proceeds from entrance fees after payment of cash operating expenses.
3. <b>Operating Ratio</b>	Whether current year cash operating revenues are sufficient to cover current year cash operating expenses.
4. <b>Operating Margin Ratio</b>	The portion of total operating revenues remaining after operating expenses are met.
5. <b>Total Excess Margin Ratio</b>	The portion of total revenues (exclusive of unrealized gains) remaining after operating expenses are met.

**Liquidity Ratios**

Description	Measures
1. <b>Days in Accounts Receivable Ratio</b>	Average number of days accounts receivable remain outstanding.
2. <b>Days Cash on Hand Ratio</b>	Number of days of cash operating expenses a provider could cover with its unrestricted cash.
3. <b>Cushion Ratio</b>	Cash position in relation to annual debt service.

**Capital Structure Ratios**

Description	Measures
1. <b>Debt Service Coverage Ratio - Revenue Basis</b>	Ability to meet debt obligations through revenues alone.
2. <b>Debt Service Coverage Ratio</b>	Ability to fund annual debt service with cash flow from net cash revenues and net entrance fees.
3. <b>Debt Service as a Percentage of Total Operating Revenues and Net Nonoperating Gains and Losses Ratio</b>	Percentage of all operating revenues and nonoperating gains and losses that is utilized for annual debt service.
4. <b>Unrestricted Cash and Investments to Long-Term Debt Ratio</b>	Position in available cash and marketable securities in relation to its long-term debt, less current portion.
5. <b>Long-Term Debt as a Percentage of Total Capital Ratio</b>	Extent to which a provider has relied on debt versus retained earnings and invested or donated capital.
6. <b>Long-Term Debt as a Percentage of Total Capital Ratio - Adjusted</b>	Extent to which a provider has relied on debt versus retained earnings, deferred revenue and invested or donated capital.

**7. Long-Term Debt to Total Assets Ratio**

Indebtedness to total assets.

**8. Average Age of Facility Ratio**

Average age of the facility.

**9. Capital Expenditures as a Percentage of Depreciation Ratio**

Sufficiency of annual reinvestment in physical plant.

*\*CCAC ratios are based upon 2022 numbers.*

Desired Trend	Calculated					
	Obligated Group YTD	Obligated Group PYE	CCAC*			
			25th%	50th%	75th%	
↑	●	7.54%	11.15%	-4.21%	1.05%	6.05%
↑	●	22.61%	24.72%	9.60%	16.33%	22.37%
↓	●	86.57%	89.13%	107.98%	102.10%	98.92%
↑	●	8.84%	4.16%	-11.16%	-4.27%	0.85%
↑	●	9.93%	5.76%	-4.47%	3.08%	7.72%

Desired Trend	Calculated					
	Obligated Group YTD	Obligated Group PYE	CCAC*			
			25th%	50th%	75th%	
↓	●	16.62	16.20	26.00	20.00	14.00
↑	●	548.46	565.37	218.00	352.00	571.00
↑	●	12.75	10.50	5.36	7.35	14.89

Desired Trend	Calculated					
	Obligated Group YTD	Obligated Group PYE	CCAC*			
			25th%	50th%	75th%	
↑	●	1.78	1.37	0.28	1.10	1.51
↑	●	3.51	2.66	1.93	2.46	3.37
↓	●	8.89%	11.49%	12.16%	9.20%	6.99%
↑	●	90.33%	86.27%	39.20%	47.50%	75.63%
↓	●	56.84%	58.29%	103.19%	78.82%	61.60%
↓	●	42.00%	42.96%	76.86%	58.76%	45.19%

↓	●	30.27%	31.46%	47.49%	40.61%	34.05%
↓	●	10.85	10.68	13.64	11.91	10.50
↑	●	139.50%	168.27%	63.00%	143.00%	211.00%

## **ATTACHMENT 4**

**Explanations of Material Differences**  
**Balance Sheet**  
**Statement of Operations**  
**Statement of Cash Flows**

The United Methodist Retirement Homes, Inc.  
Explanation of Material Differences  
Between Previous Pro Forma Balance Sheet Projection for 2022  
and 2022 Actual Results from Operations

The following explanation is provided pursuant to the requirements of North Carolina G.S. 58-64-30. Set forth below is a comparison on the 2022 actual results with the projected results for 2022.

Sources and (Uses)

(Figures stated below are in thousands)

	2022 Actual	2022 Projected	Fav/(Unfav) Difference	Variance Percentage
<u>Assets</u>				
Current Assets:				
Cash (1)	5,799	12,172	(6,373)	-52.36%
Short-term investments	81,293	89,866	(8,573)	-9.54%
Accounts receivable, net (2)	4,419	6,213	(1,794)	-28.88%
Assets limited as to use, current portion (3)	17,271	1,300	15,971	1228.55%
Inventories and prepaid expenses	1,389	1,396	(7)	-0.54%
Contributions receivable from UMRH Foundation, current portion (4)	2,733	686	2,047	298.40%
Due from related party, current	201	183	18	9.78%
Total current assets	113,104	111,816	1,288	
Assets limited as to use:				
Insurance regulation	15,528	15,528	(0)	0.00%
Other assets limited as to use (5)	5,684	23,238	(17,554)	-75.54%
Assets limited as to use, non-current	21,212	38,766	(17,554)	
Property and equipment, net	214,310	215,748	(1,438)	-0.67%
Assets held for resale	197	217	(20)	-9.17%
Contributions receivable from UMRH Foundation, net of current portion (6)	6,340	7,762	(1,422)	-18.32%
Investment in Wesley Ridge (7)	75	-	75	100.00%
Deferred marketing costs, net	102	102	(0)	-0.42%
Interest rate swap agreement (8)	10,442	-	10,442	100.00%
Total non-current assets	17,157	8,081	9,076	
Total assets	365,783	374,411	10,364	
<u>Liabilities and Net Assets</u>				
Current Liabilities:				
Current maturities of long-term debt (9)	5,785	4,720	1,065	22.56%
Accounts payable and accrued expenses	8,097	8,407	(310)	-3.69%
Total current liabilities	13,882	13,127	(310)	
Long-term liabilities				
Liability for refundable advance fees and deposits	14,738	14,680	58	0.39%
Deferred revenue from non--refundable advance fees	76,325	73,041	3,284	4.50%
Long-term debt, less current portion	160,328	164,721	(4,393)	-2.67%
Funds held for others (10)	148	187	(39)	-20.96%
Due to related parties (11)	71	-	71	100.00%
Interest rate swap agreement (8)	-	191	(191)	-100.00%
Total long-term liabilities	251,610	252,820	(1,210)	
Total liabilities	265,492	265,947	(455)	
Net assets:				
Without donor restriction	89,038	97,404	(8,366)	-8.59%
With donor restriction	11,253	11,060	193	1.74%
Total liabilities and net assets	365,783	374,411	(8,628)	

The United Methodist Retirement Homes, Inc.  
Explanation of Material Differences Footnotes  
Balance Sheet

Variations of 10% or greater between actual and projected results are considered material variations which are explained below:

1. Cash Excess funds were moved to short-term investments.
2. Accounts receivable, net The projection assumed a larger number of entrance fee promissory notes would be outstanding.
3. Assets limited as to use, current portion Construction funds for the project were moved to current as they will be used within the fiscal year.
4. Contributions receivable from UMRH Foundation, current portion Since the change in this number is dependent upon donations to the UMRH Foundation for the benefit of UMRH, the forecast conservatively assumes no change year over year. The variance is due to greater than anticipated donations.
5. Other assets limited as to use Construction funds for the project were moved to current as they will be used within the fiscal year.
6. Contributions receivable from UMRH Foundation, current portion Since the change in this number is dependent upon donations to the UMRH Foundation for the benefit of UMRH, the forecast conservatively assumes no change year over year. The variance is due to greater than anticipated donations.
7. Investment in Wesley Ridge UMRH bought into the Wesley Ridge property located on the Wesley Pines campus when an previous partner unexpectedly decided to sell.
8. Interest rate swap agreement The forecast assumes no change year over year. The variance represents the actual change.
9. Current maturities of long-term debt The refinancing of bonds, not included in the forecast, changed the amortization of debt.
10. Funds held for others Resident deposits exceeded expectation. The forecast assumes no change for conservatism.
11. Due to related parties UMRH bought into the Wesley Ridge property located on the Wesley Pines campus when an previous partner unexpectedly decided to sell.



The United Methodist Retirement Homes, Inc.  
Explanation of Material Differences  
Between Previous Pro Forma Statement of Operations and Change in Net Deficits for 2022  
and 2022 Actual Results from Operations

The following explanation is provided pursuant to the requirements of North Carolina G.S. 58-64-30. Set forth below is a comparison on the 2022 actual results with the projected results for 2022.

Sources and (Uses)  
(Figures stated below are in thousands)

	2022 Actual	2022 Projected	Fav/(Unfav) Difference	Variance Percentage
<b>Revenues</b>				
Apartments	32,008	31,949	59	0.19%
Health care	23,520	22,555	965	4.28%
Assisted living	12,323	12,418	(95)	-0.77%
Home care (1)	2,625	2,186	439	20.07%
Amortization of deferred residence fees	9,599	9,475	124	1.31%
Investment income (2)	3,680	1,757	1,923	109.43%
Net assets released from restrictions (3)	632	554	78	14.08%
Other (4)	93	634	(541)	-85.37%
<b>Total revenue</b>	<b>84,479</b>	<b>81,528</b>	<b>2,951</b>	
<b>Expenses</b>				
Health care	16,223	16,076	147	0.91%
Assisted living	4,238	4,017	221	5.51%
Resident services	2,620	2,733	(113)	-4.13%
Home care (5)	3,054	2,317	737	31.82%
Dietary	12,184	12,431	(247)	-1.98%
Housekeeping	4,229	4,129	100	2.42%
Plant	7,583	7,411	172	2.32%
General and administration	13,260	12,568	692	5.51%
Depreciation and amortization	14,285	14,561	(276)	-1.90%
Interest (6)	4,134	5,856	(1,722)	-29.40%
<b>Total expenses</b>	<b>81,810</b>	<b>82,099</b>	<b>(289)</b>	
Operating income (loss)	2,669	(571)	3,240	
Non-operating gains (losses) (7)	(11,427)	-	(11,427)	100.00%
Change in unrestricted net assets	(8,758)	(571)	(8,187)	
Change in donor restricted net assets (8)	14	-	(19,614)	100.00%
Change in net assets	(8,744)	(571)	(8,173)	
Net assets, beginning of the year	109,035	109,035	(0)	
Net assets, end of the year	100,291	108,464	(8,173)	

The United Methodist Retirement Homes, Inc.  
Explanation of Material Differences Footnotes  
Operating Statement

Variations of 10% or greater between actual and projected results are considered material variations which are explained below:

1. Home care revenue Utilization of Home Care services were more than anticipated on the forecast.
2. Investment income Actual investment returns exceeded what was expected in the forecast.
3. Net assets released from restriction The forecast assumes no change in temporarily restricted net assets for conservatism. The audit reflects the actual use of these funds.
4. Other revenue The forecast included provider relief funds here and the audit has this recorded in non-operating gains/(losses).
5. Home care expense Home Care expenses were more than anticipated on the forecast.
6. Interest expense The refinancing of bonds, not included in the forecast, changed the interest expense due.
7. Non-operating gains (losses) Due to the uncertainty and volatility of investment gains or losses, contributions, changes in the fair value of interest rate swap agreements and gains or losses on the disposal of PP&E, the forecast conservatively assumes zero. Also, the audit reflects the actual use of provider relief funds here, whereas the forecast includes this in other revenue.
8. Change in donor restricted net assets For conservatism, the forecast assumes no change in temporarily restricted net assets unless there is certainty in the use of or receipt of funds.

The United Methodist Retirement Homes, Inc.  
Explanation of Material Differences  
Between Previous Pro Forma Statement of Cash Flows Projection for 2022  
and 2022 Actual Results from Operations

The following explanation is provided pursuant to the requirements of North Carolina G.S. 58-64-30. Set forth below is a comparison on the 2022 actual results with the projected results for 2022.

Sources and (Uses)  
(Figures stated below are in thousands)

	2022 Actual	2022 Projected	Fav/(Unfav) Difference	Variance Percentage
<b>Cash flows from operating activities</b>				
Change in net assets (1)	(8,744)	(571)	(8,173)	1431.34%
Adjustments to reconcile increase in net assets to net cash from operating activities				
Depreciation	14,270	14,561	(291)	-2.00%
Amortization of deferred financing costs (2)	71	105	(34)	-32.85%
Amortization of bond premium (3)	(187)	(393)	206	-52.31%
Amortization of marketing costs (4)	15	-	15	100.00%
Amortization of deferred resident fees	(9,599)	(9,475)	(124)	1.31%
Proceeds from non-refundable advance fees (5)	14,561	11,097	3,464	31.21%
Bad debt expense (6)	375	140	235	167.66%
Loss on disposal of property & equipment (7)	116	-	116	100.00%
Unrealized gains on investments and assets limited as to use (8)	23,837	-	23,837	100.00%
Realized gains on investments and assets limited as to use (9)	(1,051)	-	(1,051)	100.00%
Loss on early extinguishment of debt (10)	2,077	-	2,077	100.00%
Change in fair value of swap agreement (11)	(10,633)	-	(10,633)	100.00%
Net change in:				
Current/non-current assets (12)	(839)	(2,244)	1,405	-62.63%
Current/non-current liabilities (13)	(1,715)	(2,096)	381	-18.17%
Net cash from operating activities	22,552	11,124	11,428	102.73%
<b>Cash flows from investing activities</b>				
Additions to property and equipment and construction in progress	(24,738)	(25,609)	871	-3.40%
Net change in investments and assets limited as to use (14)	(14,952)	(5,725)	(9,227)	161.18%
Change in assets held for resale (15)	19	(1)	20	-1972.30%
Net cash from investing activities	(39,672)	(31,335)	(8,337)	26.60%
<b>Cash flows from financing activities</b>				
Refunds of entrance fees (16)	(1,437)	(2,946)	1,509	-51.22%
Proceeds from refundable advance fees (17)	1,334	1,603	(269)	-16.80%
Principal payments on debt (18)	(115,126)	(4,540)	(110,586)	2435.81%
Deferred financing costs, net (19)	358	(338)	696	-206.02%
Proceeds from issuance of bonds (20)	136,445	30,055	106,390	353.99%
Net cash from financing activities	21,574	23,834	(2,260)	-9.48%
Net change in cash	4,454	3,623	831	22.94%
Cash at beginning of year	21,973	8,549	13,424	157.03%
Cash at end of year	26,428	12,172	14,256	117.12%

The United Methodist Retirement Homes, Inc.  
Explanation of Material Differences Footnotes  
Cash Flow

Variances of 10% or greater between actual and projected results are considered material variances which are explained below:

1. Change in net assets See various explanations in footnotes to operating statement.
2. Amortization of deferred financing costs The refinancing of bonds, not included in the forecast, changed the amount of deferred costs.
3. Amortization of bond premium The refinancing of bonds, not included in the forecast, changed the amount of bond premiums.
4. Amortization of marketing costs The refinancing of bonds, not included in the forecast, changed the amount of marketing costs capitalized.
5. Proceeds from non-refundable advance fees The timing of advance fees from new construction was different than forecasted.
6. Bad debt expense Actual expenses were more than forecasted.
7. Loss on disposal of property & equipment This is not separately categorized in the cash flow on the forecast as it is on the audit.
8. Unrealized gains on investments and assets limited as to use Conservatively, the forecast assumes no unrealized gains or losses.
9. Realized gains on investments and assets limited as to use Conservatively, the forecast assumes no realized gains or losses.
10. Loss on early extinguishment of debt The refinancing of bonds, not included in the forecast, created a loss on the extinguishment of existing debt.
11. Change in fair value of swap agreement The forecast assumes no change year over year. The variance represents the actual change.
12. Current/non-current assets See the variances listed on the balance sheet material differences spreadsheet.

13. Current/non-current liabilities See the variances listed on the balance sheet material differences spreadsheet.
14. Net change in investments and assets limited as to use See the variances listed on the balance sheet material differences spreadsheet.
15. Change in assets held for resale One of two properties was sold.
16. Refunds of entrance fees Actual refunds were less than forecasted.
17. Proceeds from refundable advance fees Proceeds were greater than forecasted.
18. Principal payments on debt The refinancing of bonds, not included in the forecast, paid off existing debt.
19. Deferred financing costs, net The refinancing of bonds, not included in the forecast, changed the amount of deferred costs.
20. Proceeds from issuance of bonds The refinancing of bonds, not included in the forecast, created new issuances.

# **ATTACHMENT 5**

## **Standard Residency Agreement**



*Wesley Pines*

A rich tradition, a warm welcome

**1000 Wesley Pines Road  
Lumberton, North Carolina 28358  
(910) 738-9691  
[www.wesleypines.org](http://www.wesleypines.org)**

## **Standard Residency Agreement**

2021-03-10



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Exhibit A – Options and Custom Features Added at Resident’s Request

## GLOSSARY

The following terms are described as used in the accompanying Residency Agreement. Reference to the Residency Agreement and the context in which the terms are used is recommended to provide a fuller understanding of each of the terms:

**"Agreement"** means the Residency Agreement, entered into between the Resident and The United Methodist Retirement Homes, Incorporated, which outlines the contractual obligations of both parties.

**"Assisted Living"** means assistance with the activities of daily living pursuant to Section 5 of this Agreement.

**"Community"** means the continuing care retirement community known as "Wesley Pines," including all of the residences, common areas, and site amenities.

**"Entrance Fee"** means payment that assures a resident a place at the Community for life as long as the resident complies with terms of this Agreement. At the time the resident makes application for residency at the Community, the resident will sign a Residency Agreement to reserve the residence selected and will pay an Entrance Fee deposit to the Community. The balance of the Entrance Fee will be paid upon the earlier of (i) occupancy or (ii) 90 days after the Residency Agreement is executed. Specific information is located in Paragraph 1.2 of this Agreement.

**"Extra Charges"** means the additional fees required to be paid for the additional services and amenities requested by Resident, as set forth in Paragraph 2.2 of this Agreement.

**"Health Center"** means the portion of the Community, which is licensed to provide two levels of care: intermediate nursing care and skilled nursing care, as described in Section 6 of the Agreement.

**"Monthly Fee"** means that fee payable each month by the Resident as set forth in Paragraphs 1.3 and 1.4 of the Agreement, in consideration for the services and amenities provided to the residents of the Community described in Paragraph 2.1 of this Agreement. If there are Joint Residents under this Agreement, the Monthly Fee will include a "Second Person Monthly Fee."

**"Residence"** means the cottage or villa at the Community identified in the introductory paragraph of the Agreement, in which the Resident has the right to live pursuant to this Agreement in exchange for paying the Entrance Fee and the Monthly Fee.

**"Resident" or "you"** means the Resident(s) who sign this Agreement. Sometimes a second resident (if there are two of you) is referred to in this Agreement as the "Joint Resident." Further, both Residents may be referred to as "Joint Residents." Unless otherwise indicated, "you" refers to both of you if there are two of you.

**"The United Methodist Retirement Homes, Incorporated" or "we" or "our" or "us"** means the owner of the retirement community known as Wesley Pines, including all of the residences, common areas, and site amenities associated with these areas. The United Methodist Retirement Homes, Incorporated is a North Carolina non-profit corporation.



# Wesley Pines

A rich tradition, a warm welcome

## Residency Agreement Standard

### INTRODUCTION

This Standard Residency Agreement ("Agreement") is entered into by The United Methodist Retirement Homes, Incorporated ("UMRH," "we," "us," or "our") and \_\_\_\_\_ (individually or collectively, "you," "your," or "Resident"). Wesley Pines is a continuing care retirement community located at 1000 Wesley Pines Road; Lumberton, NC 28358 (hereafter the "Community").

We will provide residential housing for seniors along with a wide array of personal services and amenities outlined in this Agreement. Subject to the conditions contained in this Agreement, we agree to make available to you the Residence described as follows:

Residence Number \_\_\_\_\_  
Residence Style \_\_\_\_\_

You may select certain options and custom features in the Residence at an additional charge, which shall not be subject to any refund provision herein. Any such options and custom features selected and paid for by you will become our property. Such options and custom features must be approved by the Executive Director of the Community prior to adding them to the Residence. The Executive Director of the Community has consented to your request to add the options and custom features set forth on Exhibit A attached to this Agreement. You agree to pay the amount(s) set forth on Exhibit A to cover the charges for such items.

As a Resident of the Community, you are offered lifetime use of your Residence and lifetime access to assisted living services and to nursing care in the Community Health Center, subject to the terms and conditions of this Agreement.

To be accepted for residency, you must meet our residency criteria, which includes: having reached the age of 62 (or sharing your Residence with a Joint Resident who is 62 or older); financial guidelines; and the ability to live in a residence (with or without reasonable accommodation and/or reasonable modification) – all as outlined in our current residency policy.

The purpose of this Agreement is to set forth your rights and duties as a Resident of the Community and to delineate the services to be provided at the Community.

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

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

**1.2 Entrance Fee.** In order to reside at the Community for life, subject to this Agreement, and to receive the services and amenities described below, you agree to pay to us (in addition to the Monthly Fee described below) an Entrance Fee in the amount of \$\_\_\_\_\_ (includes first and second person, if applicable). The total amount of the Entrance Fee shall be payable as follows:

**1.2.1** Ten percent (10%) of the total Entrance Fee is \$\_\_\_\_\_, less any previously paid Future Resident Fee (\$\_\_\_\_\_), equals \$\_\_\_\_\_, which amount is due and payable upon your execution of this Agreement.

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

**1.3 Monthly Fee.** You are obligated to begin paying a Monthly Fee (or a pro rata portion thereof) on the date you assume occupancy at the Community or within ninety (90) days from the date this Agreement is executed by you, whichever is earlier. Thereafter, the Monthly Fee is due upon receipt of a statement from us and by no later than the fifteenth (15<sup>th</sup>) of each month. The Monthly Fee is initially set at a specific amount that can be increased as described in Paragraph 1.6 below. A "Second Person Monthly Fee" shall become part of the Monthly Fee and shall be paid if two persons are Joint Residents under this Agreement. If there are Joint Residents under this Agreement and one Joint Resident dies, the Second Person Monthly Fee shall cease and the remaining Resident shall continue to pay the Monthly Fee without the Second Person Monthly Fee component.

**1.4 Initial Monthly Fee.** The initial Monthly Fee payable by you is \$\_\_\_\_\_ per month and an additional \$\_\_\_\_\_ per month as a Second Person Monthly Fee component of the Monthly Fee if two persons reside as Joint Residents pursuant to this Agreement.

**1.5 Continuance of Monthly Fee.** Payment of the Monthly Fee will continue as follows:

**1.5.1** In the event of your death (in the case of Joint Residents, the death of the surviving Resident), until your estate removes all of your personal property from the Residence and from any storage unit.

**1.5.2** In the event of your permanent relocation to assisted living, to the Community Health Center or Comparable Facility for Health Center Level Services (see definitions in Paragraphs 6.1 and 6.2), or to another care facility licensed to provide the appropriate care you need, until you or your personal representative removes all of your personal property from the Residence and from any storage unit.

**1.5.3** In the event of cancellation of this Agreement as outlined in Section 9 or 10, until expiration of the cancellation period and continues until you remove all of your personal property from the Residence and from any storage unit.

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

**1.7 No Reduction in Monthly Fee Due to Absence.** If you are absent from the Community, your Monthly Fee will not be reduced.

**1.8 Reserve Funds.** The amount of the Monthly Fee also is and will continue to be affected by our policy of maintaining reserve funds for the financial security of the Community.

**1.9 Late Payment Charge.** We will charge a late payment charge in the amount of twenty-five dollars (\$25.00) if the Monthly Fee or any Extra Charges are not paid by the fifteenth (15<sup>th</sup>) day of the month. Balances over thirty (30) days old will be assessed a one percent (1%) interest charge per month. If we hire a collection agency or attorney to collect the Monthly Fee and Extra Charges past due from you, you are to pay any and all costs of collection, including reasonable attorney's fees, costs, and expenses associated with such collection efforts.

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

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

- Three (3) different meal plans to choose from;
- Limited meal delivery service to be provided when approved by authorized staff;
- Consultation and preparation of routine special diets;
- Utilities, which include heating, air conditioning, electricity, water, sewer and trash removal;
- Building janitor and maintenance;
- Grounds keeping;
- Weekly housekeeping services;
- Washer and dryer provided in the cottages and villas; - laundry facilities also available;
- Planned activities (social, cultural, recreational, educational, and spiritual) for those who wish to participate;
- Services of a chaplain;
- Services of life enrichment director;
- Parking for residents and guests;
- Carpeting (except in kitchen and bath) unless some other floor surface has been installed;
- Kitchen facilities in each cottage and villa;
- Scheduled local transportation;
- Wireless emergency nurse call system;

- Smoke detectors;
- Scheduled security service during evening and early morning hours;
- Assistance with third-party health insurance billing; and
- Six (6) days each year of assisted living care in an assisted living apartment or suite or nursing care in the Community Health Center as outlined in Section 4.

**2.2 Supplemental Services Provided for Extra Charge.** Supplemental services, when available, will be provided at Extra Charge and are described below. A list of Extra Charges for these supplemental services can be obtained from administration.

- Extra meals, depending on which meal plan a resident selects;
- Extended meal delivery service as approved by authorized staff;
- Preparation of special diets (beyond those which are routine), as prescribed by your attending physician;
- Guest accommodations, if available;
- Guest meals;
- Personal transportation and transportation for special events and group trips;
- Assisted living services as outlined in Section 5 and nursing care services in the Community Health Center as outlined in Section 6; and
- Certain ancillary services and supplies (such as therapies, pharmacy, laboratory, therapeutic activities, rehabilitative treatments, medical equipment, medical supplies, medical treatment, physician services, and other miscellaneous services and supplies) as outlined in Paragraph 6.8.

### **3. TERMS OF RESIDENCY.**

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

**3.2 Duration of Your Right to Occupy the Residence.** You may reside in your Residence for as long as you (or either of you in the case of Joint Residents) live unless you (both of you in the case of Joint Residents) are not capable of occupancy as set forth in our residency policy, or this Agreement is canceled by you or by us. If, in the opinion of your attending physician or the Medical Director, your physical or mental health requires that you need assisted living services or nursing care services, you will be requested to relocate to an assisted living apartment or suite or to the Community Health Center or a Comparable Facility for Health Center Level Services (see definitions in Paragraphs 6.1 and 6.2).

**3.3 Occupants of the Residence.** Except as hereinafter provided, no person other than you (both of you in the case of Joint Residents) may occupy the Residence. In the event that a second person who is not a party to this Agreement is accepted for residency in the Residence after the date we sign this Agreement (said acceptance to be in accordance with our current residency policy), an Entrance Fee in an amount to be determined by us (which will be no more than one-half of the then-current Entrance Fee for the Residence) shall be paid upon residency,



and each month thereafter, the then-current Second Person Monthly Fee shall be paid as part of the Monthly Fee. If such second person does not meet the requirements for residency, such second person will not be permitted to occupy the Residence for more than thirty (30) days, except with our express written approval.

If the Resident marries a person who is also a resident of the Community, and should they decide to occupy one residence as Joint Residents, they must declare which residence will be occupied and which residence will be released. The refund due for the released residence, if any, will be provided as described in Paragraph 11.5 of this Agreement.

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

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

**3.6 Insurance.** Our insurance does not cover your personal property or your liability. You are required at your own expense to carry personal property insurance and liability insurance. If requested by us, you agree to provide us with proof of such insurance coverage.

**3.7 Removal and Storage of Resident's Personal Property.** Your personal property must be removed from the Residence and from any storage unit as follows:

**3.7.1** Within thirty (30) days following the date of your death (if Joint Residents, the date of death of the surviving Resident). If your personal property is not removed from the Residence and from any storage unit within such thirty (30) days, we will continue to charge your estate the Monthly Fee as outlined in Paragraph 1.5.1 above, or we may remove and store such personal property at the expense and risk of your estate. Your Entrance Fee will continue to amortize, if applicable, until the Residence and any storage unit is completely vacated. We will only allow the executor(s) named in your Will to remove or dispose of your personal property in your living accommodation and any related storage unit at the Community. Members of your family or those to whom you have granted power of attorney will not be allowed access to your personal property after your death, unless they are the executor(s) named in your Will.

**3.7.2** Within thirty (30) days following the date notice is delivered to you of your permanent relocation to assisted living, to the Community Health Center or a Comparable Facility for Health Center Level Services (see definitions in Paragraphs 6.1 and 6.2), or to another care facility licensed to provide the appropriate care you need. If your personal property is not removed from the Residence and from any storage unit within such thirty (30) days, we will continue to charge you the Monthly Fee as outlined in Paragraph 1.5.2 above, or we may remove and store such personal property at your expense and risk.

**3.7.3** At the end of the cancellation period outlined in Section 9 or 10. If your personal property is not removed from the Residence and from any storage unit by the end of the cancellation period, we will continue to charge you the Monthly Fee as outlined in Paragraph 1.5.3 above, or we may remove and store such personal property at your expense and risk. Your Entrance Fee will continue to amortize, if applicable, until the Residence and any storage unit is completely vacated.

**3.8 Furnishings.** Furnishings within the Residence will not be provided by us except as stated in Paragraph 2.1. Furnishings provided by you shall not be such as to interfere with your health, safety or general welfare, or that of other residents or others.

**3.9 Emergency Entry and Relocation.** We may enter your Residence should it be necessary in an emergency to protect your health or safety or the health or safety of other residents. If relocation is recommended by the Medical Director or your attending physician, we will request that you relocate to another residence within the Community, to the Community Health Center or a Comparable Facility (as defined in Paragraph 6.2), or to a hospital or other care facility for the protection of your health or safety or for the health or safety of the other residents of the Community.

**3.10 Alterations by You.** You may not undertake any alterations to your Residence without our prior written approval. Said alterations will be set forth in a separate addendum to this Agreement, signed by you and us.

**3.11 Condition of Residence.** Upon vacating the Residence, you agree to leave it in good and clean condition. You shall be liable to us for any charges, which we may incur to restore your Residence to good and clean condition, except for normal wear and tear.

**3.12 Rights of Second Single Resident.** When two Joint Residents reside in a single Residence under this Agreement, upon the death or permanent relocation of one Resident to a different level of care at the Community, or other inability of that Resident to continue residing in the Residence, the remaining Resident may continue to reside in the Residence under the terms of this Agreement and shall pay the Monthly Fee.

**3.13 Smoke-Free Community.** The Community is a smoke-free community pursuant to its Smoke-Free Campus Policy (a copy of which is available upon request), wherein the campus and buildings have been designated as "smoke free". Smoking (including E-Cigarettes) is not allowed by residents, guests, and business invitees on the campus (inside or outside), except in a designated outside area. No smoking areas include, but are not limited to, the residences, hallways, dining rooms, public restrooms, lounge areas, reception areas, waiting rooms, courtyards, entrances, walking paths, driveways, and any other common areas. Smoking is only permitted at the designated outdoor area. Violation of the Smoke-Free Campus Policy can result in our cancellation of this Agreement for just cause as outlined in Paragraph 9.1 hereof.

**3.14 Firearms Policy.** The Community has adopted a policy governing the possession of firearms at the Community. Firearms need to be registered with the Community and properly secured. In the event that you are unable to safely maintain a firearm, we will contact your

designated power of attorney, legal representative or family member to remove any firearms from your Residence.

**4. FREE DAYS OF ASSISTED LIVING OR NURSING CARE.** You are eligible to receive a total of six (6) days each year of either assisted living care in an assisted living apartment or suite or nursing care in the Community Health Center while you are a resident of your Residence. In the case of Joint Residents, each of you will receive six (6) days, but the days cannot be combined and used by only one of you. Such six (6) days renews on an annual basis and does not accumulate. Once you are permanently relocated to assisted living, the Community Health Center or Comparable Facility, you no longer qualify for the six (6) free days of assisted living or nursing care and will be required to pay the per diem charge for such care. **[NOTE: The six (6) days of care is a combined annual total for assisted living care and nursing care at the Community.]**

**5. ASSISTED LIVING SERVICES.**

**5.1 Description of Assisted Living Services.** We offer assisted living services in the apartments and suites of the Community. Assisted living services include assistance with the activities of daily living such as ambulation, bathing, dressing, eating, personal hygiene, toileting, and the supervision or administration of medications. You will be given priority over non-residents for admission to assisted living.

**5.2 Transfer to Assisted Living Care.** In the event your physical or mental health is determined by us to be appropriate for assisted living care, you agree to relocate to an assisted living apartment or suite at the Community. Such a determination will be made by us after a review by the Director of Nursing, the Medical Director and the Executive Director in consultation with your attending physician, your personal representative, and you to the extent possible.

**5.3 Temporary Relocation to Assisted Living.** In the event you require temporary assisted living care (beyond the six (6) days of care as outlined in Section 4, if applicable), you will pay the then-current monthly fee applicable to assisted living, as well as the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above.

**5.4 Permanent Relocation to Assisted Living Care.** In the event you require permanent assisted living care (beyond the six (6) days of care as outlined in Section 4, if applicable), you will pay to us the then-current monthly fee applicable to assisted living. You will be required to release your Residence to us, and remove all of your personal property from the Residence and from any storage unit as outlined in Paragraph 3.7.2. Once the Residence is released, we shall have the right to reassign the Residence for occupancy by others except as provided in Paragraph 3.12. Release of the Residence due to your permanent relocation to assisted living care does not qualify you for a refund of the Entrance Fee, unless this Agreement is canceled. Subject to the terms and conditions of this Agreement, you shall continue to pay the Monthly Fee for the Residence in accordance with Paragraph 1.5.2 above.

**5.5 Return to Residence.** If we subsequently determine, in consultation with your attending physician, your personal representative and you to the extent possible, that you no longer need assisted living care and you can resume occupancy in a residence equivalent to the

residence you previously occupied, you shall have the right to relocate to such equivalent residence as soon as one is available. Upon your relocation to an equivalent residence, you agree to pay the then-current Monthly Fee for that residence.

**5.6 Alternate Accommodations.** In the event that the assisted living apartments and suites at the Community are fully occupied when you are determined to need assisted living care, you agree to relocate to another assisted living facility to receive assisted living care at your own expense. We will not be responsible for the charges associated with the alternate assisted living facility. You shall continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above.

**5.7 Transfer to Another Level of Care.** If we determine after consultation with your attending physician, your personal representative and you to the extent possible, that you need care beyond assisted living, you agree to transfer to the Community Health Center, a Comparable Facility (as defined in Paragraph 6.2), or to another care facility licensed to provide the appropriate care you need. Subject to the terms and conditions of this Agreement, you shall continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above.

**5.8 Long-Term Care Insurance.** We will use reasonable efforts to assist you in working with your long-term care insurance provider to obtain the benefits to which you may be entitled.

**5.9 Assisted Living Residency Agreement.** If you require assisted living care at the Community, you agree to enter into a separate Assisted Living Residency Agreement to be signed by you and us.

## **6. THE COMMUNITY HEALTH CENTER.**

**6.1 Description.** The Community Health Center is the portion of the Community which is licensed to provide two levels of care: intermediate nursing care and skilled nursing care (collectively "Health Center Level Services"). The Community Health Center is staffed by licensed nursing personnel 24 hours a day.

**6.2 Alternate Accommodations.** You will be given priority over non-residents for admission to the Community Health Center. In the event the Community Health Center is fully occupied when you are determined to need such care, you agree to relocate to an alternate health care facility that provides services similar to the Community Health Center or to another care facility licensed to provide the appropriate care you need (a "Comparable Facility") until an appropriate space becomes available for you at the Community. We will not be responsible for the charges associated with the Comparable Facility. Upon your relocation to a Comparable Facility, you shall continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above.

**6.3 Transfer to Health Center Level Services.** In the event your physical or mental health is determined by us to be appropriate for Health Center Level Services, you agree to relocate to the Community Health Center or a Comparable Facility. Such a determination will be made by us after a review by the Director of Nursing, the Medical Director and the Executive

Director in consultation with your attending physician, your personal representative, and you to the extent possible.

**6.4 Temporary Relocation to the Community Health Center.** In the event you require temporary care in the Community Health Center (beyond the six (6) days of care as outlined in Section 4, if applicable), you will pay the per diem charge applicable to the level of care needed by you, as well as the charges for physician services and any additional health services as outlined in Paragraph 6.8. In addition, you will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above.

**6.5 Permanent Relocation to Health Center Level Services.** In the event you require permanent care in the Community Health Center (beyond the six (6) days of care as outlined in Section 4, if applicable), you will pay the per diem charge applicable to the level of care needed by you, as well as the charges for physician services and any additional health services as outlined in Paragraph 6.8. If you are determined appropriate for Health Center Level Services, and are permanently relocated to the Community Health Center or a Comparable Facility, you will be required to release your Residence to us, and remove all of your personal property from the Residence and from any storage unit as outlined in Paragraph 3.7.2. We shall have the right to reassign the Residence for occupancy by others except as provided in Paragraph 3.12. Release of the Residence due to your permanent relocation to the Community Health Center or to a Comparable Facility does not qualify you for a refund of the Entrance Fee, unless this Agreement is canceled. You will continue to pay the Monthly Fee in accordance with Paragraph 1.5.2 above.

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

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

**6.8 Medical Director, Attending Physician, and Additional Health Services.** We have designated a licensed physician to serve as Medical Director of the Community Health Center. You are required to have a local attending physician. You may engage the services of the Medical Director at your expense. If your personal physician will be providing you with services in the Community Health Center, he/she may do so upon providing us with his/her credentials and with proof of liability insurance, and he/she agrees to abide by our policies and procedures. We will not be responsible for the charges for medical treatment or services by the Medical Director or your attending physician, nor will we be responsible for the charges for medication, prescribed therapy, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment.

**6.9 Advanced Payment for Medical Treatment.** In the event we incur or advance payments for your medical treatment or for medication, prescribed therapy, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment (even in the event such medical care is given at the direction of your attending physician or the Medical Director without your prior approval), you shall promptly reimburse us for such payments. Upon cancellation of this Agreement for any reason, any amounts due to us under this Paragraph 6.9 shall be offset against any refund of the Entrance Fee.

**6.10 Long-Term Care Insurance.** We will use reasonable efforts to assist you in working with your long-term care insurance provider to obtain the benefits to which you may be entitled.

**6.11 Medicare and Health Insurance.** The Community Health Center is Medicare-certified. When eligible, you are required to maintain Medicare Part A, Medicare Part B, and one supplemental health insurance policy or equivalent insurance coverage acceptable to us to assure your ability to fully cover a Medicare-qualified stay in the Community Health Center or a Comparable Facility. You shall furnish to us such evidence of coverage as we may from time to time request. Such supplemental insurance should cover Medicare co-insurance and deductibles. Should your supplemental health insurance or equivalent coverage not fully cover a Medicare-qualified stay in the Community Health Center or a Comparable Facility, or should you fail to purchase supplemental health insurance or equivalent coverage to fully cover a Medicare-qualified stay in the Community Health Center or a Comparable Facility, you shall be financially responsible for paying deductibles, co-insurance amounts, and any other charges for each Medicare-qualified admission and stay in the Community Health Center or a Comparable Facility. If you are eligible to receive the six (6) free days of care in the Community Health Center as provided in Section 4 and your stay in the Community Health Center is a Medicare-qualified stay, such six (6) days will be applied after the expiration of your Medicare-qualified stay providing you have Medicare Part A, Medicare Part B and acceptable supplemental health insurance or equivalent insurance coverage.

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

If failure to maintain Medicare Part A, Medicare Part B, supplemental health insurance or other health insurance coverage causes depletion of your resources and impairs your ability to meet your financial obligations, we need not defer your financial obligations to us as outlined in Paragraph 8.1, and we retain the right to cancel the Residency Agreement as provided in Section 10.

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

**6.12.1 Participating Provider.** If the Community Health Center is a participating provider with your managed care program and your stay is a Medicare-qualified stay, the Community agrees to be reimbursed at the rate negotiated with your managed care program. Such a managed care stay in the Community Health Center will not reduce the number of days of care you are eligible to receive without additional charge pursuant to Section 4, as applicable. You will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above, as well as any charges for physician services and any additional health services as outlined in Paragraph 6.8.

**6.12.2 Not a Participating Provider.** If the Community Health Center is not an approved participating provider with your managed care program and you choose to receive health care services at a managed care participating provider, then you agree that you must relocate for as long as necessary for those services to be provided, and be responsible for all charges for health care services. In addition, while receiving health care services at the managed care participating provider, you will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above. Such a stay at a managed care participating provider will not reduce the number of days of care you are eligible to receive without additional charge pursuant to Section 4, as applicable.

**6.12.3 Negotiated Managed Care Rate.** If the Community Health Center is not a participating provider in your managed care program and your stay is a Medicare-qualified stay, we will attempt to negotiate a reimbursement rate with your managed care program. If we are able to negotiate an acceptable rate, we agree to accept as full payment the rate provided by your managed care program. Such a managed care stay in the Community Health Center will not reduce the number of days of care you are eligible to receive without additional charge pursuant to Section 4, as applicable. You will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above, as well as any charges for physician services and any additional health services as outlined in Paragraph 6.8.

**6.12.4 No Negotiated Managed Care Rate.** If the Community Health Center is not a participating provider in your managed care program and a negotiated rate is not agreed upon and you would still like to receive care in the Community Health Center during a Medicare-qualified stay, then each day of your stay in the Community Health Center will reduce by one day the number of days of care you are eligible to receive without additional charge pursuant to Section 4, as applicable. During any such Medicare-qualified stay in the Community Health Center, you agree that you will continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above and any charges for physician services and any additional health services as outlined in Paragraph 6.8. If at any time during any such Medicare-qualified stay in the Community Health Center you are no longer eligible to receive any of the days of care provided for in Section 4, then you agree to pay the per diem charge for your care in the Community Health Center, the Monthly Fee for your Residence in accordance with Paragraph 1.5.2 above,, and any additional health services as outlined in Paragraph 6.8.

**6.12.5 Post Medicare-Qualified Stay.** At the conclusion of each such Medicare-qualified stay, you will be entitled to care in the Community Health Center in

accordance with the terms of this Agreement other than as provided in this Paragraph 6.12.

**6.13 Transfer to Hospital or Other Care Facility.** If we determine after consultation with your attending physician, your personal representative and you to the extent possible, that you need care beyond that which the Community Health Center is licensed to provide, you will be transferred to a hospital or other care facility. Our staff will not accompany you to the hospital or other facility. We shall not be responsible for any charges associated with the transfer and health care expenses or charges incurred by you after such a transfer. You shall continue to pay the Monthly Fee for your Residence in accordance with Paragraph 1.5 above.

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

**6.15 Under Age 62.** If you are under the age of 62 when you occupy your Residence under this Agreement, you are not eligible to receive the six (6) days of care as outlined in Section 4 until you attain the age of 62. During this time, you will be entitled to receive such care at the then-current charge being charged to nonresidents until age 62.

## **7. REPRESENTATIONS.**

**7.1 Our Representations.** We represent and warrant that we are a nonprofit corporation. We are exempt from payment of Federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. We are affiliated with the North Carolina Conference of The United Methodist Church of the Southeastern Jurisdiction. The North Carolina Conference of The United Methodist Church of the Southeastern Jurisdiction is not responsible for our financial or contractual obligations.

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

## **8. PROMISES.**

**8.1 Our Promises.** It is and shall be our declared policy to operate as a non-profit organization. We will not cancel this Agreement without just cause as specified in Section 10. Further, we shall not cancel this Agreement solely by reason of your financial inability to pay the full Monthly Fee for your Residence, the monthly fee for assisted living care or the per diem charge for care in the Community Health Center, provided you have met all "spend-down" provisions of eligibility for the Medicaid program and any public assistance funds. This provision shall not apply if you have impaired your ability to meet your financial obligations hereunder by transfer of assets other than to meet ordinary and customary living expenses or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance, or other health insurance after assuming occupancy. You shall be permitted to remain at the Community for a reduced fee based on your ability to pay for as long as you establish facts to justify deferment of



such charges and when deferment of such charges can, in our sole discretion, be granted without impairing our ability to operate the Community on a sound financial basis for the benefit of all residents.

**8.2 Your Promises.** You agree to comply with all policies and procedures of the Community as now existing or as hereafter amended; to pay the Entrance Fee, Monthly Fee, and any other charges as provided in this Agreement; to not impair your ability to meet the financial obligations under this Agreement by transferring assets, other than to meet ordinary and customary living expenses, or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance or other health insurance, without our consent; to apply for public assistance funds and/or Medicaid if you should need financial assistance as outlined in Paragraph 8.1 above while a resident in assisted living or the Community Health Center; and to abide by all other terms of this Agreement.

## **9. CANCELLATION BY RESIDENT.**

**9.1 Right of Rescission.** Within thirty (30) days following the later of the execution of this Agreement by you or the receipt of a Disclosure Statement from us, you may rescind this Agreement by giving us written notice. You shall not be required to move into the Residence prior to the expiration of the thirty (30) day rescission period. However, if you occupy the Residence during the rescission period and then rescind this Agreement, you will only be charged a Monthly Fee for the period of time that you actually occupied the Residence. Refund of the amount of the Entrance Fee paid shall be as outlined in Paragraph 11.2.

**9.2 Cancellation Prior to Occupancy.** You may cancel this Agreement for any reason at any time before you move into the Community by giving us written notice signed by you (both of you in the case of Joint Residents). Refund of the amount of the Entrance Fee paid shall be as outlined in Paragraph 11.3 or 11.4. If you die prior to occupying the Residence or if, on account of illness, injury or incapacity, you are precluded from occupying the Residence under the terms of this Agreement, this Agreement will automatically cancel upon our receipt of notice of your death, illness, injury or incapacity. If you elect to cancel this Agreement because of a substantial change in your physical, mental or financial condition prior to occupancy, then this Agreement will cancel upon written notice from you. Refund of the Entrance Fee shall be as outlined in Paragraph 11.3.

**9.3 Cancellation After Occupancy.** You may cancel this Agreement for any reason after moving into the Community by giving us thirty (30) days' prior written notice of cancellation, which shall be effective and irrevocable upon delivery. Cancellation shall occur thirty (30) days after written notice is delivered, and you must remove your personal property from the Residence and from any storage unit at the end of the thirty (30) day notice period as outlined in Paragraph 3.7.3. You are obligated to pay the Monthly Fee during the thirty (30) days, and thereafter if the Residence has not been released to us in accordance with Paragraph 1.5.3 above. Refund of the Entrance Fee shall be as outlined in Paragraph 11.5.

**9.4 Cancellation Due to Death After Occupancy.** This Agreement will automatically cancel upon your death (the death of the surviving Resident in the case of Joint Residents). Your estate must remove your personal property from the Residence and from any storage unit within thirty (30) days after your death as outlined in Paragraph 3.7.1. Your estate

will be obligated to pay the Monthly Fee as outlined in Paragraph 1.5.1 above. Refund of the Entrance Fee shall be as outlined in Paragraph 11.5.

## **10. CANCELLATION BY UMRH.**

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

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

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

**10.1.3 Nonpayment.** You fail to pay any charges to us, subject to the provisions of Paragraph 8.1, within forty-five (45) days of the date when such charges are due.

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

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

**10.2 Default Notice.** Prior to cancellation for any Default described in Paragraph 10.1.1, 10.1.2 or 10.1.3 above, we shall give you notice in writing of such Default, and you shall have at least thirty (30) days thereafter within which to correct such Default. No Default shall eliminate your obligation to pay the Monthly Fee. If you correct such Default within such time, this Agreement shall not be canceled. If you fail to correct such Default within such time, this Agreement shall cancel at the expiration of such thirty (30) days.

In the event of the occurrence of a Default described in Paragraph 10.1.4 or 10.1.5 above, if we or the Medical Director determines that either the giving of notice of Default or the lapse of time as above provided might be detrimental to you or others, then such notice and/or waiting period prior to cancellation shall not be required. Also, in the event of the occurrence of a Default described in Paragraph 10.1.4 or 10.1.5, we are expressly authorized by you to transfer you to an appropriate hospital or other facility, and we will promptly notify your personal representative or attending physician.

## **11. REFUND OF ENTRANCE FEE.**

**11.1 Nonacceptance by Us.** If we do not accept you for residency at the Community, the full amount of the Entrance Fee you have paid will be promptly refunded to you, without interest.

**11.2 Right of Rescission.** If you rescind this Agreement as provided in Paragraph 9.1, you shall receive a full refund of the portion of the Entrance Fee paid by you, without interest, within sixty (60) days of our receipt of the written notice of rescission.

**11.3 Cancellation Prior to Occupancy Due to Death, Illness, Injury, or Incapacity.** If, prior to occupancy and after your right of rescission period has expired, you die or you cancel this Agreement because of illness, injury or incapacity, you or your estate will receive a refund in full of the portion of the Entrance Fee you have paid, without interest, less any costs specifically incurred by us at your request and set forth in writing in a separate addendum to this Agreement, signed by you and us. Said refund shall be paid within sixty (60) days following (i) the date of automatic cancellation of this Agreement; or (ii) the date of our receipt of your written notice of cancellation.

**11.4 Cancellation Prior to Occupancy for Other Reasons.** If you cancel this Agreement for reasons other than those stated in Paragraph 11.2 or 11.3 above, you shall receive a refund of the Entrance Fee paid, less a non-refundable portion of the Entrance Fee equal to Two Thousand Dollars (\$2,000) and less any costs specifically incurred by us at your request and set forth in writing in a separate addendum to this Agreement, signed by you and us. Said refund shall be paid within sixty (60) days after our receipt of the written notice of cancellation.

**11.5 Cancellation After Occupancy.** In the event you or we cancel this Agreement after occupancy or in the event of your death (the death of the survivor in the case of Joint Residents), you or your estate will be reimbursed the amount of the Entrance Fee previously paid by you, less two percent (2%) for each month of residency or portion thereof, for up to fifty (50) months. After fifty (50) months of occupancy, no refund of the Entrance Fee will be made. Said refund, if any, will be paid, without interest, at such time as your Residence has been reserved by a new resident and our receipt of the full amount of the Entrance Fee paid by such new resident or within two (2) years from the date of cancellation, whichever occurs first.

**11.6 Offset Against Entrance Fee Refund.** In the event of cancellation of this Agreement as described in Paragraph 11.5 above, we will offset against any Entrance Fee refund due to you or your estate the following:

**11.6.1** The amount of any unpaid Monthly Fees, pro-rated Monthly Fees for the period of time the Residence was occupied (which shall include the period of time until you or your personal representative removes all of your personal property from the Residence and from any storage unit) after cancellation of this Agreement, any Extra Charges or other charges deferred by us on your behalf under Paragraph 8.1; and

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

**11.6.3** Any charges incurred to restore the Residence to good condition, normal wear and tear excepted, as outlined in Paragraph 3.11 and

**11.6.4** Any charges incurred as a result of options and custom features added to the Residence at your request as outlined in Exhibit A or in a separate addendum to this Agreement.

## **12. MISCELLANEOUS.**

**12.1 Nature of Rights.** You understand and agree that (i) this Agreement or your rights (including the use of the Residence) under it may not be assigned, and no rights or benefits under this Agreement shall inure to the benefit of your heirs, legatees, assignees, or representatives, except as to receipt of the amounts described in Section 11; (ii) this Agreement and your contractual right to occupy the Community will exist and continue to exist during your lifetime unless canceled as provided herein; (iii) this Agreement grants you the right to occupy and use space in the Community but does not give you exclusive possession of the Residence against us, and you will not be entitled to any rights of specific performance but will be limited to such remedies as set forth herein and as provided by continuing care law; (iv) this Agreement is not a lease or easement and does not transfer or grant you any interest in real property owned by us; and (v) this Agreement grants to us complete decision-making authority regarding the management and operation of the Community.

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

**12.3 Force Majeure.** Community shall not be liable to Resident for any default, breach or damages arising out of or relating to the suspension or termination of any of its obligations or duties under this Agreement by reason of the occurrence of a Force Majeure Event. A "Force Majeure Event" is defined as the occurrence of an event which materially interferes with the ability of Community to perform its obligations or duties hereunder which is not within the reasonable control of Community, and which could not with the exercise of diligent efforts have been avoided, including, but not limited to, war, rebellion, terrorism, government uprising, natural disasters (including floods, earthquake, fire, hurricanes, windstorms, tornadoes), accident, strike, riot, civil commotion, act of God, pandemic, epidemic, outbreak of infectious diseases or other public health crisis, including quarantine or other employee restrictions, acts of authority or change in law. Community shall promptly notify Resident of the occurrence and particulars of such Force Majeure Event and shall provide Resident, from time to time, with its best estimate of the duration of such Force Majeure Event and with notice of the termination thereof. Community shall use diligent efforts to avoid or remove such causes of non-performance as soon as is reasonably practicable .

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

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

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

**12.7 Monthly Statement.** You shall receive a monthly statement from us showing the total amount of fees and other charges owed by you, which shall be paid upon receipt and by no later than the fifteenth (15<sup>th</sup>) day of each month.

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

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

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

**12.11 Notices.** Any notice required to be given to us under this Agreement shall be in writing and sent certified mail, return receipt requested, with all postage and charges prepaid, or hand-delivered to the Executive Director of the Community at 1000 Wesley Pines Road, Lumberton, North Carolina 28358. Such notices shall be dated and signed.

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

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

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

**12.14 Subordination.** You agree that all your rights under this Agreement will always be subordinate and junior to the lien of all mortgages or other documents creating liens encumbering the Community, which have been or will be executed by us. Upon request, you agree to execute, acknowledge and deliver to such lender(s) such further written evidence of such subordination as such lender(s) may reasonably require. Except to the extent of your

obligation to pay the Monthly Fee and Second Person Monthly Fee, you shall not be liable for any such indebtedness.

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

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

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

**12.18 Charges for Collection.** You agree to reimburse us for any charges we incur to collect any unpaid amounts you or your estate owes to us under this Agreement.

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

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

**12.21 Tax Considerations.** You should consult with your tax advisor regarding the tax considerations associated with this Agreement as more fully explained in our Disclosure Statement.

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

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

**12.24 Survival of Representations and Obligations.** Your representations and obligations under this Agreement, including but not limited to, your obligation to pay all sums owed by you to us, and your agreement to indemnify us as set forth in Paragraph 12.11, and our

representations and obligations under this Agreement, will survive any cancellation of your residency in the Community, regardless of the reason for such cancellation and regardless of whether it is initiated by you or by us.

### **13. MEDIATION AND ARBITRATION.**

**13.1 Mediation.** In the event a dispute, claim or controversy of any kind arises between the parties – except for those disputes, claims or controversies arising under Paragraph 13.3 below – that cannot be resolved by mutual agreement, the parties agree to submit such dispute, claim or controversy to a neutral mediator for possible resolution. The parties will jointly agree on a neutral mediator. Each party shall submit all evidence or information in writing to the mediator in support of its contentions or allegations and any defense either party may have with respect to the dispute, claim or controversy. Each party shall have the right to a hearing before the mediator and to personally present information pertinent to such dispute, claim or controversy. The mediator shall assist each party, in an unbiased manner, in reaching an amicable agreement regarding the dispute, claim or controversy. If an amicable agreement is not reached, or if either party fails or refuses to negotiate or mediate in good faith to resolve the matter, or if a neutral mediator cannot be agreed upon between the parties, then the parties agree to submit such dispute, claim or controversy to an arbitration process as outlined below.

**13.2 Arbitration.** In the event a dispute, claim or controversy of any kind arising out of or relating to this Agreement – except for those disputes, claims or controversies arising under Paragraph 13.3 below – cannot be resolved through mediation as described in Paragraph 13.1 above, the parties agree that said dispute, claim, or controversy will be submitted to and determined by arbitration in Robeson County, North Carolina in accordance with the Federal Arbitration Act. You and we will jointly agree on an arbitrator and the arbitrator will be selected according to the procedure set forth in state law, if applicable. In reaching a decision, the arbitrator shall prepare findings of fact and conclusions of law. Any direct arbitration costs incurred by you will be borne by you. Costs of arbitration, including our legal costs and attorneys' fees, arbitrators' fees, and similar costs, will be borne by all residents of the Community provided that the arbitrator may choose to award the costs of arbitration against us if the arbitrator determines that the proposed resolution urged by us was not reasonable. If the issue affects more than one (1) resident, we may elect to join all affected residents into a single arbitration proceeding, and you hereby consent to such joinder.

You may withdraw your agreement to arbitrate within thirty (30) days after signing this Agreement by giving written notice of your withdrawal to us. This arbitration clause binds all parties to this Agreement and their spouses, heirs, representatives, executors, administrators, successors, and assigns, as applicable. After cancellation of this Agreement, this arbitration clause shall remain in effect for the resolution of all claims and disputes that are unresolved as of that date.

**13.3 Voluntary Arbitration of Negligent Health Care Claims.** For all claims for damages in personal injury or wrongful death actions, based on alleged negligence in the provision of health care, the parties may voluntarily elect to submit to arbitration pursuant to the procedures set forth in Article 1H of Chapter 90 of the North Carolina General Statutes. N.C.G.S. §90-21.60(b) prohibits any contract from requiring prior agreement of the parties to arbitrate negligent health care claims. Thus, Paragraphs 13.1 and 13.2 do not apply to personal

injury or wrongful death actions based on alleged negligence in the provision of health care. If the parties agree to arbitrate such actions, said arbitration will be governed in accordance with N.C.G.S. §90-21.60, *et seq.*

[Signature Page Follows]



You hereby certify that you received a copy of this Agreement and a copy of our most current Disclosure Statement dated \_\_\_\_\_, 20\_\_\_\_.

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

**THE UNITED METHODIST RETIREMENT  
HOMES, INCORPORATED  
d/b/a Wesley Pines**

\_\_\_\_\_  
RESIDENT

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

\_\_\_\_\_  
Witness

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

\_\_\_\_\_  
RESIDENT

By \_\_\_\_\_  
Authorized Agent of UMRH

\_\_\_\_\_  
Witness

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

Attachment: Exhibit A



03-10-2021

Standard Residency Agreement (2021-03-10)

**Exhibit A**

<b>Options and Custom Features Added at Resident's Request:</b>	<b>Amount</b>
	\$
	\$
	\$
	\$
	\$
	\$
<b>Total</b>	\$

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

\_\_\_\_\_  
**Resident**

\_\_\_\_\_  
**Resident**

WBD(US) 41242208v3

# **ATTACHMENT 6**

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

**SENIOR LIVING COMMUNITIES MANAGED  
BY LIFE CARE SERVICES  
AS OF 2/14/2023**

Alabama, Birmingham – Galleria Woods  
Alabama, Hoover – Danberry at Inverness  
Arizona, Chandler – Clarendale of Chandler  
Arizona, Fountain Hills – Fountain View Village  
Arizona, Peoria – Sierra Winds  
Arizona, Phoenix – Clarendale of Arcadia  
Arizona, Phoenix – Sagewood  
Arizona, Tempe (Phoenix) – Friendship Village of Tempe  
California, Cupertino – Forum at Rancho San Antonio, The  
California, Palo Alto – Moldaw Residences  
California, San Diego – Casa de las Campanas  
California, San Rafael – Aldersly  
California, Santa Rosa – Arbol Residences of Santa Rosa  
California, Santa Rosa – Oakmont Gardens  
Connecticut, Essex – Essex Meadows  
Connecticut, Mystic – StoneRidge  
Connecticut, Southbury – Pomperaug Woods  
Delaware, Newark – Millcroft Living  
Delaware, Wilmington – Foulk Living  
Delaware, Wilmington – Shipley Living  
Florida, Aventura – Sterling Aventura  
Florida, Bradenton – Freedom Village of Bradenton  
Florida, Celebration – Windsor at Celebration  
Florida, Clearwater – Regency Oaks  
Florida, Hollywood – Presidential Place  
Florida, Jacksonville – Cypress Village  
Florida, Leesburg – Lake Port Square  
Florida, Naples – The Glenview at Pelican Bay  
Florida, Naples – The Arlington of Naples  
Florida, Palm City – Sandhill Cove  
Florida, Port Charlotte – South Port Square  
Florida, Seminole – Freedom Square of Seminole  
Florida, Seminole – Lake Seminole Square  
Florida, Sun City Center – Freedom Plaza  
Florida, The Villages – Freedom Point at The Villages  
Georgia, Evans – Brandon Wilde  
Georgia, Savannah – Marshes of Skidaway Island, The  
Illinois, Addison – Clarendale of Addison  
Illinois, Algonquin – Clarendale of Algonquin  
Illinois, Chicago – Clare, The  
Illinois, Godfrey – Asbury Village  
Illinois, Lincolnshire – Sedgebrook  
Illinois, Mokena – Clarendale of Mokena  
Illinois, Naperville – Monarch Landing

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

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

# **ATTACHMENT 7**

## **List of Extra Charges**

**WESLEY PINES MISCELLANEOUS CHARGE LIST  
INDEPENDENT LIVING  
EFFECTIVE OCTOBER 1, 2022**

DESCRIPTION	COST
<b>MISCELLANEOUS ITEMS</b>	
APPLICATION FEE (one time)	\$200.00
TV HOOKUP (one time)	\$45.00
PET DEPOSIT (one time)	\$500.00
TELEPHONE INSTALLATION (one time) – In House Only	\$35.00
TELEPHONE TRANSFER FEE (each time) - In House Only	\$35.00
TELEPHONE SERVICE (monthly) – In House Only	\$31.00
PERSONAL LAUNDRY (monthly)	\$35.00
MEDICINE ADMINISTERED – In Home	\$12.50
IV ADMINISTRATION by a Nurse	\$20.00/day
CATHETER CHANGE by a Nurse (each time)	\$18.75 plus supplies
DRESSING CHANGES by a Nurse (each time)	\$12.50 plus supplies
TRANSPORTATION OUTSIDE THE CITY – (each time)	\$10.00/hour plus \$0.50/mile
TRANSPORTATION INSIDE THE CITY – (each trip)	\$10.00
CARPET CLEANING	\$45.00/room
STAFF ACCOMPANIMENT to DOCTORS APPT.	\$12.00/hour
PERSONAL CARE SERVICES by a CNA (minimum ½ hour)	\$16.00/hour
PERSONAL CARE SERVICES by a Nurse (minimum ½ hour)	\$25.00/hour
<b>MEAL CHARGES:</b>	
<b>RESIDENT MEAL CHARGES</b>	
BREAKFAST	\$4.20
LUNCH	\$7.00
DINNER	\$7.00
MEAL TRAY DELIVERY (each time)	\$2.00



<b>GUEST MEAL CHARGES</b>	
<i><b>ADULTS (ages 12 and up)</b></i>	
BREAKFAST	\$4.70
LUNCH	\$8.30
DINNER	\$8.30
<i><b>CHILDREN MEAL CHARGES (ages 11 and under)</b></i>	
BREAKFAST	\$3.10
LUNCH	\$6.25
DINNER	\$6.25
<b>HOLIDAY MEAL CHARGES</b>	
ADULT (ages 13 and up)	\$12.50
CHILDREN (ages 5 -13)	\$6.25
Reservation of Ruby D. McMillan Fellowship Center	\$200 + \$4/set-up pp
**SPECIAL CATERING EVENT (subject to NC Sales tax) – <i>does not include reservation or set-up fee for Fellowship Center</i>	Prices vary depending on selection
<b>BEAUTY SHOP CHARGES</b>	
SHAMPOO	\$10.00
SHAMPOO DRY & SET	\$18.00
SHAMPOO, BLOW OUT, FLAT IRON	\$32.00
MALE SHAMPOO / DRY	\$12.00
LADIES CUT	\$14.00
MEN'S CUT	\$13.00
PERM	\$42.00
RINSE	\$8.00
RE COMB	\$7.00
HAIR COLOR	\$27.00
MANICURE	\$17.00
PEDICURE	\$27.00
Oxygen rental	\$10/day
Oxygen concentrator (purchase for individual use)	Prices begin at \$550
Nebulizer rental	\$5/day
Nebulizer machine (purchase for individual use)	Prices begin at \$60