

# DISCLOSURE STATEMENT

February 7, 2024

The Forest at Duke

2701 Pickett Road  
Durham, NC 27705

919-490-8000

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

- **this Disclosure Statement may be delivered until revised, but not after February 27, 2025;**
- **delivery of the Disclosure Statement to a contracting party before execution of a contract for continuing care is required;**
- **this Disclosure Statement has not been reviewed or approved by any government agency or representative to ensure accuracy or completeness of the information set out.**

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## I. ORGANIZATION INTRODUCTION AND INFORMATION

The provider of services is The Forest at Duke, Inc. (“The Forest”) located in Durham County at 2701 Pickett Road, Durham, NC 27705. Under the laws of the State of North Carolina, The Forest is organized as a nonprofit corporation and operates a continuing care retirement community (the “Community”) created to provide housing, recreation, health care and other services to people sixty-five (65) years of age or older. In the case of co-residents, one resident may be as young as sixty-two (62). The Forest has no formal affiliations with any religious, charitable, or other nonprofit organization. The Community has programmatic affiliations with Duke University and Duke University Medical Center to provide services and activities to the residents of The Forest. The Forest has received recognition of income tax exemption under section 501(c)(3) of the Internal Revenue Code. The Forest is pledged to the letter and spirit of US policy for the achievement of equal housing opportunity throughout the nation. The Forest encourages, supports, and is committed to operating a community where there are no barriers or discrimination because of race, color, religion, sex, handicap, familial status or national origin.

In 2007, The Forest was awarded a BBB+ credit rating by Fitch Ratings. The Forest also achieved accreditation from the Commission on Accreditation of Rehabilitation Facilities – CARF International (CARF International) in 2007. In 2022, The Forest earned another five-year accreditation term.

The Forest is Medicare Part A certified.

## II. FACILITY INTRODUCTION AND INFORMATION

The Forest is located on 47 acres just south of Duke University on Pickett Road. The Community consists of 154 apartments in three and four-story buildings, 81 one-story cottages, a community center of approximately 40,000 square feet, and a Health and Wellness Center of approximately 98,365 square feet all designed to accommodate approximately 400 residents. As of December 31, 2023, 297 residents live in the independent living residences, 35 residents receive skilled nursing care and 24 residents receive adult care services. The community center houses a formal dining room, café, living room and social lounge, an arts and crafts studio, an auditorium, library, classroom, beauty and barber shop, swimming pool, fitness areas and gift shop. The Health and Wellness Center currently consists of an outpatient clinic, 32 licensed adult care beds (assisted living), and 58 licensed nursing beds (skilled nursing care).

Construction began in August 1990 and the building opened for occupancy on September 1, 1992. An expansion and renovation of the facility was completed in 2004 and included the construction of a 34 bed adult care addition, renovation and reconfiguration of the community center, dining room and common areas, redecoration of existing adult care and skilled nursing areas and the phased reclassification of existing adult care beds to skilled nursing beds. In 2015, the Community completed the construction of 15 independent living cottage homes and all were occupied by the end of the fiscal year. In 2016, the Community completed a renovation to the campus, which included additional parking, enhanced dining and fitness venues as well as other interior program modifications.

In 2023, the Community completed construction of the new health center, which is a replacement of the current facility with ninety (90) new units in a “small house” format.

The Forest is owned by The Forest at Duke, Inc., a nonprofit, independent corporation managed by a Board of Directors and a professional management staff.

## **A. The Board of Directors and Officers**

### **1. Denise Barnes**

510 Clearfield Drive  
Durham, NC 27703  
POSITION: Director

Ms. Barnes has sixteen years of experience in construction administration and diversity management. As Regional Diversity Manager for LeChase Construction, Denise focuses on making connections, building and preserving relationships, ensuring compliance and promoting an inclusive vendor community. She has a passion for helping others and has been recognized both internally and externally for her genuine efforts. She is an advocate for underrepresented business and committed to ensuring opportunities are afforded to minority and women-owned firms.

Ms. Barnes completed her Contract Compliance Administrator (CCA) credentials and holds board seats with United Minority Contractor Association of NC, National Women in Construction of the Triangle, WayMaker Skilled Trades Collaboration and Durham County Hospital Corporation.

Denise earned a Bachelor of Science in Business Management from Shaw University and a Master of Business Administration with a concentration in Human Resources from Pfeiffer University.

### **2. George Brothers, Jr., MD**

4202 Champaign Drive  
Durham, NC 27707  
POSITION: Director

Dr. Brothers earned his BA from Brown University and his MD from Tufts University. His medical residency was served at Boston City Hospital, after which he completed a fellowship in rheumatology at The University of North Carolina (UNC). He is board certified in both internal medicine and rheumatology. Previously, Dr. Brothers served on the medical staff of Durham Regional Hospital and UNC Hospitals. He was chosen to fellowship in the American College of Physicians and the American College of Rheumatology. He formerly held a clinical teaching appointment at UNC School of Medicine; there he mentored students in physical diagnosis. Later, Dr. Brothers taught the Introduction to Community Medicine for twenty years at UNC School of Medicine. He was appointed to the Durham County Hospital Board of Trustees. In later years, he served on the North Carolina State Health Plan’s Pharmacy Formulary Committee.

**3. Harvey Cohen, MD**

Duke University Medical Center  
Box 3003  
Durham, NC 27710  
POSITION: Director, Immediate Past Chair

Dr. Cohen currently serves in several professional roles at Duke University Medical Center in Durham, NC, including Walter Kempner Professor, Director, Center for the Study of Aging and Human Development, Chair Emeritus, Department of Medicine, Principal Investigator of the Duke Claude Pepper Older Americans Independence Center, and of the Partnership for Anemia: Clinical and Translational Trials in the Elderly. He received his medical degree, cum laude, from Downstate Medical College of the State University of New York. He served his internship in medicine at Duke University Medical Center, where he was later a resident and a Fellow in Hematology-Oncology. He was also a staff associate for the National Institutes of Health, National Institute of Arthritis and Metabolic Diseases. Dr. Cohen chairs the Cancer in the Elderly Committee for The Alliance for Clinical Trials in Oncology, and co-chaired the Task Force on Cancer and Aging for the American Association for Cancer Research. He is President of the American Federation for Aging Research and a past President of the American Geriatrics Society, the Gerontological Society of America and the International Society of Geriatric Oncology. He has published extensively with more than 300 peer reviewed papers as well as book chapters on topics in geriatrics and hematology/oncology. His current interests are geriatric assessment, biologic basis of functional decline, and cancer and hematologic problems in the elderly.

**4. Craig Daniels**

2701 Pickett Road, Apartment 1037  
Durham, NC 27705  
POSITION: Director  
Resident of The Forest at Duke

Mr. Daniels received his BS in Chemical Engineering from Tufts University followed by three years in the US Navy. While serving as the Assistant Replacement Director at the University of Delaware, he earned an MEd and PhD in Psychology. Mr. Daniels taught at the University of Hartford for 19 years after which he became a Graduate Dean at the University of Saint Joseph (Connecticut) followed by Dean of Arts & Sciences at Eastern Connecticut State University. In retirement, he obtained an MS in Accounting and an MS in Taxation. He and his wife, Janet, joined The Forest at Duke in 2016 along with their dog, Edo. They have four children and nine grandchildren.

**5. Edward L. Embree III**

26 Old Oak Court  
Durham, NC 27705  
POSITION: Director  
Resident of The Forest at Duke

A native North Carolinian, Mr. Embree graduated from Durham High School and attended Davidson College, ultimately earning his JD degree from the University of North Carolina at Chapel Hill School of Law. He practiced law in Durham from 1972 to 2014 with the firm of Powe, Porter, Alphin & Whichard and its successor, Moore & Van Allen, with the exception of a three-month period in 1972-1973 when he trained as an Infantry Officer in Fort Jackson, South Carolina.

While practicing law, Mr. Embree was active in the affairs of the Durham Bar Association. A lifelong member of St. Phillip's Episcopal Church in downtown Durham, he served on its vestry for two terms, then as the chair of its Search Committee for a new Rector. During that process, Mr. Embree was named the Chancellor of the Episcopal Diocese of North Carolina, a position he held for nearly 15 years. He also served on the Board of the Homeowners Association at North Myrtle Beach, South Carolina, as well as on the Board of Johnson Service Corps, a Triangle member of the Episcopal Service Corps.

Mr. Embree and his wife, Stuart, joined The Forest at Duke in November 2018. He enjoys a number of hobbies and interests, including camping, hiking, boating and cooking.

**6. Lynne Farber, CPNP-PC, AC**

7208 Crescent Ridge Drive  
Chapel Hill, NC 27516  
POSITION: Director

Ms. Farber is an Adjunct Associate Professor at the University of North Carolina (UNC) School of Medicine and UNC School of Nursing and Clinical Consultant with the Duke School of Nursing. Her awards include the Advanced Practice Provider Award (2013), Great 100 Nurses in North Carolina (2009), APSNA Founders Award (2008), and James Emonson North Carolina Children's Honour (2008). She is a past president of APSNA, the American Pediatric Surgical Society and served on the editorial board of the Journal of Pediatric Surgical Nursing, JPSN. She has presented internationally and nationally on a variety of pediatric surgery and trauma topics.

As the first pediatric inpatient nurse practitioner at UNC's Health Care Children's Hospital, Lynne recognized a need for a model reinforcing the benefit of advanced practice nurses providing cohesive management and evidence-based clinical care for hospitalized children. Lynne was a founding member of the Advanced Practice Council in an organization currently employing 490 nurse practitioners. On a national level, she served on the Pediatric Nursing Certification Board's acute care update committee to maintain recertification standards for Acute Care nurse practitioners through test writing and critiquing examination questions from nurse experts nationally.

Recently retired from the UNC Pediatric Surgical team, Lynne aspires to serve the community in new and rewarding venues. As a caregiver for a father with dementia (now deceased) and her mother who lives at her home, there is a sincere appreciation for the needs of elderly persons who often cannot advocate for themselves.

**7. James F. Freedman**

2 Silver Maple Court  
Durham, NC 27705  
POSITION: Director  
President of the Residents' Association

Mr. Freedman was born and raised in Connecticut. He received a Bachelor's, Master's and Doctorate from Yale University, majoring in Metallurgy. After graduation, he joined IBM, starting in the Research Center doing research in magnetic materials for computer storage. This led to a two-year assignment in England with his wife, Jeanne, and young family where he established the IBM UK Development Facility for magnetic memory. On completion, he returned to the Research Center as Director of the Materials Research Department. His career evolved into engineering executive management for advanced technology, specializing in semiconductor technology, with a move to the Product Development Division. This included a two-year assignment at corporate headquarters as Corporate Director of Technology, overseeing the wide range of computer technologies. He returned to the product division to lead the development of the internal software design system for component design. He then accepted a special assignment in Japan to study and analyze Japanese manufacturing methods to improve IBM's US manufacturing capabilities. He took early retirement from IBM to accept the position of Vice President for Strategic Planning with the Semiconductor Research Corporation, a collaborative industry, government and university consortium in the Research Triangle Park, NC. In retirement, he was President of the Oaks III Homeowners Association in Chapel Hill. He moved to The Forest at Duke in October 2014. He enjoys self-study, reading, clay sculpture, DIY projects and keeping up with family spread broadly across the country.

**8. Chuck Kennedy**

3528 Darwin Road  
Durham, NC 27707  
POSITION: Director, Chair

A Durham native, Mr. Kennedy graduated from Guilford College with a bachelor's degree in criminal justice in 1981. He entered the insurance industry that same year with the Life Insurance Company of Virginia. In 1985, he joined Home Insurance Agency, where he managed their employee benefit division. A 1996 merger transformed Home Insurance Agency into CSC Corporation. Two years later, he left to form Admark Benefits Group, Inc., and later joined Banyan Consulting Group, now Hub International, in 2012. Mr. Kennedy is an elder at The Summit Church of Durham and is a member of the National Association of Health Underwriters and the Hope Valley Country Club.

**9. Craig Lewis**

Investors Trust Company  
121 North Columbia Street  
Chapel Hill, NC 27514  
POSITION: Director, Vice Chair

As President of Investors Trust, Mr. Lewis oversees day-to-day operations and manages the Investors Trust team who provides the personalized service necessary to meet a wide range of clients' investment, retirement, and other financial planning needs.

Craig has more than twenty-five years of leadership experience in investment-related businesses and served most recently as Chief Investment Strategist for Manchester Capital Management in Manchester, VT, where he was responsible for asset allocation, investment selection, and client communications for relationships totaling more than \$4 billion in assets under management. Prior to that role, Craig served for twelve years as the Chief Investment Officer for Franklin Street Partners in Chapel Hill, NC. Additional roles that he has held include Principal and Portfolio Manager for Essex Investment Management, Portfolio Manager for Putman Investments, and analyst for Keystone Investments, all of which were based in Boston, MA. Craig also attained the rank of Captain while serving in the US Army Reserve for ten years.

Craig earned a bachelor's degree in Economics from the University of Notre Dame and a Master of Business Administration with a concentration in Finance from the University of North Carolina at Chapel Hill.

**10. Kimberly Martin Rehberg**

101 City Hall Plaza, Suite 2200  
Durham, NC 27701  
POSITION: Director, Secretary

Ms. Rehberg has served as an in-house attorney for the City of Durham, North Carolina, since April 2005. After serving as litigation manager and lead attorney in all litigated tort matters for the first 14 years of her tenure with the City, she was appointed City Attorney by the Durham City Council in June 2019. Prior to joining the Durham City Attorney's Office, she served as Assistant General Counsel for the North Carolina Association of County Commissioners, as an Assistant County Attorney for Durham County, and as an Assistant Professor of Public Law and Government at the University of North Carolina (UNC) at Chapel Hill School of Government.

The daughter of a career officer in the US Marine Corps and a nurse administrator, Kim spent the bulk of her youth in Onslow County, North Carolina. Having moved to North Carolina at the age of 5, she considers herself to be a North Carolinian for life.

Kim earned a BA in Psychology from UNC and a Juris Doctor from Duke University School of Law.



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**11. Julie Wells**

Durham Children's Initiative  
2101 Angier Avenue  
Durham, NC 27703  
POSITION: Director

Ms. Wells is a non-profit veteran with 25 years of experience working with individuals and systems to impact educational and economic outcomes in marginalized communities. Ms. Wells is experienced in creating and scaling organizations, innovative collaborations, resource development and mentoring non-profit leaders in organizational stability. As Executive Director of Partners for Youth Opportunity, Inc., she led the merger with Durham Children's Initiative in 2020 and serves as their Vice President of Strategy. She is strongly engaged in community service and received the 2017 Goodmon Fellow and Duke Durham Fellow community service awards through Leadership Triangle

The Forest at Duke, Inc. is a nonprofit corporation. No member of the Board of Directors or of the management staff owns an equity interest in the Corporation. No member of the Board of Directors or of the management staff is expected to provide goods, leases or services to the Corporation or to the residents, presently or in the future, and no member of the Board of Directors or of the management staff owns an interest in a professional service firm, association, trust, partnership, corporation or other entity that is expected to provide goods, leases or services to the Corporation or to the residents, presently or in the future.

The Forest has not received nor intends to receive goods, leases, or services of an aggregate value of \$500 or more from any professional service firm, association, trust, partnership or corporation in which a member of the Board has a 10% or greater interest. There are no corporations that have an interest in any owner, officer or person managing the facility that will provide \$500 or more in services or goods to the facility.

**B. Professional Staff and Consultants**

The Forest is managed on a day-to-day basis by the following professional management staff:

- 1. Anita L. Holt, MPH, President/Chief Executive Officer (CEO):** Ms. Holt joined The Forest in January 2015. Ms. Holt is a seasoned professional in the field of aging services with more than twenty-five years of executive leadership in continuing care and senior living communities. She is an advocate of innovation and strategic service and program development which responds to the emerging needs of older adults. Ms. Holt holds a Master of Public Health from Boston University/SPH and is a proud graduate of Northeastern University.
- 2. Lee Ann Bailey-Clayton, Director of Health Services:** Ms. Bailey-Clayton's thirty-year career has been firmly planted in the medical field of acute care and long-term care, with over twenty of those years being tenured at The Forest. Her professional interests include dementia care and communication, human behavior and team member morale and development. Ms. Bailey-Clayton is a graduate of Appalachian State University with a Bachelor's of Social Work degree. In 2016, she went on to achieve her North Carolina Nursing Home Administrator's license. In 2016, she became a Certified Alzheimer's Disease and Dementia Care Trainer. As



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an accomplished leader and mentor, Ms. Bailey-Clayton was awarded the North Carolina Emerging Leader Award from LeadingAge NC in 2018.

- 3. Karen E. Henry, CPA, Chief Financial Officer (CFO), Director of Finance, and Treasurer:** Ms. Henry joined The Forest in June 2005. She is responsible for the accounting and financial administration of The Forest, as well as assisting the CEO with budgeting and strategic planning. Ms. Henry has a Bachelor of Science in Business Administration with a major in Accounting from Shippensburg University of Pennsylvania and is a Certified Public Accountant (CPA). She began her career as an audit professional with KPMG LLP, Harrisburg, PA and continued in internal audit with Hershey Foods Corporation, Hershey, PA. She then spent five years in the clinical research industry at Quintiles Transnational Corporation in increasing roles of responsibility (Financial Analyst, Senior Manager, Associate Director) in the Consolidation/SEC/Financial Reporting Department and most recently as Senior Manager/Controller at Constella Group. Ms. Henry is also a member of the North Carolina Association of CPAs.
- 4. Sharon Pitt, Chief Operating Officer (COO):** Ms. Pitt joined The Forest in January 2020 and brings over thirty years of extensive experience in nonprofit and healthcare related leadership to the organization. As a seasoned Registered Nurse, she possesses broad nursing management experience in both acute and long-term care settings. Prior to joining The Forest, Ms. Pitt held senior and executive management roles at the American Red Cross, including Director of Operations and CEO of the Carolinas and South Carolina Blood Services Region. As CEO, she was responsible for developing and executing the region's operational plan, maintaining community and hospital relationships, leading a staff of 1,000 employees, managing an operating budget of up to \$100 million, and more than 400,000 blood collections. During her tenure, the region experienced the highest employee engagement scores in the eastern division and exceeded its collection targets, becoming the largest blood collection region in the American Red Cross system. Ms. Pitt holds a bachelor's degree in Nursing from Columbia College. She is also a member of the American Nurses Association.
- 5. Sarah Haney, Director of Community Life:** Ms. Haney joined The Forest team and aging services in 2020. Her experience creating community has guided her as she assumed responsibility for Community Life. Ms. Haney received her BA in English and Exercise Sports Science from The University of North Carolina. She is the Director of Community Life, which embraces all community engagement for residents and team members as well as creating partnerships with the greater Durham community. She brings years of experience in cultivating a culture of community after spending twenty years coaching women's rowing at the collegiate level. Her experience has taught her that a community of engagement and vibrancy provides a more meaningful and purposeful life.
- 6. April Ravelli, Director of Sales and Marketing:** Ms. Ravelli has served as Director of Sales and Marketing since September 2018. She brings a depth of more than fifteen years of experience as an accomplished leader in digital marketing, advertising, and branding. In addition to directing the sales and marketing for independent living at The Forest, she provides oversight and branding control of all marketing materials, advertising and media placement. Ms. Ravelli has a bachelor's degree in English Literature from the University of North Carolina

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at Wilmington. She also holds a Certificate in Digital Marketing from North Carolina State University. Prior to The Forest, she served as the Executive Director of One World Market, a twenty-five year old Durham nonprofit organization.

- 7. Nathan Summers, Director of Community Services:** Mr. Summers joined The Forest in April 2016, bringing more than twenty-three years of experience in the service of older adults. In his career, he has led teams in many service areas including maintenance, security, housekeeping, landscaping, dining, arts and leisure, wellness and administration. Mr. Summer’s extensive experience in Food & Beverage services began at Pinehurst Resort & Country Club in Pinehurst, NC, where he worked for fifteen years. He held a number of food service positions from Dishwasher to Resort Club Food & Beverage Manager. Nathan is knowledgeable and experienced in all aspects of dining – fine, casual and catering. In 2000, he began a fifteen-year tenure at St. Joseph of the Pines (SJP), a CCRC in Southern Pines, NC. While there, he progressed in operational management and was promoted throughout the continuum and served as Executive Director at Pine Knoll and Bell Meade. He led award-winning culinary teams, resulting in SJP being five-time consecutive champions of the “Taste of Moore” culinary competitions. Nathan also served four years as a part-time Hospitality Department Adjunct Instructor at Sandhills Community College. He trained undergraduates in Food & Beverage customer service, communication and food service management techniques. He also coordinated his students’ lab work with SJP to help potential job candidates gain a deeper understanding of CCRCs and make meaningful connections with residents.
- 8. Larry Williams, SPHR, SHRM-SCP, IPMA-SCP, Director of Human Resources:** Mr. Williams joined The Forest in June 2023. He is a seasoned Human Resources professional with over twenty years of experience in organizational development and cross-functional team-building. As the Director of Human Resources, he brings a wealth of expertise to The Forest. Prior to his February 2023 retirement from an impressive thirty-two year career with the US Navy, Mr. Williams served as Executive Director of Human Resources (Command Master Chief) for Aviation Organization in Honolulu, Hawaii, where he was stationed for thirteen years. During his tenure, Mr. Williams successfully directed and mentored diverse teams, resulting in increased employee efficiency and operational readiness. Mr. Williams’ transition to this civilian role marks an exciting chapter in his story, where he brings his extensive military background and leadership acumen to guide our Human Resources Department and The Forest community towards achieving new milestones and fostering a positive work environment for all team members.
- 9. Rashad Wilson, Director of Information Systems:** Mr. Wilson is the newest Director on the Leadership Team; however, he is not new to The Forest. He joined The Forest over ten years ago and has served as Information Technology Support, Network Administrator and Manager of Information Systems. He has a Bachelor of Science from ECPI University and has acquired all of the necessary system security certifications. He is currently pursuing his Masters in Computer Science/Computer Analytics.
- 10. Milta Oyola Little, DO, CMD, Medical Director:** Dr. Little has served as the Medical Director at The Forest since July 2019. She is an Associate Professor of Medicine in the

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Division of Geriatrics, Department of Medicine at Duke University School of Medicine in Durham. Her primary scholarly interests are inter-professional health education, health systems innovations, and non-pharmacologic management of geriatric syndromes to improve outcomes of older adults across healthcare settings. Dr. Little has served both the American Geriatrics Society and AMDA – The Society for Post-Acute and Long-Term Care Medicine on a variety of committees and spent seven years on the Board of Directors for AMDA.

### **Consulting Professionals:**

**A.V. Powell and Associates, Inc.:** Actuary, 1791 Woodcliffe Terrace, NE, Atlanta, GA 30324-4955.

**NetGain Technologies, Inc.:** Computer consultants, 615 Eastowne Drive, Chapel Hill, NC 27514.

**FORVIS, LLP:** Audit and accounting services, 2501 Blue Ridge Road, Suite 500, Raleigh, NC 27607.

**CliftonLarsonAllen, LLP:** Accounting services, 227 West Trade Street, Suite 800, Charlotte, NC 28202.

**Ziegler Capital Management, LLC:** Investment advisors, 30 S. Wacker Drive, Suite 2800, Chicago, IL 60606.

Neither the professional staff, the Board of Directors, nor the consulting professionals, has a financial interest in The Forest. No member of the professional staff nor the Board of Directors 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; or is subject to a currently effective injunctive or restrictive court order, or within the past five years, had any state or federal license or permit suspended or revoked as a result of an action brought by a governmental agency or department, if the order or action arose out of or related to business activity of health care, including actions affecting a license to operate a foster care facility, nursing home, retirement home, home for the aged, or facility subject to this Article or a similar law in another state.

## **III. POLICIES**

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

Generally, all residents of the independent living units at The Forest are required to live independently at the time of admission and to have the financial resources to pay the Entry and Monthly Fees. Residents must be sixty-five (65) years of age at the time of admission. In the case of co-residents, one resident may be as young as sixty-two (62).

Residents are also required to maintain eligible Medicare coverage (and supplemental health insurance coverage) or health insurance coverage that adequately covers hospital, medical, prescriptions and skilled nursing deductibles and co-payments required under their primary

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insurance policy. The primary and secondary insurance coverage must recognize The Forest as a healthcare provider, or the resident shall be responsible for services rendered that otherwise could be covered by insurance.

The process for admission, and the financial and medical requirements are specifically outlined in the forms for admission given to every person interested in applying. Once an individual is approved for admission, has paid a fifteen percent (15%) deposit on the Entry Fee, and signed the Residence and Care Agreement, admission is guaranteed regardless of a change in the resident's health status between the time of the signing of the Residence and Care Agreement and the Date of Occupancy. The Forest always maintains the right to re-evaluate a prospective resident's health or financial status prior to admission. Residents whose health status changes prior to occupancy such that they require direct admission to the Health and Wellness Center, as determined by The Forest, will be required to pay the fees as outlined in Section V.D. 2 and 3 of the Disclosure Statement. Prospective residents should review all admission forms and the Residence and Care Agreement prior to making a deposit for admission.

The Forest does not automatically deny residents for admission who have chronic health conditions. All resident applications are reviewed individually. Judgment for admission is based on the resident's ability to perform basic daily living activities on an on-going basis. The Forest may also admit residents under certain conditions which are added as addenda to the Residence and Care Agreement. North Carolina regulations state that skilled nursing beds are for the use of persons who have been residents of the independent living units, or assisted living units for at least thirty (30) days, with some exceptions. Admission for skilled nursing care is available if the resident has a co-resident in the independent living section, or if the individual was under contract to enter The Forest prior to the time the condition requiring skilled nursing care was known to exist. Assisted living units are not subject to these state restrictions and are, therefore, available to persons who have not previously lived in an independent living unit.

## **B. Conditions of Termination**

- 1. Termination Prior to Occupancy and Terms of Refund:** The \$1,000 priority deposit, without interest, is refundable in the event the resident decides not to move into The Forest. The Residence and Care Agreement, Section VI makes the following provisions regarding termination:

**Termination Within the Thirty (30) Day Right of Rescission Period:**

The resident may rescind the Residence and Care Agreement prior to the Date of Occupancy, or after occupancy, by giving written notice to The Forest within thirty (30) days following the later of the execution of the Residence and Care Agreement or of the date that the resident received the Disclosure Statement as required by Section 58-64-1, et. seq. of the North Carolina General Statutes. The resident may receive a full refund equal to the funds paid toward the Entry Fee without interest, less any non-standard costs incurred by The Forest at the request of the resident. The resident will be paid within sixty (60) days of receipt of the written notice

to terminate. The resident is not required to take occupancy before the end of the thirty (30) day rescission period.

**Termination After the Thirty (30) Day Right of Rescission Period:**

After the thirty (30) day rescission period and prior to the Date of Occupancy, if the resident terminates the Residence and Care Agreement, the resident may receive a refund equal to the funds paid toward the Entry Fee, without interest, less an administrative fee equal to two percent (2%) of the Entry Fee for the independent living residence selected, less any non-standard costs incurred by The Forest at the request of the resident. The refund will be paid within sixty (60) days of receipt of the written notice to terminate.

**Termination by The Forest:** The Residence and Care Agreement may be terminated by The Forest prior to the Date of Occupancy if it is determined that the resident has misrepresented or omitted medical, financial, or other information given to The Forest during the application process, or if the resident's financial status changes prior to the Date of Occupancy such that the resident no longer meets The Forest's financial requirements for admission. In such event, the resident may be due a refund equal to the total amount of funds paid toward the Entry Fee without interest, less an administrative fee equal to two percent (2%) of the Entry Fee based on the independent living residence selected, less any non-standard costs incurred by The Forest at the request of the resident. The refund will be paid within sixty (60) days of written notice to terminate.

**Termination as a Result of Death or Illness of Resident:** Prior to the Date of Occupancy, should the resident die, become ill, be injured or otherwise incapacitated such that The Forest determines that independent living is not possible, the Residence and Care Agreement will automatically be terminated and a refund shall be due to the resident/resident's estate or resident's designee within sixty (60) days, equal to all funds paid toward the Entry Fee without interest, less any non-standard costs incurred by The Forest at the request of the resident. In lieu of terminating the Residence and Care Agreement, the resident may elect to enter The Forest's Health and Wellness Center under the terms of the direct admissions policy outlined in Section V.C. of the Residence and Care Agreement, subject to availability of accommodations.

**2. Termination After Occupancy:**

The Residence and Care Agreement makes provisions for terminations after the resident occupies a unit in Section VII, "Conditions of Termination After Occupancy," and Section VIII, "Conditions for Refund After Occupancy" as outlined below:

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## Conditions of Termination After Occupancy

- A. Termination by the Resident:** In addition to Section III. B.1 of the Disclosure Statement, the Residence and Care Agreement may be terminated by the resident in accordance with the following conditions:
1. The Residence and Care Agreement will be terminated upon the resident's death, or the death of the surviving resident in the case of co-residency. A permanent move to the Health and Wellness Center is not considered a contract termination, and therefore, a refund is not applicable. Refunds may only apply upon the termination of the Agreement. The Termination Date will be determined in accordance with Paragraph C below.
  2. Except in the case of death, the resident must give The Forest sixty (60) days written notice of the resident's intent to terminate the Residence and Care Agreement.
  3. The resident must leave the Residence in a condition satisfactory to The Forest. The Forest may charge the resident for the cost of work required to restore the Residence to its standard condition, with the exception of reasonable wear and tear.
  4. Refunds to the resident shall be reduced by the amount of the outstanding fees and charges due to The Forest.
- B. Termination by The Forest:** The Forest may terminate the Residence and Care Agreement if the resident breaches the Residence and Care Agreement, or fails to pay the Monthly Fee and any other ancillary charges, or fails to follow the standard policies of The Forest, or refuses to relocate as required by the Residence and Care Agreement, or engages in activities or conduct disruptive to the Community, or if the resident interferes with the health and safety of the Community, or if the resident has misrepresented or omitted medical, financial or other information given to The Forest during the application process. The Forest will be required to give the resident at least sixty (60) days written notice to vacate the Residence. The resident must leave the Residence in a condition satisfactory to The Forest. The Forest may charge the resident for the cost of work required to restore the Residence to its standard condition, with the exception of reasonable wear and tear. Refunds shall be reduced by the amount of the outstanding fees and charges due to The Forest.
- C. Termination Date:** The Termination Date of the Residence and Care Agreement will be the date on which the resident's personal property has been removed from the Residence or sixty (60) days following written notice, whichever is later. The resident will be required to continue paying the Monthly Fee until the Termination Date or until the resident's personal belongings have been removed and a walk-through has been completed by the resident or the resident's designee and management, whichever is later.



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## Conditions for Refund After Occupancy

- A. Termination of Agreement by Resident:** The resident may be entitled to a refund of the Residence Fee. If termination of the Residence and Care Agreement occurs during the first fifty (50) months, the resident or the resident's estate may be entitled to a partial refund of the Residence Fee. The resident or their estate will receive a refund in the amount equal to: (i) the Residence Fee; less (ii) two percent (2%) for each month that the Residence and Care Agreement has been in effect for up to fifty (50) months; less (iii) any amounts due to The Forest. After fifty (50) months, there is no refund of the Residence Fee. Residence Fees will not be pro-rated for a period less than one month.
- B. Termination of Agreement by The Forest:** If The Forest terminates the Residence and Care Agreement pursuant to Section III. B. 2. B. of the Disclosure Statement, the resident may be entitled to a refund of the Residence Fee. If termination of the Residence and Care Agreement occurs during the first fifty (50) months, the resident or their estate may be entitled to a partial refund of the Residence Fee. The resident or their estate will receive a refund in the amount equal to: (i) the Residence Fee; less (ii) two percent (2%) for each month that the Residence and Care Agreement has been in effect for up to fifty (50) months; less (iii) any amounts due to The Forest. After fifty (50) months, there is no refund of the Residence Fee. Residence Fees will not be pro-rated for a period less than one month.
- C. Payment of Refunds:** Any refund of the Residence Fee will be paid after all outstanding fees and charges due to The Forest by the resident have been paid, the resident's personal belongings have been removed, and a final walk-through has been completed. Such payment shall be deferred until thirty (30) days after the independent living residence formerly occupied by the resident is re-occupied and a full Entry Fee is received by The Forest for the residence. Refunds will be paid to the resident, or in the event of death, to the resident's estate. The Forest shall have the right to offset any fees and charges owed to The Forest with any refund due.
- D. Release upon Termination:** Upon termination of the Residence and Care Agreement, The Forest is released from any further obligations to the resident except for the payment of any refund which may be due under Sections VI and VIII of the Residence and Care Agreement.

The Monthly Fee and the one-time, Health Care Reserve Fee are not refundable.

## C. Moves/Transfers

The Residence and Care Agreement outlines the policies for moves and transfers in Section IV, "Resident Moves and Transfers," and should be consulted for a complete description of this policy. In part, Section IV makes the following provisions:

The resident may transfer from one independent living residence to another, or from an independent living residence to the assisted living or nursing section of the community, on a permanent or temporary basis. All changes in the living accommodations of the resident are based on availability and appropriateness as determined by The Forest, and must be authorized



by The Forest. Residents may be assessed an internal move fee when moving from one independent living residence to another independent living residence. The decision made by The Forest concerning transfers shall be binding. If the resident's physical or mental condition deteriorates so that it precludes the resident from living independently in an independent living residence, or if the resident cannot live in an independent living residence without endangering the resident or others, The Forest may transfer the resident to an accommodation that can best provide for the safety and care of the resident. The Forest may determine such changes (if not at the request of the resident) shall be made only to protect the health or safety of the resident, or the general welfare of the residents of The Forest, or others. Residents may request a meeting with The Forest for the discussion and consideration of any actions taken by The Forest.

If transfer has been deemed by The Forest to be permanent, The Forest may assign the resident's independent living residence to another resident. Upon recovery to independent living status, the resident may apply for an independent living residence upon the same basis as existed before the transfer. The resident shall bear all costs of moving and storing the resident's furniture and belongings in the case of such transfer. Additionally, if The Forest determines that the resident can resume occupancy in an independent living residence, the resident will have a priority right to such an independent living residence equivalent to that previously occupied as soon as one is available.

#### **D. New Double Occupants**

If a resident wishes to have a second person share their residence, the new resident must be approved for occupancy by The Forest just as any other resident is approved. Section II.K. of the Residence and Care Agreement states the terms under which a person may share occupancy with a prior resident.

**Addition of a Second Resident to Share a Living Accommodation with a Current Resident:** If, after the Date of Occupancy indicated in Exhibit A of the Residence and Care Agreement, the resident chooses to have a second resident share his or her residence, The Forest may charge the second resident an Entry Fee equal to the current applicable Single Occupancy Entry Fee for such living accommodation, or such lesser amount as The Forest may determine in its discretion. Thereafter, the residents will be responsible for the applicable current Double Occupancy Monthly Fee for the residence. Second residents are subject to the same entrance requirements as initial residents and must sign a Residence and Care Agreement. If the second resident does not meet all of the entrance requirements, The Forest may grant admission subject to limited financial and/or service responsibilities on the part of The Forest. Additionally, neither resident is eligible for a refund of the Residence Fee until both residents have died or both Residence and Care Agreements have been terminated.

If the second resident is an existing resident, the resident may continue to maintain two residential units and pay the applicable current Single Occupancy Monthly Fee and each contract will remain in effect separately. If the resident decides to occupy one residence, the resident must declare which residence will be occupied and which will be vacated. The second

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resident will be added as a co-resident to the existing resident's Residence and Care Agreement and the resident will pay the applicable current Double Occupancy Monthly Fee.

## **E. Financial Hardship**

Section II.G. of the Residence and Care Agreement makes the following provision for financial hardship:

It is the intent of The Forest to admit only those persons who are able to pay its current and projected Entry Fee, Monthly Fee and any additional charges. If upon review of the resident's financial resources, it is determined that through no fault of their own, the resident is unable to continue to pay a part or all of the Monthly Fee, The Forest may elect to subsidize the resident's Monthly Fee. A Benevolent Fund was established to assist those residents who encounter financial hardship through no fault of their own. The Benevolent Fund and the other resources of The Forest however, are limited, and The Forest's policy to subsidize residents who have encountered financial hardship is expressly limited by its obligation to meet its commitments to all residents, and to operate on a sound financial basis. If it is apparent to The Forest that the resident has voluntarily divested assets and resources, or has used resources in a manner other than to meet ordinary and customary living expenses, The Forest may refuse to subsidize the Monthly Fee, and may elect to terminate the Residence and Care Agreement if payments for all fees and charges are not received in a timely manner. The use of the Benevolent Fund to subsidize residents who have encountered financial hardship is at the sole discretion of The Forest. Contributions to the Benevolent Fund are tax deductible, and residents and others may support this Fund with gifts, bequests and other fund-raising activities.

Under the terms of the Residence and Care Agreement, residents agree that they have not and will not make gifts of real or personal property for the purpose of evading their financial obligations to The Forest.

## **IV. SERVICES**

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

The Forest is a full-service life care retirement community. Residents pay an Entry Fee and a Monthly Fee. The fees are designed to cover virtually all living expenses incurred by residents of The Forest. The Monthly Fee covers the following basic services:

- dining services as determined by chosen meal plan
- weekly housekeeping
- scheduled transportation
- all utilities except telephone service
- 24 hour emergency response service
- 24 hour security service patrols
- parking

- assistance with filing insurance claims for services rendered by The Forest
- primary physician care availability delivered at The Forest
- regular physical examination availability delivered at The Forest
- availability of physical therapy/occupational therapy/speech therapy service provided at The Forest
- extensive educational, cultural and recreational activities
- basic cable television and wireless internet services

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

Services which will require additional payment include:

- guest meals
- charges for some special activities or trips
- catering services
- extra maintenance or housekeeping assistance at an hourly rate
- computer support at an hourly rate
- individual laundry service
- hair salon
- companion services for person needing regular assistance in their residence
- special health care services, i.e. dentistry, therapy, pharmacy

## **C. Amenities**

Amenities available at The Forest:

- gift shop
- personal gardening beds
- greenhouse
- woodworking shop
- indoor swimming pool
- well-equipped fitness room
- extensive library
- art studio
- billiards room
- walking paths
- multiple secured outdoor gardens
- wireless internet service

As needs are identified, other services may be offered.

## **D. Away Allowance**

Independent residents who elect Meal Plan One and are away from The Forest for fourteen (14) consecutive days or more, are eligible to request an Away Allowance. Independent residents who elect Meal Plan Two and are away from The Forest for thirty (30) consecutive days or more, are eligible to request an Away Allowance. The Away Allowance is only available to independent residents upon written, advance request, and is not available for stays in The Forest's Health and Wellness Center. The Away Allowance is specifically excluded from Meal Plan Three. The credit will be the current published Away Allowance, per person per day, as determined by The Forest and listed on the "Schedule of Ancillary Charges" as noted in the Resident Handbook.

## **V. FEES**

### **A. Application/Registration Fees**

Persons applying for residency pay a \$500 non-refundable application fee. Upon preliminary approval of their application, prospective residents pay a \$1,000 refundable priority deposit to join the waiting list. When the preferred residence is available, the prospective resident's application is updated, documented, and reviewed. Prospective residents are screened by the Medical Director prior to final approval for residency, and also are reviewed to determine that adequate resources are available to meet the financial requirement to live at The Forest.

### **B. Entry Fee**

Payment of an Entry Fee provides the resident with the lifetime use of a residence. If at such time a move may be necessary due to need for a higher level of care, then the residence would be released back to The Forest. At the time the Future Resident makes application for residency at The Forest, The Future Resident makes a fifteen percent (15%) deposit of the Entry Fee upon final approval. The fifteen percent (15%) deposit reserves the selected residence and the Residence and Care Agreement is signed and executed at this time. From the time of the signing of the Residence and Care Agreement until the Date of Occupancy, Future Residents are guaranteed admission to The Forest regardless of change in their health status. If residents require assisted living or skilled nursing services subsequent to signing the Residence and Care Agreement and prior to occupancy, they will be subject to the terms outlined in Section V.C. of the Residence and Care Agreement "Direct Admission to the Health and Wellness Center." Fund deposits may be refundable under the terms described in the Residence and Care Agreement. Applicants may choose not to select available residences and remain on the waiting list without penalty until they are ready to apply for a residence.

The Forest requires that the balance of the Entry Fee be paid fourteen (14) days prior to the Date of Occupancy. Entry Fees vary according to the residence chosen, and double occupancy fees include a Second Person Entry Fee.

The Entry Fee is comprised of two parts: a non-refundable Health Care Reserve Fee of \$10,000 per person and a Residence Fee. The Health Care Reserve Fees provide additional resources which allow The Forest to establish and charge discounted fees for health care services.

The Board of Directors reviews the financial performance of The Forest each year to determine the required fee levels. Current Entry Fees, effective October 1, 2023, are shown below in Schedule "A":

### **Schedule A**

#### **SINGLE OCCUPANCY 2023 ENTRY FEES**

<b><u>Unit Type</u></b>	<b><u>Entry Fee</u></b>
<b>Apartments:</b>	
Ash (1 BDR)	\$ 97,970
Beech (1 BDR exp)	\$139,086
Cedar (1 BDR w/den)	\$206,314
Dogwood (2 BDR)	\$271,243
Elm (2 BDR w/den)	\$290,151
<b>Cottages:</b>	
Alder (1 BDR w/den)	\$311,630
Birch (2 BDR)	\$368,553
Chestnut (2 BDR w/den)	\$422,860
Pine (2 BDR w/study)	\$585,838
Holly (2 BDR w/study)	\$610,932
Magnolia (2 BDR w/study)	\$636,013

#### **DOUBLE OCCUPANCY 2023 ENTRY FEES**

<b><u>Unit Type</u></b>	<b><u>Entry Fee</u></b>
<b>Apartments:</b>	
Ash (1BDR)	\$137,970
Beech (1BDR exp)	\$179,086
Cedar (1 BDR w/den)	\$246,314
Dogwood (2 BDR)	\$311,243
Elm (2 BDR w/den)	\$330,151
<b>Cottages:</b>	
Alder (1 BDR w/den)	\$351,630
Birch (2 BDR)	\$408,553
Chestnut (2 BDR w/den)	\$462,860
Pine (2 BDR w/study)	\$625,838
Holly (2 BDR w/study)	\$650,932
Magnolia (2 BDR w/study)	\$676,013

## C. Monthly Fees

Monthly Fees vary according to the unit chosen. Generally, Monthly Fees cover the services outlined under “Standard Services Available” in Section IV.A. of the Disclosure Statement. Current Monthly Fees, effective October 1, 2023, are shown below in Schedule “B”. Note that double occupants pay a Second Person Monthly Fee, which is included in the fees for “Double Occupancy.”

### Schedule B

#### SINGLE OCCUPANCY 2023 MONTHLY FEES

##### **Apartments:**

Ash (1BDR)	\$3,945
Beech (1BDR exp)	\$4,573
Cedar (1 BDR w/den)	\$5,175
Dogwood (2 BDR)	\$5,885
Elm (2 BDR w/den)	\$6,315

##### **Cottages:**

Alder (1 BDR w/den)	\$5,995
Birch (2 BDR)	\$6,315
Chestnut (2 BDR w/den)	\$6,649
Pine (2 BDR w/study)	\$6,875
Holly (2 BDR w/study)	\$7,096
Magnolia (2 BDR w/study)	\$7,242

#### DOUBLE OCCUPANCY 2023 MONTHLY FEES

##### **Apartments:**

Ash (1BDR)	\$5,966
Beech (1BDR exp)	\$6,594
Cedar (1 BDR w/den)	\$7,196
Dogwood (2 BDR)	\$7,906
Elm (2 BDR w/den)	\$8,336

##### **Cottages:**

Alder (1 BDR w/den)	\$8,016
Birch (2 BDR)	\$8,336
Chestnut (2 BDR w/den)	\$8,670
Pine (2 BDR w/study)	\$8,819
Holly (2 BDR w/study)	\$9,040
Magnolia (2 BDR w/study)	\$9,186

## D. Health and Wellness Center Fees

- Residents of The Forest at Duke:** Each resident with a life care contract is eligible for fifteen (15) pre-paid days for overnight stays in the Health and Wellness Center. As pre-paid days are used, those days may again accrue back up to the fifteen (15) day maximum. One pre-paid day will accrue on the first day of the month, following a month in which the resident has not incurred an overnight stay in the Health and Wellness Center. After the fifteen (15) pre-paid days are used, if the resident remains in either adult care or skilled nursing care on a temporary basis, the resident will be required to continue to pay their Monthly Fee for their independent living residence plus sixty percent (60%) of the Health and Wellness Center per diem rate. The Forest’s Health and Wellness Center fees are private pay. The Health and Wellness Center per

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diem rate will be set by management relative to the costs of providing services, and the private pay rates charged at similar local health care facilities. The Health and Wellness Center per diem rate effective October 1, 2023 is \$531.

Residents transferring to the Health and Wellness Center permanently will no longer be charged their Monthly Fee for the independent living residence and instead will be charged forty percent (40%) of the Health and Wellness Center per diem rate if the resident was a single occupant of an independent living residence. If the resident transfers from an independent living unit which is occupied by two persons, the resident will be required to continue paying the Monthly Second Person Fee for the independent living residence and, in addition, will be charged fifteen percent (15%) of the Health and Wellness Center per diem rate.

Residents of The Forest's independent living residences who subsequently move into the Health and Wellness Center are entitled to the services outlined in Section V.B. of the Residence and Care Agreement, "Continuing Care Services".

- 2. Direct Admission to Skilled Nursing Care:** Residents may be admitted directly for skilled nursing care because of a change in health status after acceptance and prior to the Date of Occupancy if accommodations are available. These persons pay the Health Care Reserve Fee and the current monthly skilled nursing rate instead of the Entry Fee and Monthly Fees. Residents are not eligible for fifteen (15) pre-paid days of care. Effective October 1, 2023, the monthly rate for direct admission to skilled nursing is \$13,505. Residents who are admitted directly for skilled nursing care are subject to the terms under "Direct Admission to the Health and Wellness Center" in Section V.C. of the Residence and Care Agreement.

Should the resident subsequently move to an independent living residence after having paid the remaining portion of the Entry Fee and again require Health and Wellness Center services, the resident would be eligible for the reduced rates as outlined in Section V.B.7 of the Residence and Care Agreement.

- 3. Direct Admission to Adult Care:** Residents may be admitted directly for adult care services because of a change in health status after acceptance and prior to the Date of Occupancy if accommodations are available. These persons pay the Health Care Reserve Fee and the currently monthly adult care rate instead of the Entry Fee and Monthly Fees. Residents are not eligible for fifteen (15) pre-paid days of care. Effective October 1, 2023, the monthly rate for direct admission to adult care is \$10,676. Residents who are admitted directly to adult care are subject to the terms under "Direct Admission to the Health and Wellness Center" in Section V.C. of the Residence and Care Agreement.

Should the resident subsequently move to an independent living residence after having paid the remaining portion of the Entry Fee and again require Health and Wellness Center services, the resident would be eligible for the reduced rates as outlined in Section V.B.7 of the Residence and Care Agreement.



## E. Fee Change Policies

The Residence and Care Agreement Section II.F. makes the following provisions regarding the periodic adjustment of fees:

It is understood by both parties that The Forest is a nonprofit corporation dedicated to providing high quality services, facilities, and care at the lowest feasible cost. The parties also recognize the uncertain nature of future costs and expenses for goods and services and their mutual need to maintain a sound financial basis for the continued operation of the facility. The resident agrees that The Forest may adjust the Monthly Fee and any and all other fees and charges upon a thirty (30) day written notice to the resident, as may be reasonably necessary according to the economic requirements and conditions and the level of services offered. The decision to adjust the Monthly Fee and any and all other fees and charges is made, its sole discretion, by the Board of Directors of The Forest.

For purposes of developing financial projections, The Forest anticipates Monthly Fees will increase 4% annually in October. Health and Wellness Center fees are also projected to increase 4% annually in October.

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

The following table shows the average changes in the Monthly Fees and Health and Wellness Center per diems over time. Note that it is the average dollar amount of the CHANGE in fees from year to year – NOT the fees themselves. All changes during this period occurred once per year on October 1.

	<u>10/1/19</u> <u>9/30/20</u>	<u>10/1/20</u> <u>9/30/21</u>	<u>10/1/21</u> <u>9/30/22</u>	<u>10/1/22</u> <u>9/30/23</u>	<u>10/1/23</u> <u>9/30/24</u>
<b><u>Monthly Fees</u></b>					
One Occupant (\$'s per mo.)	\$172	\$167	\$183	\$244	\$340
Two Occupants (\$'s per mo.)	\$229	\$223	\$245	\$325	\$453
Approx. Percentage Increase	3.5%	3.3%	3.5%	4.5%	6.0%
<b><u>Health and Wellness Center Per Diems</u></b>					
Assisted Living (\$'s per day)	\$7	\$6	\$7	\$10	\$12
Skilled Nursing (\$'s per day)	\$7	\$6	\$7	\$10	\$12
Approx. Percentage Increase	3.5%	3.3%	4.0%	5.0%	6.0%

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## VI. FINANCIAL INFORMATION

### A. Overview

The Forest received permanent financing to construct, equip and fund working capital for the project from tax-exempt bonds issued through the North Carolina Medical Care Commission. Interest and principal payments were made to the Commission from operating proceeds. In September 1993, \$19 million of the original bonds were paid off. In March 1994, in order to take advantage of lower interest rates, the outstanding debt was restructured. The remaining callable 1990 bonds were refunded with a bond issue totaling \$35,685,000. This advance refunding allowed The Forest to capture a permanent savings in debt service costs for the next twenty-six years.

In April 2002, The Forest received financing to construct a new 34 unit assisted living addition, renovate and reconfigure the community center, dining room and common areas, and redecorate existing assisted living and skilled nursing residences. Financing was obtained for the project from tax-exempt bonds issued through the North Carolina Medical Care Commission. The bond issue totaled \$23,495,000. The new assisted living residences were completed in February 2004 with substantially all of the remaining project components completed by the end of fiscal year 2004.

In November 2003, \$30,835,000 of the outstanding principal balance of the Series 1994 bonds were refunded in order to take advantage of lower interest rates. This advance refunding allowed The Forest to capture a significant permanent savings in debt service costs for the next seventeen years.

In July 2007, \$27,970,000 of the outstanding principal balance of the Series 2002 and Series 2003B bonds were refunded in order to take advantage of lower interest rates. In June 2007, The Forest was granted a BBB+ rating from Fitch Ratings on its outstanding debt. In November 2007, The Forest was granted national accreditation by CARF International.

In September 2017, \$4,695,000 of the outstanding principal balance of the Series 2003 bonds were paid off and \$22,795,000 of the outstanding principal balance of the Series 2007 bonds were refinanced to take advantage of lower interest rates.

In June 2021, The Forest received financing to construct a new ninety (90) unit health center to replace its existing facility. Financing was obtained for the project from tax-exempt bonds issued through the North Carolina Medical Care Commission. The bond issues totaled \$44,415,000.

In November 2022, The Forest received financing to construct seventy-one (71) new independent living apartments and expanded community center. Financing was obtained for the project from tax-exempt bonds issued through the North Carolina Medical Care Commission. The bond issues totaled \$95,570,000.

**B. Current Financial Statements**

See attached, Exhibit A, for audited financial statements for fiscal year 2023. The statements include notations provided by the auditor presenting significant facts and assumptions relevant to the statements.

**C. Interim Financial Statements**

See attached, Exhibit B, for internally-generated financial statements for the period ending December 31, 2023.

**D. Comparison of Actual Results with Forecasted Proforma Projections**

See attached, Exhibit C, for a comparison of actual Fiscal Year 2023 results with Forecasted Proforma Projections included in the March 1, 2023 Disclosure Statement.

**E. Financial Projection Statements**

See attached, Exhibit D, for financial forecasted statements prepared for the fiscal years 2024 through 2028. The statements include detailed disclosure of assumptions used in the projections.

**F. Actuarial Summary Report**

Turnover rates, health care utilization rates and life expectancy assumptions are the basis of The Forest's five-year forecast. Using the age profile of The Forest's residents as well as experience from other retirement communities, A.V. Powell & Associates, Inc. (the Actuary) provided turnover profiles for use in the financial forecast. The Actuary is a national consulting firm located in Atlanta, Georgia, which specializes in providing actuarial data to retirement communities.

**VII. RESERVES, ESCROW AND TRUSTS****A. Deposits Made by Prospective Residents**

North Carolina General Statutes 58-64-35, require all deposits made by prospective residents to be held in escrow until the facility reaches the seventy-five percent (75%) pre-sales or the seventy-five percent (75%) occupancy requirements. Since all of these requirements have been met by The Forest, The Forest does not escrow deposits. If a prospective resident subsequently cancels their reservation, subject to the terms outlined in Section III.B. of the Disclosure Statement, the prospective resident may receive a refund of their deposit directly from The Forest.

**B. Trustee-Held Funds**

The following reserves are required by either the Loan Agreements of The Forest's outstanding bond issuances or the North Carolina Department of Insurance (balances are for the fiscal year ending September 30, 2023):

1. Debt service reserve fund: The Forest maintained a debt service reserve fund which was equal to the maximum annual debt service over the life of the Series 1994 bonds. This fund was established by the bond indenture. As of September 30, 2020, the Series 1994 Bonds were paid off and there is no longer a requirement for the reserve fund.
2. Interest fund: As provided by the bond indentures, The Forest maintains an interest fund for the payment of current interest. Included in Exhibit A, Balance Sheet under “Noncurrent assets limited as to use” is \$37,544, which includes adequate funds for the 2017 interest fund.
3. North Carolina Department of Insurance reserve requirements: North Carolina State law requires that a provider shall maintain after the opening of a facility an operating reserve equal to fifty percent (50%) of the total operating costs of the facility forecasted for the 12-month period following the period covered by the most recent Disclosure Statement filed with the North Carolina Department of Insurance. The forecast statements shall serve as the basis for computing the operating reserve. In addition to total operating expenses, total operating costs will include debt service, consisting of principal and interest payments along with taxes and insurance on any mortgage loan or other long term financing, but will exclude depreciation, amortized expenses, and extraordinary items as approved by the Commissioner. If the debt service portion is accounted for by way of another reserve account, the debt service portion may be excluded. If a facility maintains an occupancy level in excess of ninety percent (90%), a provider shall only be required to maintain a twenty-five percent (25%) operating reserve upon approval of the Commissioner, unless otherwise instructed by the Commissioner. The operating reserve must be funded by cash, by invested cash, or by investment grade securities, including bonds, stocks, US Treasury obligations, or obligations of US government agencies.

The Forest’s campus occupancy exceeds ninety percent (90%); therefore, the twenty-five percent (25%) factor is applied to calculate the state-mandated reserve. See Section VII. D, “Operating Reserve Funds”.

All trustee-held funds are held by The Forest’s trustee, US Bank Corporate Trust Services, Charlotte, North Carolina, under the direction of Ms. Shawna Hale. The Forest advises the trustee on investment decisions based on guidelines within the Loan Agreement. Trustee-held funds are invested only in instruments as dictated by the Loan Agreements.

### **C. Board Designated Funds**

Board designated funds include the Health Care Reserve fund established to provide additional resources which allow The Forest to establish and charge discounted fees for health care services. The balance of the Health Care Reserve fund as of September 30, 2023 was \$4,136,000. In addition, the Benevolent Fund value as of September 30, 2023 was \$538,543. The Benevolent Fund may be used at the discretion of The Forest’s Board of Directors to provide financial assistance to residents who are unable to meet their financial responsibilities.

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## **D. Operating Reserve Funds**

The fiscal year 2024 requirement for The Forest's operating reserve is \$6,482,000. This reserve is held in the operating checking account and is maintained at a minimum balance of \$6,482,000. The Forest anticipates the minimum balance to be adjusted to the next fiscal year operating reserve by the beginning of fiscal year 2025. Any additional funds needed to increase the reserve will be obtained from monthly fees and entry fees. In the unlikely event that the monthly fees and entry fees do not generate the required level of excess funds, The Forest will transfer the necessary funds from the cash reserves at Truist which are invested in a money market fund. The Board of Directors makes investment decisions based upon recommendations made by Ziegler Capital Management.

## **VIII. EARLY ACCEPTANCE PROGRAM**

The Forest offers an Early Acceptance Program in which an individual becomes a resident of The Forest with full access to the campus amenities and access to future health care services as needed, while remaining in their current home and not residing on campus.

An individual who is in The Forest's Future Residency Program may be offered participation in the Early Acceptance Program. Once accepted into the Early Acceptance Program, the resident keeps their position and priority number on the Future Residency Program List for a potential move to an on-campus accommodation at a later date.

Once a resident of the Early Acceptance Program, the resident has equal access to all common areas of campus, equal standing as a member of the residents' association, and equal access to The Forest's health care facilities.

Since the Early Acceptance Program does not include residency on campus, the array of services offered under the Early Acceptance Program are different than the services offered to residents who live on campus; therefore, the fee structure reflects those differences.

### **A. POLICIES**

#### **1. Admission – Health and Financial Criteria**

Generally, all residents are required to live independently at the time of admission and to have the financial resources to pay the Entry Fee and Monthly Fees. Residents must be sixty-five (65) years of age at the time of admission. In the case of co-residents, one resident may be as young as sixty-two (62). Residents are also required to maintain eligible Medicare coverage (and supplemental health insurance coverage) or health insurance coverage that adequately covers hospital, medical, prescriptions and skilled nursing deductibles and co-payments required under their primary insurance policy. The resident's primary and secondary insurance coverage must recognize The Forest as a healthcare provider, or the resident shall be responsible for services rendered that otherwise could be covered by insurance. The process for admission, and the financial and medical requirements are specifically outlined in the forms for admission given to every person interested in applying. The Forest may require updated

financial or health information to ensure admission requirements continue to be met. The Forest reserves the right to refuse Early Acceptance Residency should requirements for admission not be met.

At the time the resident chooses to accept an accommodation on The Forest's campus, since time will have passed since the date of the original acceptance, The Forest reserves the right to seek updated medical and financial information in order to determine the appropriate level of care or the ability to live independently and to have maintained sufficient assets for any additional entry fee and higher monthly fees then in effect required for residency in the particular reserved residence.

## 2. Conditions of Termination

- a) Termination Within the Thirty (30) Day Right of Rescission Period – The resident may rescind the Early Acceptance Agreement (the “Agreement”) prior to the Date of Financial Responsibility by giving written notice to The Forest within thirty (30) days following the later of the execution of the Agreement or the date that the resident received the Disclosure Statement as required by Section 58-64-1, et. seq. of the North Carolina General Statutes. The resident may receive a refund equal to the funds paid toward the Entry Fee without interest. The refund will be paid within sixty (60) days of receipt of the written notice to terminate.
- b) Termination After the Thirty (30) Day Right of Rescission Period – After the thirty (30) day rescission period and prior to the Date of Financial Responsibility, if the resident terminates the Agreement, the resident may receive a refund equal to the funds paid toward the Entry Fee without interest, less an administrative fee equal to two percent (2%) of the Entry Fee. The refund will be paid within sixty (60) days of receipt of the written notice to terminate.
- c) Termination by the Resident – In addition to Section VIII A. 2a and b, the Agreement may be terminated by the resident in accordance with the following conditions: (i) the Agreement will be terminated upon death; (ii) except in the case of death, the resident must give The Forest sixty (60) days written notice of the resident's intent to terminate the Agreement. A permanent move to the Health and Wellness Center is not considered a contract termination, and therefore, a refund is not applicable.
- d) Termination by The Forest – The Forest may terminate the Agreement with the resident if the resident breaches the Agreement, or if the resident fails to pay the Monthly Fee and any other ancillary charges, or fails to follow the standard policies of The Forest, or refuses to relocate as required by the Agreement, or engages in activities or conduct disruptive to the Community, or if the resident interferes with the health and safety of the Community, or the resident misrepresented or omitted medical, financial or other information given to The Forest during the application process. The Forest will be required to give the resident at least sixty (60) days written notice of termination.

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- e) Termination Date – The Termination Date will be sixty (60) days following written notice, or in the case of death, the date of death. The resident will be required to continue paying the Monthly Fee until the Termination Date.

### 3. Conditions for Refund

- a) Termination of Agreement by Resident – The resident may be entitled to a refund of the Residence Fee. If termination of the Agreement occurs during the first twenty-five (25) months of the Agreement, the resident or their estate will be entitled to a partial refund of the Residence Fee. The resident or the estate will receive a refund in the amount equal to: (i) the Residence Fee; less (ii) four percent (4%) for each month that the Agreement has been in effect for up to twenty-five (25) months; less (iii) any amounts due to The Forest. After twenty-five (25) months, there is no refund of the Residence Fee.
- b) Termination of Agreement by The Forest – If The Forest terminates the Agreement pursuant to Section VIII. A 2d, the resident may be entitled to a refund of the Residence Fee. If termination of the Agreement occurs during the first twenty-five (25) months of the Agreement, the resident may be entitled to a partial refund of the Residence Fee. The resident will receive a refund in the amount equal to: (i) the Residence Fee; less (ii) four percent (4%) for each month that the Agreement has been in effect for up to twenty-five (25) months; less (iii) any amounts due to The Forest. After twenty-five (25) months, there is no refund of the Residence Fee.
- c) Payment of Refunds – Any refund of the Residence Fee will be paid within sixty (60) days after all outstanding charges due to The Forest by the resident have been paid. The Forest shall have the right to offset any costs and charges owed to The Forest with any refund due to the resident or their estate. Refunds will be paid to the resident, or in the event of death, to the resident’s estate.
- d) Release Upon Termination – Upon termination of the Agreement, The Forest is released from any further obligations to the resident except for the payment of any refund which may be due under Sections VIII and IX of the Agreement.

### 4. Care Management and Transfers

Care Management – The Early Acceptance Agreement outlines the policies for Care Management in Section V, “Care Management and Transfers”, and should be consulted for a complete description of this policy. In part, Section V.A. makes the following provision:

The Forest shall furnish the following Care Management services to the resident by qualified staff to assist in decisions related to transfers to the Health and Wellness Center, special service facility or hospital. Staff members may assist with (i) assessing the resident’s needs, (ii) developing a plan of care with the resident to address needs that are identified, (iii) helping identify reputable providers in the area to whom the resident can be referred for services to meet those needs, and (iv) following up to ensure that those services are meeting



the resident's needs and the goals of the resident's care plan. The assessments shall be conducted annually.

## **5. Financial Hardship**

Section III. E. of the Early Acceptance Agreement makes the following provision for financial hardship:

It is the intent of The Forest to admit only those persons who are able to pay its current and projected Entry Fee, Monthly Fee and any additional charges. If a resident should encounter financial difficulty while participating in The Early Acceptance Program, the resident may apply for financial assistance. The Forest has limited financial assistance resources for this purpose. If, upon reviewing the resident's financial resources, it is determined that through no fault of their own, the resident is unable to continue to pay a part or all of the Monthly Fee, The Forest may elect to subsidize the resident's Monthly Fee. If it is apparent to The Forest that the resident has voluntarily divested assets and resources, or has used resources in a manner other than to meet ordinary and customary living expenses, The Forest may refuse to subsidize the resident's Monthly Fee, and may elect to terminate the Agreement if payments for all fees and charges are not received in a timely manner.

## **B. SERVICES**

### **Standard Services Available**

- Access to The Forest dining venues and catering facilities at the prevailing resident rate.
- Access to services and amenities in The Forest's fitness center including consultation with fitness staff and a variety of exercise and wellness classes and support in development of personal health and fitness plan.
- Access to recreational, educational, cultural and spiritual programs.
- An annual health and wellness assessment.
- Access to Case Management Services for coordinating home care/companion care.
- Primary care services available during regularly scheduled office hours if resident selects The Forest as their primary care provider.
- The Forest's Care Coordinator may assist the resident in arranging inpatient hospital care.
- Access to in-patient care in assisted living and skilled nursing care for temporary or permanent stays in The Forest's Health and Wellness Center as outlined in the Early Acceptance Agreement, Section VI and below in Section C. 3.

## **C. FEES**

### **1. Entry Fee**

The Early Acceptance Program Entry Fee is \$40,000 per resident. The Entry Fee is comprised of two parts: a \$30,000 Residence Fee refundable in accordance with Section IX of the Early Acceptance Agreement, plus a \$10,000 non-refundable Health Care Reserve Fee. The Health Care Reserve Fees provide additional resources, which allow The Forest to establish and charge

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discounted fees for health care services as outlined in Section VI of the Early Acceptance Agreement.

Full payment of the Entry Fee is due prior to the Date of Financial Responsibility.

In the event that the resident decides to move to The Forest and enter into a Residence and Care Agreement Following Early Acceptance, the entire amount of the Entry Fee will be applied towards the then prevailing Entry Fee for the residence selected.

## **2. Monthly Fee**

The Early Acceptance Program Monthly Fee is \$950 per resident. Generally, the Monthly Fee covers the services outlined under “Standard Services Available” in Section VIII. B. The Monthly Fee does not include the cost of meals.

## **3. Health and Wellness Center Fees**

The Forest will provide temporary or permanent assisted living services, skilled nursing services, and respite care services to a resident when ordered by a physician. The health care services are provided based upon specific fee structure as outlined below:

- a) Pre-Paid Days: The resident is eligible for fifteen (15) pre-paid days in the Health and Wellness Center beginning with the initial Date of Financial Responsibility at The Forest. Should it be necessary to use one or more pre-paid days, these may again accrue to a maximum of fifteen (15) days. One pre-paid day accrues on the first day of each month for which the resident has not occupied a Health and Wellness Center bed in the prior month up to a maximum of fifteen (15) days. While residing in the Health and Wellness Center when pre-paid days are available, the resident continues to pay the current Monthly Fee. After the pre-paid days have been used, the resident will pay sixty percent (60%) of the per diem rate for health care services published by The Forest in addition to the Monthly Fee.
- b) Temporary Health and Wellness Center: When it is deemed by The Forest the resident is a temporary resident of the Health and Wellness Center, and after pre-paid days have been used, the resident will pay sixty percent (60%) of the per diem rate for health care services published by The Forest in addition to the regular Monthly Fee.
- c) Permanent Health and Wellness Center: When it is deemed by The Forest that the resident is a permanent resident of the Health and Wellness Center and after pre-paid days have been used, the resident will pay forty percent (40%) of the per diem rate for health care services published by The Forest. The Monthly Fee will no longer be paid.

## **IX. FACILITY DEVELOPMENT/EXPANSION**

The Forest is in the final stage of developing and evaluating a development plan for the existing Community. The first phase (Phase One) of the plan includes building a new ninety (90) bed health center that will replace the existing health center. Once the new health center is built, the second phase (Phase Two) contemplates the existing health center being razed and replaced by up

to seventy-five (75) new independent living apartments, and an expanded community center with enhanced amenity spaces and parking.

While there are no guarantees that any component of the plan will be executed, The Board of Directors of The Forest approved proceeding with obtaining architectural schematic designs for both the new ninety (90) bed health center and the new independent living apartments. (Dec 2019)

In June 2021, financing was completed for Phase One of the project. The project is a replacement of the current facility with ninety (90) new units in a so-called “small house” format in a five-story, approximately 110,000 square foot building on the existing 47-acre campus. The small house model of care is designed around houses (or groups of rooms) in which each house has ten (10) private rooms each with a full bathroom and all common spaces and support areas located within the house. At completion, there will be a total of ninety (90) resident rooms distributed evenly across nine (9) houses.

The small house model will provide the same scope of services, each neighborhood will have a team that provides the care, residents will have short walking distances to increase level of independence, resident privacy, additional dining and fitness venues.

Site work began in June 2021. Construction of the health center is anticipated to take approximately 18 to 20 months. The project is substantially complete and a conditional certificate of occupancy was issued by the City of Durham on December 1, 2022.

In November 2022, financing was completed for Phase Two of the project. Once the new health center is occupied by current residents, the existing health center will be razed and construction of the Phase Two project will begin.

The planned project is to be constructed in a single five-story building, approximately 250,000 square feet on the existing campus. The planned project includes the addition of seventy-one (71) new independent living apartments and an expanded community center which connects the existing community center to the new health center. The expanded community center also includes service and amenity spaces such as additional dining, fitness area, classroom, multipurpose rooms, a clinic and office spaces.

The new apartments have an average of 1,450 square feet with spacious open-living design floorplans, ten foot ceilings, and finishes commensurate with high-end real estate in the market area. Other features include gourmet kitchens with stainless steel appliances, large covered balconies or ground level patios for outdoor living in each apartment home. Each apartment home is expected to include assigned underground parking.

As the project represents adding more than ten percent (10%) of the current independent living inventory, The Forest is required to pre-sell the units and follow Chapter 58 Article 64 of the North Carolina General Statutes and receive approval from the North Carolina Department of Insurance.

The pre-sell requirement of entering into binding reservation/resident agreements equal to at least 50 percent (50%) of the total number of the independent living units being developed and were

accompanied with a deposit equal to at least ten percent (10%) of the entrance fee was met in May 2022. The Forest at Duke received approval from the Department of Insurance on June 21, 2022.

The residents moved into the new health center in February 2023. Demolition of the existing health center began in March 2023 and ended in April 2023. Site work began in May 2023, with the construction of the new apartments and common areas taking approximately 24 months.

The Phase Two project is included in the Projected Financial Statements that are included in the Five Year Forecast, Exhibit D.

## **X. RESIDENCE AND CARE AGREEMENT**

See attached, Exhibit E, for the Residence and Care Agreement. All persons interested in occupancy at The Forest should carefully review the Agreement and seek professional legal and financial advice prior to making a deposit.

**EXHIBITS**

Exhibit A..... FYE 2023 Audited Statements by FORVIS, LLP

Exhibit B.....Internally-Generated Financial Statements for the Period Ending December 31, 2023

Exhibit C.....Comparison of Actual FYE 2023 Results with Forecasted Proforma Projections Included in March 1, 2023 Disclosure Statement

Exhibit D.....Five Year Forecast 2024 – 2028

Exhibit E.....Residence and Care Agreement

Exhibit F.....Early Acceptance Agreement

Exhibit G.....Residence and Care Agreement Following Early Acceptance

**Exhibit A**

FYE 2023 Audited Statements by FORVIS, LLP




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# **The Forest at Duke, Inc.**

## **Independent Auditor's Report and Financial Statements**

September 30, 2023 and 2022

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## Independent Auditor's Report

Board of Directors  
The Forest at Duke, Inc.  
Durham, North Carolina

### **Opinion**

We have audited the financial statements of The Forest at Duke, Inc. ("The Forest"), which comprise the balance sheets as of September 30, 2023 and 2022, and the related statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of The Forest as of September 30, 2023 and 2022, and the results of its operations, change in net assets, and its 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 Financial Statements section of our report. We are required to be independent of The Forest 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.

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the 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 Forest's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Forest'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.

**FORVIS,LLP**

**Atlanta, Georgia  
December 7, 2023**

**The Forest at Duke, Inc.**  
**Balance Sheets**  
**September 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Current assets:		
Cash and equivalents	\$ 9,175,859	\$ 4,480,828
Assets limited as to use, current portion	142,544	151,157
Accounts and other receivables	806,541	2,381,367
Other current assets	86,802	84,671
Total current assets	<u>10,211,746</u>	<u>7,098,023</u>
Noncurrent assets:		
Assets limited as to use, non-current portion	17,459,473	25,349,765
Investments	23,179,750	21,724,322
Other long term assets	86,304	86,304
Fair value of interest rate swap	963,245	-
Property and equipment, net	94,525,870	78,736,419
Total noncurrent assets	<u>136,214,642</u>	<u>125,896,810</u>
Total assets	<u>\$ 146,426,388</u>	<u>\$ 132,994,833</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 601,493	\$ 830,939
Accrued expenses	645,688	679,538
Retainage payable	1,438,679	2,000,000
Current portion of refundable entrance fees to residents	1,299,276	1,503,154
Current portion of bonds payable	1,305,000	1,265,000
Total current liabilities	<u>5,290,136</u>	<u>6,278,631</u>
Noncurrent liabilities:		
Bonds payable, less current portion	76,451,521	62,611,267
Deposits	6,217,084	4,407,504
Non-refundable plan entrance fees	37,863,068	36,382,869
Non-refundable plan entrance fees - early acceptance	1,518,992	1,254,629
Refundable entrance fees to residents, less current portion	7,078,195	7,349,057
Total noncurrent liabilities	<u>129,128,860</u>	<u>112,005,326</u>
Total liabilities	<u>134,418,996</u>	<u>118,283,957</u>
Net assets:		
Without donor restrictions	11,556,430	14,512,591
With donor restrictions	450,962	198,285
Total net assets	<u>12,007,392</u>	<u>14,710,876</u>
Total liabilities and net assets	<u>\$ 146,426,388</u>	<u>\$ 132,994,833</u>

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

**The Forest at Duke, Inc.**  
**Statements of Operations**  
**Years Ended September 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Revenue, gains and other support:		
Monthly fees	\$ 16,452,743	\$ 16,169,884
Early acceptance fees	486,713	370,664
Earned entrance fees	5,115,099	4,413,479
Earned entrance fees - early acceptance	205,638	185,557
Clinic and health care center fees	4,702,252	4,395,776
Home care revenue	138,812	143,619
Dining services income	55,792	30,028
Application fees	49,200	31,800
Other income	275,618	1,389,257
Net assets released from donor restrictions	80,810	42,845
Total revenue, gains and other support	<u>27,562,677</u>	<u>27,172,909</u>
Expenses:		
Dining services	4,853,012	4,485,488
Housekeeping and laundry	1,363,178	1,308,885
Health care center and nursing	6,275,973	4,709,612
Wellness clinic	735,880	737,892
The Forest at Home	215,803	214,850
Community Life	551,032	585,019
Plant facility costs	3,953,510	3,545,854
Marketing	1,003,052	1,400,958
Early acceptance	26,890	19,624
General and administrative	2,812,136	2,795,610
Depreciation	4,218,953	5,300,925
Interest	2,049,809	358,931
Total operating expenses	<u>28,059,228</u>	<u>25,463,648</u>
Operating income (loss)	<u>(496,551)</u>	<u>1,709,261</u>
Nonoperating income (expense):		
Interest and dividend income	957,713	705,822
Realized gains on sale of investments	137,689	461,462
Net unrealized gains (losses) on investments and assets limited as to use	2,240,658	(5,319,980)
Community responsibility	(1,055,604)	(1,053,511)
Loss on disposal of property and equipment	(5,703,311)	-
Change in fair value of interest rate swap	963,245	-
Nonoperating income (expense)	<u>(2,459,610)</u>	<u>(5,206,207)</u>
Deficit of revenues, gains, and other support over expenses	<u>\$ (2,956,161)</u>	<u>\$ (3,496,946)</u>

**The Forest at Duke, Inc.**  
**Statements of Changes in Net Assets**  
**Years Ended September 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Net assets without donor restrictions:		
Deficit of revenues, gains, and other support over expenses	\$ (2,956,161)	\$ (3,496,946)
Net assets with donor restrictions:		
Contributions	333,487	83,169
Net assets released from donor restriction	<u>(80,810)</u>	<u>(42,845)</u>
Change in net assets with donor restrictions	<u>252,677</u>	<u>40,324</u>
Change in net assets	<b>(2,703,484)</b>	<b>(3,456,622)</b>
Net assets, beginning of year	<u>14,710,876</u>	<u>18,167,498</u>
Net assets, end of year	<u><b>\$ 12,007,392</b></u>	<u><b>\$ 14,710,876</b></u>

**The Forest at Duke, Inc.**  
**Statements of Cash Flows**  
**Years Ended September 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Cash flow from operating activities:		
Change in net assets	\$ (2,703,484)	\$ (3,456,622)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Earned entrance fees	(5,320,737)	(4,599,036)
Net realized and unrealized (gains) losses on investments and assets limited as to use	(2,378,347)	4,858,518
Change in fair value of interest rate swap	(963,245)	-
Nonrefundable Entrance fees received	7,030,995	3,239,202
Nonrefundable Entrance fees received - early acceptance	470,000	665,000
Depreciation	4,218,953	5,300,925
Amortization of bond issuance cost included in interest expense	82,071	51,747
Amortization on bond premium included in interest expense	(213,464)	(213,464)
Loss on disposal of equipment	5,703,311	-
Net changes in operating assets and liabilities:		
Accounts and other receivables	1,574,826	(1,872,116)
Other current assets	(2,131)	12,867
Other long term assets	-	16,500
Accounts payable	(229,446)	(16,425)
Accrued expenses	(33,850)	(210,804)
Retainage payable	(561,321)	-
Net cash provided by operating activities	<u>6,674,131</u>	<u>3,776,292</u>
Cash flows from investing activities:		
Change in assets limited as to use	8,430,013	28,167,766
Purchases of investments	(12,191,765)	(7,584,548)
Proceeds from sale of investments	13,114,952	7,636,669
Purchase of property and equipment	(25,711,716)	(35,515,716)
Net cash used by investing activities	<u>(16,358,516)</u>	<u>(7,295,829)</u>
Cash flows from financing activities:		
Entrance fees refunded	(724,419)	(1,942,132)
Proceeds from issuance of bonds payable	16,269,070	-
Debt issuance costs from issuance of bonds payable	(992,421)	-
Principal payments on bonds payable	(1,265,000)	(1,225,000)
Deposits received from new independent living units	1,623,294	3,828,554
Net cash provided by financing activities	<u>14,910,524</u>	<u>661,422</u>
Net change in cash, cash equivalents, and restricted cash	5,226,139	(2,858,115)
Cash, cash equivalents, and restricted cash at beginning of year	<u>4,939,224</u>	<u>7,797,339</u>
Cash, cash equivalents, and restricted cash at the end of year	<u>\$ 10,165,363</u>	<u>\$ 4,939,224</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 2,504,249</u>	<u>\$ 524,147</u>
Supplemental disclosure of noncash investing activity:		
Purchase of property and equipment included in accounts payable	<u>\$ 209,740</u>	<u>\$ 431,284</u>
Construction retainage included in retainage payable	<u>\$ 1,438,679</u>	<u>\$ 2,000,000</u>

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



## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

#### **Organization**

The Forest at Duke, Inc. ("The Forest") is a non-profit, North Carolina corporation. The Forest owns and operates a continuing care retirement community in Durham, North Carolina, which consists of 235 independent living units and 90 health care facility beds.

#### **Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting and in accordance with the accounting principles generally accepted in the United States of America.

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

Cash and cash equivalents include all highly liquid investments with original maturities of three months or less when purchased, except those included with assets limited as to use. Throughout the year The Forest has bank balances which exceed Federal Deposit Insurance Corporation limits. Restricted cash is included with cash and cash equivalents in the statements of cash flows.

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 statements of cash flows.

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 9,175,859	\$ 4,480,828
Assets limited as to use	<u>989,504</u>	<u>458,396</u>
Total cash, cash equivalents and restricted cash shown in statements of cash flows	<u>\$ 10,165,363</u>	<u>\$ 4,939,224</u>

#### **Assets Limited As To Use**

Assets limited as to use are reported at fair value. Assets limited as to use needed for current liabilities have been classified as current assets on the balance sheets. Assets limited as to use include assets set aside for the following purposes:

- *The Department of Insurance (Operating Reserve)* - In accordance with North Carolina General Statute 58, Article 64-33, The Forest is required to maintain an operating reserve equal to 25% of the total operating costs (as defined) forecasted for the following year.
- *Funds Held by Trustee under Trust and Loan Agreements* - Funds held by trustee are held in accordance with the trust and loan agreements. Under the terms of the trust and loan agreements between The Forest and the North Carolina Medical Care Commission, these funds are deposited with the trustee.

**The Forest at Duke, Inc.**  
**Notes to Financial Statements**

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- *Board Designated (Health Care Reserve)* - The health care reserve represents amounts paid by each resident as part of their entrance fee (\$8,000 before October 1, 2000, \$10,000 thereafter). The Board of Directors has designated these funds be maintained to help protect against escalating costs in The Forest's health care center.
- *Board Designated (Benevolent Fund)* - The Board of Directors has designated \$100,000 plus interest and contributions to be used as the benevolent fund. This fund is to be used for resident assistance in the event of financial hardship at the discretion of the Board of Directors.

**Investments**

Investments in money market mutual funds, corporate obligations, U.S. Treasury obligations, asset-backed securities, common stocks and mutual funds are measured at fair value on the balance sheets. Interest and dividends, unrealized and realized gains (losses) on sale of investments are reported as nonoperating income (expense), and are included in deficit of revenues, gains and other support over expenses.

**Fair Value of Financial Instruments**

The carrying amount of cash and cash equivalents approximates its fair value. The fair value of The Forest's investments are presented in Note 3 and Note 4 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 Forest's interest rate swaps is presented in Note 7. The carrying value of The Forest's long-term debt approximates the fair values of those obligations.

**Interest Rate Swap**

The interest rate swap agreement is 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 agreement is reported in non-operating gains (losses) in the statements of operations and changes in net assets.

**Property and Equipment**

Property and equipment is stated at cost less accumulated depreciation. Interest cost incurred on borrowed funds during construction of capital assets is capitalized as a component of the cost of acquiring those assets. Expenditures which substantially increase the useful lives of existing assets are capitalized. Routine maintenance and repairs are expensed as incurred. Property and equipment is depreciated under the straight-line method by applying the following useful lives.

Land improvements	5-25 years
Buildings	30 years
Equipment and furnishings	5-15 years
Vehicles	4-6 years

**Accounts Receivable, Net**

Accounts receivable is reported at estimated net realizable amounts from residents and responsible third-party payers. Amounts owed to The Forest are reported net of allowances for uncollectible accounts. 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, The Forest has implemented a standardized approach to estimate and review its expected credit losses based on resident receivable aging trends. Historical collection and payer reimbursement experience is an integral part of the estimation process related to determining allowance for uncollectible accounts. In addition, The Forest assesses the current state of its billing functions in order to identify any known or expected collection or reimbursement issues to determine the impact, if any, on its reserve estimates, which involve judgment.

**The Forest at Duke, Inc.**  
**Notes to Financial Statements**

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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. The Forest's credit losses have been historically infrequent and insignificant in nature. Amounts recognized for allowances for expected credit losses are immaterial to the financial statements.

***Debt Issuance Costs***

Debt issuance costs represent financing costs as a result of the bond issuances. The financing costs are being amortized over the terms of the bonds, which is 15 years for 2017 series and 30 years for 2021 and 2022 series, and recorded as interest expense. The amortization approximates the effective interest rate method.

***Deferred Revenue From Entrance Fees***

Deferred revenue from entrance fees represents funds received from current residents, which have not yet been recognized as revenue, and refundable deposits received from potential residents.

Entrance fees vary based upon the size of the unit and the type of refund plan chosen by the resident. Two alternative entrance fee plans provide for refunds to residents from re-occupancy proceeds. Under the amortized plan, prior to 50 months of occupancy the resident would receive a refund equal to the entrance fee, less 2% per month of occupancy. The 50% refundable plan offers the resident a refund equal to 50% of the entrance fee after 25 months of occupancy. Prior to 25 months of occupancy, the resident is entitled to a refund of the entrance fee, less 2% per month of occupancy. The 90% refundable plan offers the resident a refund equal to 90% of the entrance fee after 5 months of occupancy. Prior to 5 months of occupancy, the resident is entitled to a refund of the entrance fee less 2% per month of occupancy. The 50% refundable plan and 90% refundable plan were discontinued in 2020.

Refundable entrance fees to residents are classified as current based on a five-year running average of refunds paid. The remaining portion of refundable entrance fees to residents are classified as noncurrent.

***Obligations to Provide Future Services***

The Forest annually calculates the present value of the net cost of future services and use of facilities to be provided to current residents and compares the amount with the balance of deferred revenue from entrance fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded with the corresponding charge to operating expense. The Forest was not required to record such a liability at September 30, 2023 and 2022.

***Net Assets***

The Forest reports net assets using the following classes; net assets without donor restrictions and net assets with donor restrictions depending on the presence of donor-imposed restrictions limiting The Forest's ability to use or dispose of specific contributed assets or the economic benefits embodied in those assets. Net assets without donor restrictions include those whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation. Net assets with donor restrictions are restricted net assets whose donor-imposed stipulations that may or will be met either by action from The Forest and/or the passage of time.

***Deficit of Revenues, Gains and Other Support Over Expenses***

The statements of operations include deficit of revenues, gains and other support over expenses. Changes in net assets without donor restrictions which are excluded from deficit of revenues, gains and other support over expenses, consistent with industry practice, include net assets released from restrictions for the purchase of property and equipment.

### ***Donor Restrictions***

The Forest reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported on the statements of operations as net assets released from donor restrictions. The Forest reports gifts of property and equipment as net assets without donor restrictions support unless explicit donor stipulations specify how the donated assets must be used.

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

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

### ***Income Taxes***

The Forest is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The Forest has determined that it does not have any material unrecognized tax benefits or obligations as of September 30, 2023 and 2022.

### ***Subsequent Events***

The Forest evaluated the effect subsequent events would have on the financial statements through December 7, 2023, which is the date the financial statements were issued.

## **2. Revenue Recognition**

The Forest 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. Under Accounting Standards Codification (“ASC”) Topic 606, management has determined that the performance obligation for the standing obligation to provide the appropriate level of care is the predominant component and does not contain a lease component under ASC Topic 842. Resident fee revenue for non-routine or additional services are billed monthly in arrears and recognized when the service is provided.

### ***Employee Retention Credit***

The Employee Retention Credit (“ERC”) is a considered voluntary non-exchange transaction. This conditional grant revenue is recognized as other income to the extent conditions/restrictions are met. The ERC is a refundable payroll tax credit available to taxpayers who experienced either a full or partial suspension of business operations due to government orders or had a significant drop in gross receipts during 2021.

**The Forest at Duke, Inc.**  
**Notes to Financial Statements**

**Entrance Fees**

The nonrefundable entrance fees are recognized as deferred revenue upon receipt of the payment and included in liabilities on the balance sheet 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 on the balance sheet. Additionally, management has determined the contracts do not contain a significant financing component as the advanced payment assures residents the access to health care services 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.

**Health Care Services**

In the facility, The Forest provides assisted living and nursing care to residents. The Forest is paid discounted daily rates for private pay services. These daily rates and other fees are billed in arrears monthly. For skilled nursing services provided under Medicare A guidelines, rates billed are predetermined from the Centers of Medicare and Medicaid Services (“CMS”). Under ASC Topic 606, revenue is recognized when the service is provided.

The Forest disaggregates its revenue from contracts with customers by payor source, as The Forest believes it best depicts how the nature, timing and uncertainty of its revenues and cash flows are affected by economic factors. However, the majority of revenue The Forest receives from health care services is private pay, while less than 3% are from 3<sup>rd</sup> party sources. See details on a reportable segment basis in the table below:

	<b>September 30, 2023</b>			
	<b>Independent Living</b>	<b>Assisted Living</b>	<b>Skilled Nursing</b>	<b>Total</b>
Private pay	\$ 21,585,239	\$ 1,942,816	\$ 2,981,231	\$ 26,509,286
Third-party payors	<u>220,444</u>	<u>2,217</u>	<u>369,310</u>	<u>591,971</u>
<b>Total</b>	<b><u>\$ 21,805,683</u></b>	<b><u>\$ 1,945,033</u></b>	<b><u>\$ 3,350,541</u></b>	<b><u>\$ 27,101,257</u></b>
	<b>September 30, 2022</b>			
	<b>Independent Living</b>	<b>Assisted Living</b>	<b>Skilled Nursing</b>	<b>Total</b>
Private pay	\$ 20,535,158	\$ 1,782,752	\$ 2,746,635	\$ 25,064,545
Third-party payors	<u>221,705</u>	<u>2,415</u>	<u>390,316</u>	<u>614,436</u>
<b>Total</b>	<b><u>\$ 20,756,863</u></b>	<b><u>\$ 1,785,167</u></b>	<b><u>\$ 3,136,951</u></b>	<b><u>\$ 25,678,981</u></b>

### 3. Assets Limited as to Use and Investments

Assets were limited as to use for the following purposes at September 30:

	<u>2023</u>	<u>2022</u>
Department of Insurance - operating reserve	\$ 6,184,000	\$ 5,401,000
Held by trustee under trust and loan agreements	1,521,587	11,949,256
Held by escrow agent	5,221,887	3,828,554
Board designated:		
Health Care reserve	4,136,000	4,062,000
Benevolent fund	<u>538,543</u>	<u>260,112</u>
Total assets limited as to use	17,602,017	25,500,922
Assets limited as to use, current portion	<u>(142,544)</u>	<u>(151,157)</u>
Total assets limited as to use, net of current portion	<u>\$ 17,459,473</u>	<u>\$ 25,349,765</u>

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

	<u>2023</u>	<u>2022</u>
Fixed income	\$ 13,583,147	\$ 17,084,308
Equity	13,953,314	14,531,866
Cash funds and money market funds	<u>13,245,306</u>	<u>15,609,070</u>
Total assets limited as to use and investments	<u>\$ 40,781,767</u>	<u>\$ 47,225,244</u>

Investment income for the years ended September 30 follows:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 957,713	\$ 705,822
Realized gain on sale of investments	137,689	461,462
Net unrealized gains (losses) on investments and assets limited as to use	<u>2,240,658</u>	<u>(5,319,980)</u>
Total net investment income (loss)	<u>\$ 3,336,060</u>	<u>\$ (4,152,696)</u>

Investment income is shown net of investment fees of approximately \$140,000 and \$189,000 for the years ended September 30, 2023 and 2022, respectively.

#### 4. Fair Value of Assets and Liabilities

Fair value as defined under generally accepted accounting principles 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. Generally accepted accounting principles 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 Forest'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.

##### ***Asset measured at fair value on a recurring basis***

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 asset-backed securities for which quoted prices are not available in active markets for identical instruments and 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. Because quoted prices in active markets for identical assets are not available for level 2 investment securities, these prices are determined using observable market information such as quotes from less active markets and/or quoted prices of securities with similar characteristics.

The Forest 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 2023. There were no changes during 2023 to the Forest'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 Forest's financial assets accounted for at fair value on a recurring basis as of September 30, 2023 and 2022.



**The Forest at Duke, Inc.**  
**Notes to Financial Statements**

	<b>Fair Value of Financial Assets as of September 30, 2023</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Money market mutual funds	\$ 5,089,777	\$ -	\$ -	\$ 5,089,777
Corporate obligations	-	4,179,328	-	4,179,328
U.S. Treasury obligations	-	8,136,056	-	8,136,056
Asset-backed securities:				
U.S. government	-	64,903	-	64,903
Corporate	-	1,202,860	-	1,202,860
Total money market funds and fixed income securities	<u>5,089,777</u>	<u>13,583,147</u>	<u>-</u>	<u>18,672,924</u>
Common stocks:				
Consumer products	\$ 1,448,508	\$ -	\$ -	\$ 1,448,508
Energy	450,419	-	-	450,419
Financial	1,121,398	-	-	1,121,398
Health care	1,140,410	-	-	1,140,410
Industrials	817,937	-	-	817,937
Materials	230,566	-	-	230,566
Real estate	168,601	-	-	168,601
Technology	2,248,088	-	-	2,248,088
Telecommunication	773,076	-	-	773,076
Utilities	186,848	-	-	186,848
Total common stocks	<u>8,585,851</u>	<u>-</u>	<u>-</u>	<u>8,585,851</u>
Mutual funds:				
International	3,783,645	-	-	3,783,645
Other	1,583,818	-	-	1,583,818
Total mutual funds	<u>5,367,463</u>	<u>-</u>	<u>-</u>	<u>5,367,463</u>
Total	<u>\$ 19,043,091</u>	<u>\$ 13,583,147</u>	<u>\$ -</u>	<u>\$ 32,626,238</u>
Interest rate swap agreements	<u>\$ -</u>	<u>\$ 963,245</u>	<u>\$ -</u>	<u>\$ 963,245</u>

**The Forest at Duke, Inc.**  
**Notes to Financial Statements**

The Forest has \$17,331,387 of cash balances that are included with cash and cash equivalents, assets limited as to use and investments at September 30, 2023, which is not included in the fair value hierarchy.

	<b>Fair Value of Financial Assets as of September 30, 2022</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Money market mutual funds	\$ 8,045,183	\$ -	\$ -	\$ 8,045,183
Corporate obligations	-	3,461,437	-	3,461,437
U.S. Treasury obligations	-	6,599,510	-	6,599,510
Government obligations	-	5,635,073	-	5,635,073
Asset-backed securities:				
U.S. government	-	219,148	-	219,148
Corporate	-	1,166,919	-	1,166,919
Total money market funds and fixed income securities	<u>8,045,183</u>	<u>17,082,087</u>	<u>-</u>	<u>25,127,270</u>
Common stocks:				
Consumer products	1,480,159	-	-	1,480,159
Energy	410,609	-	-	410,609
Financial	899,923	-	-	899,923
Health care	1,317,508	-	-	1,317,508
Industrials	659,174	-	-	659,174
Materials	252,276	-	-	252,276
Real estate	189,299	-	-	189,299
Technology	2,119,470	-	-	2,119,470
Telecommunication	651,426	-	-	651,426
Utilities	285,314	-	-	285,314
Total common stocks	<u>8,265,158</u>	<u>-</u>	<u>-</u>	<u>8,265,158</u>
Mutual funds:				
International	3,281,813	-	-	3,281,813
Other	2,984,894	-	-	2,984,894
Total mutual funds	<u>6,266,707</u>	<u>-</u>	<u>-</u>	<u>6,266,707</u>
Total	<u>\$ 22,577,048</u>	<u>\$ 17,082,087</u>	<u>\$ -</u>	<u>\$ 39,659,135</u>

The Forest has \$12,046,937 of cash balances that are included with cash and cash equivalents, assets limited as to use and investments at September 30, 2022, which is not included in the fair value hierarchy.

**5. Property and Equipment**

Property and equipment consist of the following at September 30:

	<b>2023</b>	<b>2022</b>
Land	\$ 6,111,141	\$ 6,111,141
Land improvements	11,959,996	6,741,650
Buildings	86,613,034	66,829,171
Equipment and furnishings	33,868,705	36,976,776
Vehicles	376,610	515,929
Construction in progress	<u>16,204,432</u>	<u>42,888,492</u>
	<b>155,133,918</b>	160,063,159
Less accumulated depreciation	<u>(60,608,048)</u>	<u>(81,326,740)</u>
Total property and equipment	<u>\$ 94,525,870</u>	<u>\$ 78,736,419</u>

**The Forest at Duke, Inc.**  
**Notes to Financial Statements**

The Forest has \$66,969,771 of construction commitments as of September 30, 2023, inclusive of the retainage payable of \$1,438,679.

**6. Bonds Payable**

Bonds payable consist of the following at September 30:

	<u>2023</u>	<u>2022</u>
Series 2017 Retirement Facilities Refunding Revenue Bonds with bonds due annually with interest rate as follows: 2017 - 2032; 3.43%	<b>\$ 13,145,000</b>	\$ 14,410,000
Series 2021 Retirement Facilities First Mortgage Revenue Bonds: Serial bonds due through September 2034 yielding between 1.750% - 1.830%	<b>3,275,000</b>	3,275,000
Term bonds:		
Due September 1, 2041 yielding 2.090%	<b>13,715,000</b>	13,715,000
Due September 1, 2046 yielding 2.280%	<b>12,375,000</b>	12,375,000
Due September 1, 2051 yielding 2.380%	<b>15,050,000</b>	15,050,000
Series 2022A-1 Retirement Facilities First Mortgage Revenue Bonds: Variable rate of 79% of SOFR plus 1.55% due September 1, 2052. See related swap disclosure in Note 7.	<b>16,268,070</b>	-
Series 2022A-2 Retirement Facilities First Mortgage Revenue Bonds Term bonds due September 1, 2027	<b><u>1,000</u></b>	<u>-</u>
Total bonds payable	<b>73,829,070</b>	58,825,000
Less current portion of bonds payable	<b>(1,305,000)</b>	(1,265,000)
Less debt issuance costs, net	<b>(1,978,400)</b>	(1,068,048)
Add unamortized premium	<b><u>5,905,851</u></b>	<u>6,119,315</u>
Bonds payable, less current portion and debt issuance costs	<b><u>\$ 76,451,521</u></b>	<u>\$ 62,611,267</u>

In August 2017, the North Carolina Medical Care Commission authorized the issuance of tax-exempt Retirement Facilities Refunding Revenue Bonds (The Forest at Duke), Series 2017 ("2017 Bonds") in the aggregate principal amount of \$20,210,000. The proceeds of the 2017 Bonds were used to refund the Series 2007 bonds.

In June 2021, the North Carolina Medical Care Commission authorized the issuance of tax-exempt Retirement Facilities First Mortgage Revenue Bonds (The Forest at Duke), Series 2021 ("2021 Bonds") in the aggregate principal amount of \$44,415,000.

Effective January 1, 2018, as a result of the Tax Cuts and Jobs Act, and by function of the debt agreements for tax law changes, the effective interest rate changed from 2.82% to 3.43%. Interest on the 2017 bonds is payable semi-annually on March 1 and September 1. All bonds are secured by substantially all of the property and equipment of The Forest. The trust indenture and loan agreements underlying the Series 2017 and Series 2021 bonds contain certain financial covenants including minimum long-term debt service coverage.

In November 2022, the North Carolina Medical Care Commission authorized the issuance of tax-exempt Retirement Facilities First Mortgage Revenue Bonds (The Forest at Duke Project), Series 2022A-1 and 2022A-2 Bonds in the aggregate of \$95,570,000 (2022A Bonds). The proceeds of the bonds will fund the construction and

**The Forest at Duke, Inc.**  
**Notes to Financial Statements**

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expansion of the Forest. The 2022A-1 Bank Bonds issued through the North Carolina Medical Care Commission (“2022A-1 Bonds”) and bought by Truist Bank with a 15-year commitment will bear interest at 79% of SOFR plus 1.55% during the initial direct purchase rate period. The 2022A-2 Bonds will be redeemed by the Forest through application of initial entrance fees related to the construction of 71 new independent living units and common areas. The 2022A-2 Bonds will bear interest at 79% of SOFR plus 1.35%.

Annual principal maturities of bonds payable, excluding premium are as follows:

2024	\$ 1,305,000
2025	1,335,000
2026	1,375,000
2027	1,415,000
2028	1,460,000
Thereafter	<u>66,939,070</u>
	<u>\$ 73,829,070</u>

## 7. Interest Rate Swap

In November 2022, The Forest entered into a forward interest rate swap agreement with a financial institution in conjunction with the 2022A-1 Bonds that took effect March 1, 2023. The Forest pays a fixed rate of 4.337% while the financial institution pays a floating rate based on 79% of SOFR plus 1.2245%. The difference between the fixed and floating rates is accrued and recorded in interest expense in the accompanying statements of operations. The fair value of this derivative instrument is recorded on the balance sheets as a long-term asset as of September 30, 2023.

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

	<b>2022A-1 Bond Bank Swap</b>
Notional amount at September 30, 2023	<b>\$ 18,447,941</b>
Trade date	<b>11/2/2022</b>
Effective date	<b>3/1/2023</b>
Termination date	<b>11/1/2037</b>
Fixed rate	<b>4.337%</b>
Fair value at September 30, 2023	<b><u>\$ 963,245</u></b>

By using an interest rate swap to hedge exposure to change in interest rates, The Forest 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.

## **8. Net Assets with Donor Restrictions**

Net assets with donor restrictions were \$450,962 and \$198,285 at September 30, 2023 and 2022, respectively. The net assets with donor restrictions are primarily restricted for employee education assistance and other miscellaneous purposes.

## **9. Retirement Plan**

The Forest has a 403(b) defined contribution plan (the "Plan") for all eligible employees. Under the terms of the Plan, employees may make voluntary before tax contributions, limited to amounts specified by the Internal Revenue Code. The Forest matches qualifying employees' contributions 100% up to 7% of gross salary. The Forest's contributions were approximately \$240,000 and \$226,000 for the years ended September 30, 2023 and 2022, respectively.

## **10. Professional Liability Insurance**

The Forest is not currently involved in litigation related to professional liability claims. Management believes that if any claims were asserted, they would be settled within the limits of insurance coverage, which is on an occurrence basis, with limits of \$1,000,000 per claim and \$3,000,000 in the aggregate.

## **11. Liquidity and Availability**

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

The following schedule reflects The Forest's financial assets to meet cash needs for general expenses within one year. The financial assets were derived from the total assets on the balance sheets by excluding the assets that are unavailable for general expenses in the next 12 months. Board designated amounts for projects have been included in the schedule below as the board could release these funds for liquidity purposes if needed.

The Forest seeks to maintain sufficient liquid assets to cover three months' operating and capital expenses.

**The Forest at Duke, Inc.**  
**Notes to Financial Statements**

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

<u>Asset Categories</u>	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 9,175,859	\$ 4,480,828
Accounts and other receivables	806,541	2,381,367
Investments and assets limited as to use	40,781,767	47,225,244
Less: Held by trustee	(1,521,587)	(11,949,256)
Less: Reserves required by state statute	(6,184,000)	(5,401,000)
Less: Restricted by donor	(450,960)	(198,285)
Less: Held by escrows	(5,221,887)	(3,828,554)
	<u>\$ 37,385,733</u>	<u>\$ 32,710,344</u>

## 12. Functional Expenses

The costs of providing various program and support activities have been allocated among program, administrative and general expenses. Expenses are allocated on an equitable and consistent basis based upon a variety of factors including square footage, usage, and estimated time utilized. The following is a schedule of expenses by both natural classification and function for the years ended September 30, 2023 and 2022:

	<u>2023</u>		
	<u>Program Services</u>	<u>Administrative and General</u>	<u>Total</u>
Salaries and wages	\$ 8,240,558	\$ 3,023,345	\$ 11,263,903
Employee benefits	1,538,032	329,431	1,867,463
Payroll taxes	705,594	95,459	801,053
Fees for services	1,267,983	340,163	1,608,146
Advertising and promotion	327,775	-	327,775
Office expenses	1,010,659	533,126	1,543,785
Information technology	327,875	11,987	339,862
Occupancy	1,809,543	-	1,809,543
Travel and vehicle maintenance	76,059	47,163	123,222
Interest	2,049,809	-	2,049,809
Depreciation	4,218,953	-	4,218,953
Insurance	237,297	-	237,297
Food	1,610,611	-	1,610,611
Medical supplies and ancillary services	253,852	-	253,852
Miscellaneous	3,954	-	3,954
	<u>\$ 23,678,554</u>	<u>\$ 4,380,674</u>	<u>\$ 28,059,228</u>
Total expense	<u>\$ 23,678,554</u>	<u>\$ 4,380,674</u>	<u>\$ 28,059,228</u>

**The Forest at Duke, Inc.**  
**Notes to Financial Statements**

	<b>2022</b>		
	<b>Program Services</b>	<b>Administrative and General</b>	<b>Total</b>
Salaries and wages	\$ 7,565,959	\$ 2,937,714	\$ 10,503,673
Employee benefits	1,514,867	322,138	1,837,005
Payroll taxes	659,526	99,300	758,826
Fees for services	87,645	284,725	372,370
Advertising and promotion	754,365	-	754,365
Office expenses	931,605	472,259	1,403,864
Information technology	289,652	11,626	301,278
Occupancy	1,622,468	-	1,622,468
Travel and vehicle maintenance	73,375	39,813	113,188
Interest	358,931	-	358,931
Depreciation	5,300,925	-	5,300,925
Insurance	272,026	-	272,026
Food	1,545,598	-	1,545,598
Medical supplies and ancillary services	293,345	-	293,345
Miscellaneous	<u>22,513</u>	<u>3,273</u>	<u>25,786</u>
<b>Total expense</b>	<b><u>\$ 21,292,800</u></b>	<b><u>\$ 4,170,848</u></b>	<b><u>\$ 25,463,648</u></b>

### **13. Employee Retention Credit**

In response to the economic impact of the COVID-19 pandemic, Congress introduced the Employee Retention Credit (ERC). The ERC is a refundable payroll tax credit available to taxpayers who experienced either a full or partial suspension of business operations due to government orders or had a significant drop in gross receipts during 2021. The credit is available for 70 percent of up to \$10,000 of qualified wages per employee per quarter. The Forest qualifies for the ERC based on partial suspension of operations due to a government order. ERC may be recognized once the conditions attached to the grant have been substantially met. During the year ended September 30, 2022, The Forest met conditions of the ERC and has recognized \$1,311,269 associated with the ERC as other income and a corresponding receivable on the balance sheet. During the year ended September 30, 2023, The Forest received the funds from the Internal Revenue Service. The ERC remains subject to audit and retroactive adjustments.

**Exhibit B**

Internally-Generated Financial Statements  
For the Period Ending December 31, 2023



THE FOREST AT DUKE, INC.  
Statement of Operations-Unaudited  
For The Three Months Ending December 31, 2023

	<u>Actual YTD</u>	<u>Budget YTD</u>	<u>Variance</u>
<b>Revenues:</b>			
Monthly fees	\$ 4,364,997	4,422,150	\$ (57,153)
Early acceptance monthly fees	137,106	139,650	(2,544)
Clinic and health care center fees	1,285,043	1,352,531	(67,488)
Home care revenue	24,732	44,499	(19,767)
Other income	70,495	49,581	20,914
Total operating revenues	<u>5,882,373</u>	<u>6,008,411</u>	<u>(126,038)</u>
<b>Expenses:</b>			
General and administrative	653,539	671,784	18,245
Marketing	195,767	171,216	(24,551)
Early Acceptance	2,099	7,494	5,395
Wellness clinic	180,772	183,456	2,684
Health care center	1,583,501	1,425,501	(158,000)
The Forest at Home	49,245	71,946	22,701
Community life	140,932	135,942	(4,990)
Dining services	1,241,653	1,234,233	(7,420)
Housekeeping and laundry	328,995	363,756	34,761
Maintenance	407,706	365,727	(41,979)
Security and transportation	202,711	189,792	(12,919)
Plant, insurance and utilities	434,093	419,955	(14,138)
Total operating expenses	<u>5,421,013</u>	<u>5,240,802</u>	<u>(180,211)</u>
Net operating revenues less operating expenses	461,360	767,609	(306,249)
<b>Non-operating revenues:</b>			
Earned entrance fees	1,260,099	1,132,566	127,533
Early acceptance earned entrance fees	32,208	32,340	(132)
<b>Investment income:</b>			
Interest and dividends	316,931	137,499	179,432
Realized gain / (loss) on sale of Investments	(76,867)	50,001	(126,868)
Net unrealized gains / (losses) on investments	2,065,685	-	2,065,685
Change in fair value of interest rate swap agreement	(3,342,458)	-	(3,342,458)
Gift shop / donation revenue	20,763	-	20,763
Total non-operating revenues	<u>276,361</u>	<u>1,352,406</u>	<u>(1,076,045)</u>
<b>Non-operating expenses:</b>			
Interest	481,383	525,286	43,903
Community responsibility	71,670	105,000	33,330
Gift shop / donation purchases	10,613	-	(10,613)
Depreciation	1,756,188	1,536,750	(219,438)
Total non-operating expenses	<u>2,319,854</u>	<u>2,167,036</u>	<u>(152,818)</u>
Net non-operating revenues less non-operating expenses	(2,043,493)	(814,630)	(1,228,863)
Change in net assets	\$ <u>(1,582,133)</u>	\$ <u>(47,021)</u>	\$ <u>(1,535,112)</u>

THE FOREST AT DUKE, INC.  
Balance Sheet - Unaudited  
December 31, 2023

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**ASSETS**

Current assets:	
Cash and cash equivalents	\$ 10,779,177
Assets limited as to use, current portion	142,867
Accounts and other receivables	609,701
Other current assets	48,740
Total current assets	<u>11,580,485</u>
Assets limited as to use, net of current portion	21,454,028
Investments	25,354,912
Other long term assets	86,304
Property and equipment, net	99,165,290
Total assets	<u>\$ 157,641,019</u>

**LIABILITIES AND NET ASSETS**

Current liabilities:	
Accounts payable	\$ 521,971
Accrued expenses	1,077,379
Retainage payable	1,438,679
Current portion of bonds payable	1,305,000
Total current liabilities	<u>4,343,029</u>
Deferred revenue from entrance fees:	
Deposits	9,981,909
Deferred revenue from non-refundable plan entrance fees	38,955,010
Deferred revenue from non-refundable plan entrance fees - Early Acceptance	1,526,783
Refundable entrance fees to residents	8,377,471
Bonds payable, net of current portion and issuance costs	75,961,253
Unamortized bond premium	5,691,092
Fair value of interest rate swap payable	2,379,213
Total liabilities	<u>147,215,760</u>
Net assets, beginning of year	12,007,392
Net assets for period	<u>(1,582,133)</u>
Total liabilities and net assets	<u>\$ 157,641,019</u>

THE FOREST AT DUKE, INC.  
Assets Limited as to Use  
December 31, 2023

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Department of Insurance - operating reserve	\$ 6,482,000
Held by trustee under trust and loan agreements	1,572,143
Held by escrow agent	8,830,777
Board designated health care reserve	4,148,000
Board designated benevolent fund	<u>563,975</u>
Total assets limited as to use	21,596,895
Less assets limited as to use, current portion	<u>(142,867)</u>
Total assets limited as to use, net of current portion	<u>\$ 21,454,028</u>

THE FOREST AT DUKE, INC.  
Statement of Cash Flows - Unaudited  
For The Three Months Ending December 31, 2023

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Operating activities:	
Change in net assets	(1,582,133)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Earned entrance fees	(1,292,307)
Net realized & unrealized (gain) loss on investments	(1,988,818)
Change in fair value of interest rate swap agreement	3,342,458
Non-refundable plan entrance fees received	1,877,145
Non-refundable plan entrance fees received - Early acceptance	40,000
Depreciation	1,756,188
Amortization of bond issuance costs included in interest expense	135,004
Amortization of bond premium included in interest expense	(214,758)
Net changes in operating assets and liabilities:	
Accounts and other receivables	196,840
Other current assets	38,062
Accounts payable	(79,522)
Accrued expenses	431,691
Net cash provided by operating activities	<u>2,659,850</u>
Investing activities:	
Net change in assets limited as to use	(3,994,878)
Purchases of investments	(1,359,226)
Proceeds from sale of investments	1,176,575
Purchases of property & equipment	<u>(6,395,608)</u>
Net cash used by investing activities	<u>(10,573,137)</u>
Financing activities:	
Entrance fees refunded	(6,895)
Deposits received for new independent living units	3,608,420
Deposits received for new unit upgrades	638,195
Proceeds from issuance of bonds payable	5,591,885
Principal payments on bonds payable	<u>(315,000)</u>
Net cash provided by financing activities	<u>9,516,605</u>
Net change in cash and cash equivalents	1,603,318
Cash and cash equivalents, beginning of year	9,175,859
Cash and cash equivalents, end of period	<u><u>\$10,779,177</u></u>

**Exhibit C**

Comparison of Actual FYE 2023 Results with Forecasted Proforma Projections in  
March 1, 2023 Disclosure Statement

**The Forest at Duke**  
**Comparison of Actual Results with Forecasted Proforma Projections**  
**September 30, 2023**

<u>STATEMENTS OF OPERATIONS</u>	<u>Actual 2023</u>	<u>Forecast 2023*</u>	<u>\$ Variance Over (Under)</u>	<u>% Variance Over (Under)</u>	<u>Notes</u>
<b>Revenue, gains and other support:</b>					
Monthly fees	\$ 16,452,743	16,829,000	(376,257)	-2.2%	
Early Acceptance monthly fees	486,713	561,000	(74,287)	-13.2%	
Earned entrance fees	5,115,099	4,484,000	631,099	14.1%	(1)
Early Acceptance earned entrance fees	205,638	139,000	66,638	47.9%	(2)
Clinic and health care center fees	4,702,252	5,709,000	(1,006,748)	-17.6%	(3)
Home care revenue	138,812	288,000	(149,188)	-51.8%	(4)
Other income	461,420	223,000	238,420	106.9%	(5)
Total revenue, gains and other support	<u>27,562,677</u>	<u>28,233,000</u>			
<b>Expenses:</b>					
General and administrative expenses	2,812,136	2,794,000	18,136	0.6%	
Dining services	4,853,012	4,802,000	51,012	1.1%	
Housekeeping and laundry	1,363,178	1,320,000	43,178	3.3%	
Health care center and nursing	6,275,973	6,502,000	(226,027)	-3.5%	
Wellness clinic	735,880	745,000	(9,120)	-1.2%	
The Forest at Home	215,803	424,000	(208,197)	-49.1%	(4)
Community life	551,032	546,000	5,032	0.9%	
Plant facility costs	3,953,510	3,618,000	335,510	9.3%	
Marketing	1,003,052	987,000	16,052	1.6%	
Early acceptance	26,890	160,000	(133,110)	-83.2%	(6)
Depreciation	4,218,953	5,813,000	(1,594,047)	-27.4%	(7)
Interest	2,049,809	1,717,000	332,809	19.4%	
Total operating expenses	<u>28,059,228</u>	<u>29,428,000</u>			
<b>Operating loss</b>	(496,551)	(1,195,000)			
<b>Non-operating income (expense):</b>					
Investment Income	957,713	646,000	311,713	48.3%	(8)
Realized gains on sale of investments	137,689	500,000	(362,311)	-72.5%	(8)
Net unrealized gains on investments and assets limited as to use	2,240,658	1,110,000	1,130,658	101.9%	(8)
Change in fair value of interest rate swap agreement	963,245	(2,562,000)	3,525,245	-137.6%	(9)
Loss on disposal of assets	(5,703,311)	(5,883,000)	179,689	-3.1%	
Community responsibility	(1,055,604)	(871,000)	184,604	21.2%	
Non operating income (expense)	<u>(2,459,610)</u>	<u>(7,060,000)</u>			
<b>Excess (deficit) of revenues, gains and other support over expenses</b>	<u>(2,956,161)</u>	<u>(8,255,000)</u>			

\* Forecasted Financial Statements Included in March 1, 2023 Disclosure Statement dated 2/3/2023

**Notes to Revenue and Expense Variances:**

The Forest at Duke considers any variance of 25% or \$500,000 as material, and therefore deserving of explanation. Other explanations are also provided if they are deemed to be noteworthy to prospective and current residents.

- (1) Added 21 new residences this fiscal year and received more termination income (39 contracts) than forecasted.
- (2) Added 12 residents to the program this fiscal year which resulted in greater amortization income than forecasted.
- (3) Less occupancy in health center as response to pandemic. In order to more safely care for our residents and prevent the spread of COVID-19, The Forest utilized an 8-room neighborhood to isolate residents and did not bill them for utilizing those rooms as they were isolating. With opening of new health center, have been actively marketing direct admission to assisted living.
- (4) New program that began accepting clients in July 2021. Less revenue than anticipated which has offset in The Forest at Home expense. Less actual staffing due to lower number of clients.
- (5) Actual results include greater dining revenue and \$230 K donation to the Benevolent Fund.
- (6) Actual costs of program less than projected.
- (7) Less recorded in Depreciation Expense due to retirement of assets associated with demolishing existing health care building.
- (8) Favorable mark-to-market adjustment at year-end. Sold fixed investments in order to realize better interest rates, which resulted in greater interest income.
- (9) Actual fair value of interest rate swap agreement was in asset position at year-end.

**The Forest at Duke**  
**Comparison of Actual Results with Forecasted Proforma Projections**  
**September 30, 2023**

<u>ASSETS</u>	<u>Actual 2023</u>	<u>Forecast 2023 *</u>	<u>\$ Variance Over (Under)</u>	<u>% Variance Over (Under)</u>	<u>Notes</u>
Current assets:					
Cash and equivalents	\$ 9,175,859	5,456,000	3,719,859	68.2%	(1)
Assets limited as to use, current portion	142,544	146,000	(3,456)	-2.4%	
Accounts and other receivables	806,541	380,000	426,541	112.2%	
Other current assets	<u>86,902</u>	<u>89,000</u>	(2,098)	-2.4%	
Total current assets	<u>10,211,846</u>	<u>6,071,000</u>			
Assets limited to use, net of current portion	17,459,473	14,535,000	2,924,473	20.1%	
Investments	23,179,750	28,339,000	(5,159,250)	-18.2%	
Fair value of interest rate swap	963,245	-	963,245	#DIV/0!	(2)
Other long-term assets	86,304	86,000	304	0.4%	
Property and equipment, net	<u>94,525,870</u>	<u>107,616,000</u>	(13,090,130)	-12.2%	
Total assets	<u>146,426,488</u>	<u>156,647,000</u>			
<b><u>LIABILITIES AND NET ASSETS</u></b>					
Current liabilities:					
Accounts payable	601,493	594,000	7,493	1.3%	
Accrued expenses	645,688	1,112,000	(466,312)	-41.9%	
Retainage payable	1,438,679	-	1,438,679	#DIV/0!	(3)
Current portion of refundable entrance fees to residents	1,299,276	1,503,000	(203,724)	-13.6%	
Current portion of bonds payable	<u>1,305,000</u>	<u>1,305,000</u>	-	0.0%	
Total current liabilities	<u>5,290,136</u>	<u>4,514,000</u>			
Bonds payable, net of current portion and debt issuance costs	76,451,521	92,350,000	(15,898,479)	-17.2%	
Deferred revenue from entrance fees:					
Deposits	6,217,084	4,580,000	1,637,084	35.7%	(4)
Non-refundable plan entrance fees	37,863,068	38,333,000	(469,932)	-1.2%	
Non-refundable plan entrance fees - Early Acceptance	1,518,992	1,516,000	2,992	0.2%	
Refundable entrance fees to residents, less current portion	7,078,195	6,337,000	741,195	11.7%	
Fair value of interest rate swap payable	-	2,562,000	(2,562,000)	-100.0%	(2)
Total liabilities	<u>134,418,996</u>	<u>150,192,000</u>			
Net assets:					
Without donor restrictions	11,556,430	6,257,000	5,299,430	-84.7%	(5)
With donor restrictions	<u>450,962</u>	<u>198,000</u>	252,962	127.8%	
Total net assets	<u>12,007,392</u>	<u>6,455,000</u>			
Total liabilities and net assets	<u>146,426,388</u>	<u>156,647,000</u>			

\* Forecasted Financial Statements Included in March 1, 2023 Disclosure Statement dated 2/3/2023

**Notes to Balance Sheet Variances:**

The Forest at Duke considers any variance of 25% and \$500,000 as material, and therefore deserving of explanation. Other explanations are also provided if they are deemed to be noteworthy to prospective and current residents.

- (1) Actual results include \$1.3 M receivable due from IRS for Employee Retention Credit related to CARES Act that was received in FYE 2023.
- (2) At year-end, fair value of interest rate swap in asset position and in the forecast, a liability.
- (3) Actual results reflect retainage due on construction costs in accordance with construction manager contract.
- (4) Actual results reflect \$1.6 M in deposits received for new Terrace Apartments.
- (5) Primarily due to less depreciation expense and positive change in fair value of interest rate swap and unrealized gain on investments compared to forecast.

**The Forest at Duke**  
**Comparison of Actual Results with Forecasted Proforma Projections**  
**September 30, 2023**

<b>STATEMENTS OF CASH FLOWS</b>	<b>Actual 2023</b>	<b>Forecast 2023 *</b>	<b>\$ Variance Over (Under)</b>	<b>% Variance Over (Under)</b>	<b>Notes</b>
Operating activities:					
Change in net assets	\$ (2,703,484)	(8,255,000)	5,551,516	-67%	(1)
Adjustments to reconcile change in net assets to net cash provided by operating activities:					
Earned entrance fees	(5,115,099)	(4,484,000)	(631,099)	-14%	
Early Acceptance earned entrance fees	(205,638)	(139,000)	(66,638)	-48%	
Net realized and unrealized gains on investments and assets limited as to use	(2,378,347)	(1,110,000)	(1,268,347)	-114%	(2)
Non-refundable entrance fees received	7,030,995	6,434,000	596,995	9%	
Early Acceptance entrance fees received	470,000	400,000	70,000	18%	
Depreciation	4,218,953	5,813,000	(1,594,047)	-27%	(3)
Amortization of bond issuance costs included in interest expense	82,071	50,000	32,071	64%	
Amortization of premium included in interest expense	(213,464)	(288,000)	74,536	-26%	
Loss on disposal of assets	5,703,311	5,883,000	(179,689)	-3%	
Change in fair value of interest swap agreement	(963,245)	2,562,000	(3,525,245)	-138%	(4)
Net changes in operating assets and liabilities:					
Accounts and other receivables	1,574,826	2,001,000	(426,174)	21%	
Other current assets	(2,131)	(4,000)	1,869	47%	
Accounts payable	(229,446)	(237,000)	7,554	-3%	
Accrued expenses	(33,850)	388,000	(421,850)	-109%	
Construction payable	(561,321)	(2,000,000)	1,438,679	-72%	(5)
Accrued interest	-	44,000	(44,000)	-100%	
Net cash provided by operating activities	<u>6,674,131</u>	<u>7,058,000</u>			
Investing activities:					
Net change in assets limited as to use	8,430,013	10,796,000	(2,365,987)	22%	
Net change in investments	923,187	(5,505,000)	6,428,187	117%	(6)
Purchase of property and equipment	(25,711,716)	(40,576,000)	14,864,284	37%	(7)
Net cash used by investing activities	<u>(16,358,516)</u>	<u>(35,285,000)</u>			
Financing activities:					
Entrance fees refunded	(724,419)	(1,012,000)	287,581	28%	
Deposits received from new independent living units	1,623,294	172,000	1,451,294	-844%	(8)
Proceeds from issuance of bonds payable	16,269,070	32,456,000	(16,186,930)	50%	(7)
Debt issuance costs from issuance of bonds payable	(992,421)	(1,174,000)	181,579	15%	
Principal payments on bonds payable	(1,265,000)	(1,265,000)	-	0%	
Net cash provided (used) by financing activities	<u>14,910,524</u>	<u>29,177,000</u>			
Net change in cash, cash equivalents and restricted cash	5,226,139	950,000			
Cash, cash equivalents, and restricted cash at beginning of year	<u>4,939,224</u>	<u>4,920,000</u>			
Cash, cash equivalents, and restricted cash at end of year	<u>10,165,363</u>	<u>5,870,000</u>			

\* Forecasted Financial Statements Included in March 1, 2023 Disclosure Statement dated 2/3/2023

**Notes to Statement of Cash Flow Variances:**

The Forest at Duke considers any variance of 25% and \$500,000 as material, and therefore deserving of explanation. Other explanations are also provided if they are deemed to be noteworthy to prospective and current residents.

- (1) Actual change in net assets better than forecasted primarily due to investment activity, change in fair value of interest rate swap and depreciation expense.
- (2) Effect of \$2.2 M mark-to-market adjustment at year-end.
- (3) Less recorded in Depreciation Expense due to retirement of assets associated with demolishing the existing health care building.
- (4) Actual fair value of interest rate swap agreement was an asset at year-end and liability in the forecast.
- (5) Actual results reflect retainage due on construction costs that was lower than forecasted.
- (6) Less actual investment purchases than forecasted.
- (7) The 2022 Series bonds are a draw-down loan. Actuals reflect construction costs for the Terraces that are lower than forecasted draws. This is also reflected in lower proceeds from issuance of bonds payable.
- (8) Actual results include \$1.6 M in deposits received for new Terrace Apartments.



**Exhibit D**

Five Year Forecast 2024 - 2028

**THE FOREST AT DUKE, INC.**

**PROJECTED FINANCIAL STATEMENTS AND INDEPENDENT  
ACCOUNTANT'S COMPILATION REPORT**

**FOR THE FIVE YEARS ENDING  
SEPTEMBER 30, 2024 THROUGH 2028**



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## INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Board of Directors  
The Forest at Duke, Inc.  
Durham, North Carolina

Management is responsible for the accompanying projected financial statements of The Forest at Duke, Inc. (the "Corporation" or "FAD"), which comprise the projected balance sheets as of September 30, 2024, 2025, 2026, 2027 and 2028 (the "Projection Period"), and the related projected statements of operations, changes in net assets, and cash flows for the years then ending, and the related summary of significant projection assumptions and accounting policies in accordance with the guidelines for presentation of a financial projection established by the American Institute of Certified Public Accountants (AICPA). We have performed a compilation engagement in accordance with the Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the projected financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these projected financial statements or the assumptions.

Even if the hypothetical assumptions described below occurred, the projected results may not be achieved as there will usually be differences between the projected and actual results because events and circumstances frequently do not occur as expected and those differences may be material.

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

- The construction of the additional 71 independent living apartments (the "New Independent Living Units"), parking, additional dining and certain renovations to the existing community center (collectively, the "IL Project") costs and timing of construction are consistent with the assumptions disclosed herein;
- The New Independent Living Units are successfully marketed, at the disclosed fee levels, and occupied during the Projection Period and assisted living and nursing occupancies occur as projected; and
- Management achieves the inflationary assumptions projected for revenue and expenses.

Board of Directors  
The Forest at Duke, Inc.

**The accompanying projection and this report are intended solely for the information and use of:**

- **the Corporation and its Board of Directors,**
- **the North Carolina Department of Insurance (pursuant to the requirements of North Carolina General Statutes, Chapter 58, Article 64 and is included in the Corporation's disclosure statement filing),**

**and is not intended to be and should not be used by anyone other than these specified parties.**

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

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Charlotte, North Carolina  
January 31, 2024

**THE FOREST AT DUKE, INC.**  
**PROJECTED STATEMENTS OF OPERATIONS**  
**FOR THE YEARS ENDING SEPTEMBER 30,**  
**ASSUMING THE HYPOTHETICAL ASSUMPTIONS ON PAGE 8**  
**(IN THOUSANDS OF DOLLARS)**

	2024	2025	2026	2027	2028
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>					
Monthly Fees	\$ 17,766	\$ 19,699	\$ 25,409	\$ 26,511	\$ 27,389
Early Acceptance Program Monthly Fees	621	711	740	770	801
Earned Entrance Fees	4,554	5,169	6,757	7,340	7,437
Earned Entrance Fees- Early Acceptance Program	154	169	169	169	169
Clinic and Health and Wellness Center Fees	6,732	7,718	7,441	7,232	7,398
Home Care Revenue	178	185	193	200	208
Other Income	198	236	340	358	372
Net Assets Released from Donor Restrictions for Operations	46	47	48	49	50
<b>Total Revenue, Gains, and Other Support</b>	<b>30,249</b>	<b>33,934</b>	<b>41,097</b>	<b>42,629</b>	<b>43,824</b>
<b>EXPENSES</b>					
Dining Services	5,179	5,581	6,411	6,699	6,967
Housekeeping	1,523	1,636	1,866	1,950	2,028
Laundry	46	48	50	52	54
Health Care Center and Nursing	6,140	6,385	6,641	6,907	7,183
Wellness Clinic	748	778	809	842	875
The Forest at Home	310	323	336	349	363
Community Life	575	619	710	741	771
Plant Facility Costs	4,015	4,323	4,955	5,177	5,384
Marketing	1,252	899	779	810	842
General and Administrative	2,827	3,051	3,517	3,676	3,823
Early Acceptance	148	169	176	183	190
Depreciation	6,884	7,638	10,760	10,794	10,483
Interest	2,215	4,425	5,148	4,911	4,815
Interest- Amortization of Issuance Costs	77	93	93	92	91
Interest- Amortization of Bond Premium	(288)	(288)	(288)	(288)	(288)
<b>Total Operating Expenses</b>	<b>31,651</b>	<b>35,680</b>	<b>41,963</b>	<b>42,895</b>	<b>43,581</b>
<b>Operating Income (Loss)</b>	<b>(1,402)</b>	<b>(1,746)</b>	<b>(866)</b>	<b>(266)</b>	<b>243</b>
Nonoperating Income (Expense)					
Investment Income	1,178	1,485	1,933	2,309	2,594
Community Responsibility	(970)	(1,131)	(1,463)	(1,515)	(1,550)
<b>Nonoperating Income (Loss)</b>	<b>208</b>	<b>354</b>	<b>470</b>	<b>794</b>	<b>1,044</b>
Excess (Deficit) of Revenues, Gains, and Other Support Over Expenses	(1,194)	(1,392)	(396)	528	1,287
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<b>\$ (1,194)</b>	<b>\$ (1,392)</b>	<b>\$ (396)</b>	<b>\$ 528</b>	<b>\$ 1,287</b>

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

**THE FOREST AT DUKE, INC.**  
**PROJECTED STATEMENTS OF CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDING SEPTEMBER 30,**  
**ASSUMING THE HYPOTHETICAL ASSUMPTIONS ON PAGE 8**  
**(IN THOUSANDS OF DOLLARS)**

	2024	2025	2026	2027	2028
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>					
Excess (Deficit) of Revenues, Gains, and Other Support Over Expenses	\$ (1,194)	\$ (1,392)	\$ (396)	\$ 528	\$ 1,287
<b>Change in Net Assets Without Donor Restrictions</b>	<b>(1,194)</b>	<b>(1,392)</b>	<b>(396)</b>	<b>528</b>	<b>1,287</b>
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>					
Contributions	46	47	48	49	50
Net Assets Released From Donor Restrictions for Operations	(46)	(47)	(48)	(49)	(50)
<b>Change in Net Assets With Donor Restrictions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Net Assets</b>	<b>(1,194)</b>	<b>(1,392)</b>	<b>(396)</b>	<b>528</b>	<b>1,287</b>
<b>Net Assets, Beginning of Year</b>	<b>11,879</b>	<b>10,685</b>	<b>9,293</b>	<b>8,897</b>	<b>9,425</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 10,685</b>	<b>\$ 9,293</b>	<b>\$ 8,897</b>	<b>\$ 9,425</b>	<b>\$ 10,712</b>

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

**THE FOREST AT DUKE, INC.**  
**PROJECTED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDING SEPTEMBER 30,**  
**ASSUMING THE HYPOTHETICAL ASSUMPTIONS ON PAGE 8**  
**(IN THOUSANDS OF DOLLARS)**

	2024	2025	2026	2027	2028
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Change in Net Assets	\$ (1,194)	\$ (1,392)	\$ (396)	\$ 528	\$ 1,287
Adjustments to Reconcile Change in Net Assets to Net Cash Flows Provided by					
Earned Entrance Fees	(4,554)	(5,169)	(6,757)	(7,340)	(7,437)
Earned Entrance Fees- Early Acceptance Program	(154)	(169)	(169)	(169)	(169)
Entrance Fees Receipts	6,298	6,647	7,924	9,279	9,882
Entrance Fees Receipts- Early Acceptance Program	480	-	-	-	-
Depreciation	6,884	7,638	10,760	10,794	10,483
Amortization of Bond Issuance Costs Included in Interest Expense	77	93	93	92	91
Amortization of Bond Premium	(288)	(288)	(288)	(288)	(288)
Change in Current Assets:					
Accounts Receivable	(23)	(131)	11	16	(20)
Other Receivables	(2)	-	-	-	-
Change in Current Liabilities:					
Accounts Payable	13	34	69	31	30
Accrued Expenses	155	44	90	40	39
Accrued Interest	213	111	(71)	(16)	(5)
<b>Net Cash Provided by Operating Activities</b>	<b>9,328</b>	<b>8,036</b>	<b>11,413</b>	<b>12,558</b>	<b>13,573</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
(Purchase) Sale of Investments	(6,701)	1,521	(16,668)	(3,598)	(5,133)
Net Purchases of Property and Equipment	(57,848)	(19,297)	(2,850)	(2,950)	(3,050)
Interest Costs Capitalized in Property and Equipment	(2,130)	(1,635)	-	-	-
Net Change in Assets Whose Use Is Limited	(266)	(13,186)	17,781	(338)	(309)
<b>Net Cash Used in Investing Activities</b>	<b>(66,945)</b>	<b>(32,597)</b>	<b>(1,737)</b>	<b>(6,886)</b>	<b>(8,492)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Initial Entrance Fee Receipts and Deposits	-	21,737	9,923	-	-
Entrance Fees Refunded	(1,223)	(1,423)	(2,437)	(2,716)	(2,043)
Proceeds from Series 2022A-1 Bonds	49,802	-	-	-	-
Proceeds from Series 2022A-2 Bonds	8,142	21,357	-	-	-
Principal Payments- Long-Term Debt	(1,305)	(1,335)	(2,325)	(2,625)	(2,720)
Principal Payments- Short-Term Debt (Series 2022A-2 Bonds)	-	(15,413)	(14,087)	-	-
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>55,416</b>	<b>24,923</b>	<b>(8,926)</b>	<b>(5,341)</b>	<b>(4,763)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(2,201)</b>	<b>362</b>	<b>750</b>	<b>331</b>	<b>318</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>9,176</b>	<b>6,975</b>	<b>7,337</b>	<b>8,087</b>	<b>8,418</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 6,975</b>	<b>\$ 7,337</b>	<b>\$ 8,087</b>	<b>\$ 8,418</b>	<b>\$ 8,736</b>
Supplemental Disclosure of Cash Flow Information:					
Cash Paid for Interest (net of capitalized)	\$ 4,132	\$ 5,949	\$ 5,219	\$ 4,927	\$ 4,820

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



**THE FOREST AT DUKE, INC.**  
**PROJECTED BALANCE SHEETS**  
**AT SEPTEMBER 30,**  
**ASSUMING THE HYPOTHETICAL ASSUMPTIONS ON PAGE 8**  
**(IN THOUSANDS OF DOLLARS)**

	2024	2025	2026	2027	2028
<b>ASSETS</b>					
Current Assets:					
Cash and Cash Equivalents	\$ 6,975	\$ 7,337	\$ 8,087	\$ 8,418	\$ 8,736
Assets Limited as to Use, Current Portion	1,454	144	143	143	141
Accounts and Other Receivables, Net	830	961	950	934	954
Other Current Assets	89	89	89	89	89
<b>Total Current Assets</b>	<b>9,348</b>	<b>8,531</b>	<b>9,269</b>	<b>9,584</b>	<b>9,920</b>
Assets Limited as to Use:					
Statutory Operating Reserve	6,482	14,617	8,346	8,646	8,919
Benevolent Fund - Board Designated	555	572	589	607	625
Health Care Reserve - Board Designated	4,156	4,176	4,196	4,216	4,236
Construction Account	1,310	-	-	-	-
Entrance Fee Fund	-	9,909	-	-	-
Bond Fund	144	144	143	143	141
Resident Deposits - Project	5,222	1,637	-	-	-
<b>Total Assets Limited as to Use</b>	<b>17,869</b>	<b>31,055</b>	<b>13,274</b>	<b>13,612</b>	<b>13,921</b>
Less: Current Portion	(1,454)	(144)	(143)	(143)	(141)
<b>Total Assets Limited as to Use, Less Current Portion</b>	<b>16,415</b>	<b>30,911</b>	<b>13,131</b>	<b>13,469</b>	<b>13,780</b>
Investments	29,752	28,231	44,899	48,497	53,630
Other Long-Term Assets	86	86	86	86	86
Fair Value of Interest Rate Swap	963	963	963	963	963
Property and Equipment	141,429	234,604	237,454	240,404	243,454
Construction in Progress	73,682	-	-	-	-
Less: Accumulated Depreciation	(67,492)	(75,130)	(85,890)	(96,684)	(107,167)
<b>Net Property and Equipment</b>	<b>147,619</b>	<b>159,474</b>	<b>151,564</b>	<b>143,720</b>	<b>136,287</b>
<b>Total Assets</b>	<b>\$ 204,183</b>	<b>\$ 228,196</b>	<b>\$ 219,912</b>	<b>\$ 216,319</b>	<b>\$ 214,666</b>

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

**THE FOREST AT DUKE, INC.**  
**PROJECTED BALANCE SHEETS**  
**AT SEPTEMBER 30,**  
**ASSUMING THE HYPOTHETICAL ASSUMPTIONS ON PAGE 8**  
**(IN THOUSANDS OF DOLLARS)**

	2024	2025	2026	2027	2028
<b>LIABILITIES AND NET ASSETS</b>					
Current Liabilities:					
Accounts Payable	\$ 615	\$ 649	\$ 718	\$ 749	\$ 779
Accrued Expenses	801	845	935	975	1,014
Accrued Interest Payable	213	324	253	237	232
Retainage Payable	1,439	-	-	-	-
Current Portion of Refundable Entrance Fees to Residents	1,423	2,041	2,188	1,779	1,459
Current Maturities of Long-Term Debt	1,335	2,325	2,625	2,720	2,840
<b>Total Current Liabilities</b>	<b>5,826</b>	<b>6,184</b>	<b>6,719</b>	<b>6,460</b>	<b>6,324</b>
Long-Term Debt, Net of Current Portion	129,133	132,752	116,040	113,320	110,480
Deferred Financing Costs	(1,902)	(1,809)	(1,716)	(1,624)	(1,533)
Unamortized Bond Premium	5,618	5,330	5,042	4,754	4,466
<b>Net Long-Term Debt</b>	<b>132,849</b>	<b>136,273</b>	<b>119,366</b>	<b>116,450</b>	<b>113,413</b>
Resident Deposits	6,217	2,632	995	995	995
Deferred Revenue from Non-Refundable Plan Entrance Fees	39,219	65,431	77,067	77,768	79,384
Refundable Entrance Fees To Residents	7,542	6,707	5,361	3,883	2,669
Deferred Revenue from Early Acceptance Program Entrance Fees	1,845	1,676	1,507	1,338	1,169
<b>Total Liabilities</b>	<b>193,498</b>	<b>218,903</b>	<b>211,015</b>	<b>206,894</b>	<b>203,954</b>
Net Assets:					
Without Donor Restriction	10,234	8,842	8,446	8,974	10,261
With Donor Restriction	451	451	451	451	451
<b>Total Net Assets</b>	<b>10,685</b>	<b>9,293</b>	<b>8,897</b>	<b>9,425</b>	<b>10,712</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 204,183</b>	<b>\$ 228,196</b>	<b>\$ 219,912</b>	<b>\$ 216,319</b>	<b>\$ 214,666</b>

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

# SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

## BACKGROUND AND INFORMATION

### Basis of Presentation

The financial projection (the "Projection") presents, to the best of the knowledge and belief of management's ("Management") of The Forest at Duke, Inc. (the "Corporation", or "FAD"), the Corporation's expected financial position, results of operations, changes in net assets and cash flows as of September 30, 2024, 2025, 2026, 2027 and 2028 and each of the years then ending (the "Projection Period").

### Hypothetical Assumptions

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

Management's hypothetical assumptions (the "Hypothetical Assumptions") are as follows:

- The construction of the additional 71 independent living apartments (the "New Independent Living Units"), parking, additional dining and certain renovations to the existing community center (collectively, the "IL Project") costs and timing of construction are consistent with the assumptions disclosed herein;
- The New Independent Living Units are successfully marketed, at the disclosed fee levels, and occupied during the Projection Period and assisted living and nursing occupancies occur as projected; and
- Management achieves the inflationary assumptions projected for revenue and expenses.

Accordingly, the financial projection reflects Management's judgment as of January 31, 2024, the date of this projection, of the expected conditions and its expected course of action during the Projection Period. The assumptions disclosed herein are the assumptions which Management believes are significant to the financial projection. There usually will be differences between the projected and actual results, and the projected results may not be achieved because events and circumstances frequently do not occur as expected, and those differences may be material. Management does not intend to revise this projection to reflect changes in present circumstances or the occurrence of unanticipated events.

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

### The Corporation

The Corporation was chartered on October 21, 1988, as a non-stock, nonprofit North Carolina corporation. The Corporation was formed to develop, own, and manage the Retirement Facility, as defined hereinafter. The Corporation has been granted tax-exempt status as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended.

## **SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES**

The Corporation operates a continuing care retirement community (“CCRC”), also known as a Life Plan Community (“LPC”), known as The Forest at Duke (the “Retirement Facility” or the “Community”). The Retirement Facility offers a continuum of care by providing housing and healthcare services to the senior citizens of Durham and surrounding areas.

The Retirement Facility includes “Assisted Living Units” and “Skilled Nursing Beds”, both defined hereinafter, which are licensed by the State of North Carolina, Department of Health and Human Services (“DHHS”).

Management recently replaced its “Prior Health and Wellness Center”, which was licensed for 92 beds, with a new health care facility housing 90 new private units in a “small house” format (the “New Health and Wellness Center” or the “Health and Wellness Center Project”).

The Health and Wellness Center Project was funded by the North Carolina Medical Care Commission Retirement Facilities First Mortgage Revenue Bonds (The Forest at Duke Project) Series 2021 (the “Series 2021 Bonds”).

### **The Retirement Facility**

The Retirement Facility is located on approximately 47 acres just south of Duke University in Durham, North Carolina, in a region commonly known as the Research Triangle Park or the Triangle.

The Retirement Facility currently consists of 154 apartments in three and four-story buildings, 81 one-story cottages for independent living residents (the “Existing Independent Living Units”) (and collectively with the New Independent Living Units, the “Independent Living” or the “Independent Living Units”), a community center of approximately 40,000 square feet, and the New Health and Wellness Center. The New Health and Wellness Center includes 90 units in a so-called “small house” format in a five-story, approximately 110,000 square foot building, on the existing 47-acre campus. The building will be licensed for 32 assisted living units (the “Assisted Living Units”) and 58 skilled nursing units (the “Skilled Nursing Beds”). The community center houses a formal dining room, café, living room and social lounge, an arts and crafts studio, an auditorium, library, classroom, beauty and barber shop, swimming pool, fitness areas and gift shop.

Construction began in August 1990 and the facility opened for occupancy on September 1, 1992. An expansion and renovation of the facility was completed in 2004 and included the construction of a 34 bed adult care addition, renovation and reconfiguration of the community center, dining room and common areas, redecoration of existing adult care and skilled nursing areas and the phased reclassification of existing adult care beds to skilled nursing beds. In 2015, the Retirement Facility completed the construction of 15 independent living cottage homes, and all were occupied by the end of the fiscal year. In 2016, the Retirement Facility completed a renovation to the campus, which included additional parking, enhanced dining, and fitness venues as well as other interior program modifications.

The Retirement Facility has been designed to provide residents with a continuum of care and to meet certain special housing and health care needs of elderly persons in an overall environment conducive to an independent lifestyle. Three levels of living accommodations provide a continuum of care in independent living, assisted living and skilled nursing. Admission to the Retirement Facility is open to persons 65 years of age or older (except that in the case of co-resident, one resident may be 62 years of age or older) who are able to live independently, are free of communicable disease and demonstrate an ability to meet their financial obligations as a resident. Under the terms of the certificate of need granted to the Corporation by the DHHS, residents generally may not be admitted directly into the Skilled Nursing Section unless they are first residents of an Independent Living Unit or the Assisted Living Section for at least 30 days. However, persons who enter into a Residence and Care Agreement (the “Residence Agreement”), and (i) have a co-resident that is a resident then living in an Independent Living Unit or (ii) experience a change in health status at any time after signing the Residence Agreement and prior to the time of occupancy, may be admitted directly into the Skilled Nursing Section. The Corporation encourages, supports, and is committed to

## SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

operating a community where there are no barriers or discrimination because of race, color, religion, sex, handicap, familial status, or national origin.

### Existing Independent Living Units

Residential services that are included in the Independent Living Units include an apartment or cottage residence, meals as determined by chosen meal plan, all utilities (except telephone), basic cable television and wireless internet services, weekly housekeeping, maintenance, security patrols of the grounds, parking, scheduled transportation and extensive educational, cultural and recreational activities.

The following table summarizes the unit mix, square footage, Monthly Fees, and Entrance Fees (as defined herein) of the Existing Independent Living Units.

**Table 1**  
**Existing Independent Living Units**  
**Unit Mix, Square Footage and Fees Effective as of October 1, 2023<sup>(1)</sup>**

Unit Name	Unit Type	Total Units	Square Footage	Monthly Fee		Entrance Fee	
				Single Occupancy	Double Occupancy	Amortized Plan Single Occupancy	Amortized Plan Double Occupancy
<b>Apartments:</b>							
Ash	One Bedroom	5	553	\$ 3,945	\$ 5,966	\$ 97,970	\$ 137,970
Beech	One Bedroom Deluxe	16	717	\$ 4,573	\$ 6,594	\$ 139,086	\$ 179,086
Cedar	One Bedroom with Den	47	914	\$ 5,175	\$ 7,196	\$ 206,314	\$ 246,314
Dogwood	Two Bedroom	59	1,144	\$ 5,885	\$ 7,906	\$ 271,243	\$ 311,243
Elm	Two Bedroom with Den	27	1,243	\$ 6,315	\$ 8,336	\$ 290,151	\$ 330,151
<b>Cottages:</b>							
Alder	One Bedroom with Den	9	1,207	\$ 5,995	\$ 8,016	\$ 311,630	\$ 351,630
Birch	Two Bedroom	22	1,445	\$ 6,315	\$ 8,336	\$ 368,553	\$ 408,553
Chestnut	Two Bedroom with Den	35	1,662	\$ 6,649	\$ 8,670	\$ 422,860	\$ 462,860
Pine	Two Bedroom with Study	6	2,200	\$ 6,875	\$ 8,819	\$ 585,838	\$ 625,838
Holly	Two Bedroom with Study	4	2,362	\$ 7,096	\$ 9,040	\$ 610,932	\$ 650,932
Magnolia	Two Bedroom with Study	5	2,558	\$ 7,242	\$ 9,186	\$ 636,013	\$ 676,013
Existing Independent Living Units Total/Weighted Average		235	1,253	\$ 5,895	\$ 7,911	\$ 302,558	\$ 342,558

Source: Management

Note:

(1) Fees are historically adjusted on October 1 of each year.

### Early Acceptance Program

In 2010, the North Carolina General Assembly enacted a new statute (§58-64-7) that permits CCRCs licensed in the State of North Carolina to offer "continuing care services without lodging" (referred to as the "Early Acceptance Program"). In January 2021, the Corporation began to offer the Early Acceptance Program. Under the Early Acceptance Program contract, residents who are living off-campus receive the same access to Retirement Facility's campus amenities and the same health care services and future benefits that are afforded residents who are living on campus. North Carolina General Assembly Statute §58-64-7 (c) stipulates that the Corporation must account for the revenue and expenses related to the Early Acceptance Program separate from revenue and expenses related to on-campus services on financial statements and five-year projection, Management has presented the revenue and expenses related to the Early Acceptance Program separately for its Projection and has segregated funds received from the Entrance Fee, as defined hereinafter, associated with the Early Acceptance Program, although those funds are not restricted in use.

The core elements of the program are as follows:

1. The Early Acceptance Program is offered exclusively to persons who have already joined the priority list (a wait list for residents who desire to move into the Retirement Facility at some point in the future).

See Accompanying Independent Accountants' Compilation Report

## **SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES**

2. Admission to the Early Acceptance Program is identical to admission to on-campus residency, requiring health screening and financial screening. The only difference is that the Early Acceptance Program candidate does not reserve an Independent Living Unit on campus.
3. Upon acceptance, the person becomes a "resident" of the Retirement Facility but remains living in their current home. They sign an Early Acceptance Program Agreement providing the resident equal access to all of the campus amenities, as well as to the same access and financial protections for the prospect of needing future health care.
4. The resident pays an Entrance Fee and a Monthly Fee that cover the costs of current amenities and future access to health care.
5. Early Acceptance Program residents remain on the priority list and will be offered the opportunity to move to the Retirement Facility in the future - either to a desired Independent Living Unit or to the Assisted Living Section or Skilled Nursing Section. If the resident subsequently moves to an Independent Living Unit on campus, the Entrance Fee that they paid originally will be applied in full to the Entrance Fee for the residence to which they are moving.
6. Health and wellness assessments are made at least annually.
7. Early Acceptance Program residents have access to case management services for coordinating homecare/companion care in their homes.

### **The Health and Wellness Center**

As used hereafter, the term "Health and Wellness Center" may be used generically to reflect the New Health and Wellness Center.

Residents who require physical assistance or certain other health care services may be admitted to the Health and Wellness Center. The Health and Wellness Center includes a clinic (the "Clinic"), a primary care outpatient clinic where certain routine primary care services described in the Residence Agreement are available to residents. The Corporation has an agreement with Duke University Medical Center's Division of Geriatric Medicine for the provision of primary care physician services to residents, which is provided in the Clinic. Residents may, at their own expense, see physicians other than those provided by the Corporation. A resident's specialized medical needs beyond the offered services must be provided outside the Health and Wellness Center at the expense of the resident.

The Health and Wellness Center is a 90-bed facility in a so-called "small house" format in a five-story, approximately 110,000 square foot building, on the existing 47-acre campus. The building is licensed for 32 assisted living units (the "Assisted Living Units") and 58 skilled nursing units (the "Skilled Nursing Beds").

The small house model of care is designed around houses (or groups of rooms) in which each house has ten private rooms each with a full bathroom further supported by the common spaces and support areas located within the household. These spaces include living, kitchen, and dining rooms as well as a den and a covered balcony, which creates a defined residential household. Upon completion, there will be a total of 90 residences across nine houses.

The small house model has the same scope of services as the Prior Health and Wellness Center, and each neighborhood has a team that provides the care. The design offers residents short walking distances to increase their level of independence and increase resident privacy. There is also additional dining and fitness venues.

Residents of the Assisted Living Units receive assistance with daily living activities such as bathing, dressing, and taking medications, and benefit from a variety of recreational and entertainment activities. The Skilled Nursing Section currently contains 58 Existing Nursing Beds where 24-hour nursing services are available.

Residential services include a health center residence, meals as determined by a chosen meal plan, all utilities except telephone, basic cable television and wireless internet services, weekly housekeeping,

## **SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES**

maintenance, security patrols of the grounds, parking, scheduled transportation and extensive educational, cultural and recreational activities.

Admission to the Assisted Living Units is expected to be provided for residents of the Retirement Facility on a priority basis, in accordance with the terms of the Residence Agreement. The Assisted Living Units are expected to also be available for occupancy by persons other than residents of the community at large. Residents are expected to be admitted, pursuant to the terms of a separate admissions agreement, as space is available. Admission to the Skilled Nursing Units is expected to be provided to only residents of the Retirement Facility, which includes residents of the Early Admission Program.

### **Residence Agreement**

The following is a summary of the Residence Agreement and is not intended to be all-inclusive or a substitute for the actual Residence Agreement.

### **Admissions**

Generally, all residents of the Independent Living Units at the Retirement Facility are required to live independently at the time of admission and to have the financial resources to pay an Entrance Fee and a Monthly Fee.

Residents are also required to maintain eligible Medicare coverage (and supplemental health insurance coverage) or health insurance coverage that adequately covers hospital, medical, prescriptions and skilled nursing deductibles and co-payments required under their primary insurance policy. The primary and secondary insurance coverage must recognize the Corporation as a healthcare provider, or the resident shall be responsible for services rendered that otherwise could be covered by insurance.

The Corporation does not automatically deny residents for admission who have chronic health conditions. All resident applications are reviewed individually. Judgment for admission is based on the resident's ability to perform basic daily living activities on an on-going basis. The Corporation may also admit residents under certain conditions which are added as addenda to the Residence Agreement. Under the terms of the Certificate of Need granted to the Corporation by DHHS, the Corporation's Skilled Nursing Beds are for the use of persons who have been residents of the Independent Living Units or Assisted Living Units for at least 30 days, with some exceptions. Admission for skilled nursing care is available if the resident has a co-resident in an Independent Living Unit, or if the individual was under contract to enter the facility prior to the time the condition requiring skilled nursing care was known to exist. The Corporation's Assisted Living Units are not subject to these state restrictions and are, therefore, available to persons who have not previously lived in an Independent Living Unit.

In order to become a resident of the Retirement Facility, applicants (the "Applicant") must complete an application form and pay a \$500 non-refundable application fee. Additionally, the Applicant must complete financial and health disclosure forms that are reviewed and approved by the Corporation's "Admissions Committee". Once approved, Applicant(s) pay a \$1,000 refundable priority deposit. The priority deposit entitles the Applicant(s) to a priority number, which governs selection of a unit and places the applicant(s) on the waiting list. When a unit becomes available, the Corporation contacts the applicant(s) with the lowest priority number for that type of unit, and the Applicant(s) must then update the financial and health disclosure forms to again be reviewed and approved by the Corporation's Admissions Committee. Applicants must continue to exhibit at that time an ability to live independently and to meet their financial obligations as residents of the Retirement Facility. While waiting to be approved, Applicant(s) must sign a reservation deposit agreement and pay a \$10,000 refundable unit deposit.

After approval by an admissions committee, the Applicant(s) must sign a Residence Agreement and make a 15 percent deposit of the applicable Entrance Fee to reserve the desired unit. The 15 percent deposit is

## **SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES**

credited to the final Entrance Fee balance due or refunded to the applicant in the circumstances described in the next paragraph. At this point in time, the Applicant is deemed to be a “resident” of the Retirement Facility for purposes of the Residence Agreement.

### **Entrance Fees**

Under the terms of the Residence Agreement, a resident pays an Entrance Fee according to the type of residence selected. The Entrance Fee consists of two components: a “Residence Fee” and a “Health Care Reserve Fee.” The Health Care Reserve Fee is currently \$10,000 per person and is designed to provide additional resources which allow the Retirement Facility to establish and charge discounted fees for health care services. The Entrance Fee is due in full within 14 days prior to occupancy.

The Residence Agreement may be terminated by the resident for any reason prior to occupancy by giving written notice. In the event of such termination, the resident shall receive a full refund of the Entrance Fees paid if termination occurs within 30 days following signature of the Residence Agreement and making the required 15 percent deposit of the applicable Entrance Fee. After the expiration of this 30-day “trial” period, but before occupancy occurs, a resident may still withdraw their application but will be charged an administrative fee equal to 2 percent of the applicable Entrance Fee for the unit reserved plus any costs incurred by the Corporation at the request of the resident. However, if the resident dies before occupying his or her residence or becomes incapable of meeting the physical, mental or financial requirements of admission, the Residence Agreement shall be cancelled and the entire Entrance Fee amount shall be refunded less any costs incurred by the Corporation at the request of the resident’s designated representative.

The Health Care Reserve Fee portion of the Entrance Fee is non-refundable. The Residence Fee portion of the Entrance Fee is refundable pursuant to the refund plan offered by the Corporation and chosen by the resident. The Corporation currently offers one plan, the “Amortized Plan.” Under the Amortized Plan, 2% of the Residence Fee accrues to the Corporation each month the resident remains at the Retirement Facility. The refundable amount decreases to zero after 50 months of occupancy.

Prior to March 1, 2020, the Corporation offered a 50% Refund Plan and a 90% Refund Plan. Under the 50% Refund Plan, 2% of the Residence Fee accrues to the Corporation each month for 25 months. Thereafter, under this plan, the refundable amount remains at 50% of the Residence Fee. Under the 90% Refund Plan, 2% of the Residence Fee accrues to the Corporation each month for 5 months. Thereafter, under this plan, the refundable amount remains at 90% of the Residence Fee. As of September 30, 2023, there were 4 (2 percent of total contracts) 50% Refundable Plan contracts and 23 (9 percent of total contracts) 90% Refundable Plan contracts.

Interest earned on the outstanding unrefunded Residence Fees accrues to the Corporation. Pursuant to the Residence Agreement, the Corporation is not obligated to disburse refunds to a resident until the resident’s unit has been reoccupied. In the case of a double occupancy Residence Fee, the refund provisions are only applicable to the resident who resides at the Retirement Facility, and no refund is due or payable on account of the death or transfer of the first resident from the independent living unit. However, in such a situation the Monthly Fee for the resident remaining in the Independent Living Unit is reduced to the single occupancy rate upon the death of the first resident.

Upon payment in full of the Entrance Fee and ongoing payment of the Monthly Fee, it is expected that each resident will be provided an Independent Living Unit and receive certain basic services. Services provided include:

- Meals as determined by the meal plan chosen;
- Weekly housekeeping service;
- Educational, recreational, cultural, and social programs;



## SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

- One surface parking spot per resident;
- Scheduled transportation;
- Urgent alert call system;
- Utilities – electric, gas, water, sewer, heat, air conditioning, basic cable television, and wireless internet services;
- Maintenance of all common areas and equipment;
- Repair, maintenance or replacement of furnishings provided in the Independent Living Units;
- 24-hour security; and
- Use of dining rooms, lounges, lobbies, library, surface parking, residential storage, social and recreational rooms, and other common activity facilities.

In addition to the items included in the Monthly Fee, certain services are available to residents at an additional cost including, but not limited to, guest meals, use of guest rooms, personal catering, additional meals, additional maintenance services, additional housekeeping services, beauty and barber shop services, and telephone.

### Priority Access to Health Care Services

The Corporation provides its independent living residents with first priority access to health care services including assisted living and nursing services that are available at the Health and Wellness Center. Management projects that residents admitted directly for assisted living services to the Assisted Living Units will be required to execute a Residence Agreement. Management has projected a small number of direct admissions to the Skilled Nursing Beds based on the allowable categories for direct admission.

Payment of the assisted living per diem or skilled nursing per diem entitles residents of the Health and Wellness Center to receive the following services:

- Three meals daily;
- All utilities, basic cable, and wireless internet;
- Daily housekeeping, linens, and bedding services;
- Social and recreational activities;
- Services of a case manager; and
- Nursing care, as applicable, including administering of medications, bathing, resident skin, mouth and other care needs, normal maintenance therapy and assistance in developing self-care activity.

When a resident's medical condition requires skilled nursing or assisted living services, the resident moves from an Independent Living Unit to one of the Skilled Nursing Beds or the Assisted Living Units in the Health and Wellness Center, on either a permanent or temporary basis. Pursuant to the Residence Agreement, all transfers must be authorized by the Corporation, and all decisions concerning transfers made by the Corporation are binding.

*Pre-Paid Days.* Each resident is eligible for up to 15 pre-paid days in the Health and Wellness Center beginning with initial occupancy at the Retirement Facility (residents admitted directly to the Health and Wellness Center are not eligible for the 15 pre-paid days). Once one or more pre-paid days have been used by a resident, one pre-paid day will thereafter accrue to the resident on the first day of each month for which the resident has not occupied a Health and Wellness Center bed in the prior month, up to a maximum of 15 days.

*Per Diem Rate.* The per diem rate (currently \$531) is a rate determined by the Corporation to reflect the current market value of the services rendered in the Assisted Living Units and Skilled Nursing Beds of the Health and Wellness Center (exclusive of ancillary charges).

*Single Occupancy, Temporary Health and Wellness Center.* In a single occupancy situation, if the resident is temporarily transferred to the Health and Wellness Center, the resident continues to maintain his/her

## **SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES**

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Independent Living Unit, continues to pay the same Monthly Fee and, after all pre-paid days are used, must also pay 60% of the current per diem rate for the residence in the Health and Wellness Center.

*Single Occupancy, Permanent Health and Wellness Center.* If a resident in a single occupancy situation is permanently transferred to the Health and Wellness Center, the resident must release his/her Independent Living Unit previously occupied and will thereafter pay 40% of the current per diem rate for the residence in the Health and Wellness Center instead of the regular Monthly Fee.

*Double Occupancy, One Resident Temporarily in Health and Wellness Center.* In a double occupancy situation, if one of the residents is temporarily transferred to the Health and Wellness Center while the other resident remains in the Independent Living Unit, the resident in the Health and Wellness Center must continue to pay the double occupancy Monthly Fee and, after all pre-paid days are used, must also pay 60% of the current per diem rate for the residence in the Health and Wellness Center, while the resident remaining in the Independent Living Unit is required to pay the single occupancy Monthly Fee during such period.

*Double Occupancy, One Resident Permanently in Health and Wellness Center.* In a double occupancy situation, if one of the residents is permanently transferred to the Health and Wellness Center while the other resident remains in the Independent Living Unit, the resident in the Health and Wellness Center must continue to pay the double occupancy Monthly Fee and, after all pre-paid days are used, must also pay 15% of the current per diem rate for the residence in the Health and Wellness Center, while the resident remaining in the Independent Living Unit is only required to pay the single occupancy Monthly Fee during such period.

*Double Occupancy, Both Residents Temporarily in Health and Wellness Center.* If both residents in a double occupancy situation are temporarily transferred to the Health and Wellness Center, during such period one of the residents must continue to pay the double occupancy Monthly Fee while the other resident is only required to pay the single occupancy Monthly Fee and, after all pre-paid days are used, each of the residents must pay 60% of the current per diem rate for the residence in the Health and Wellness Center.

*Double Occupancy, Both Residents Permanently in Health and Wellness Center.* If both residents in a double occupancy situation are permanently transferred to the Health and Wellness Center, during such period neither resident is required to pay a Monthly Fee and, after all pre-paid days are used, each of the residents must pay 40% of the current per diem rate for the residence in the Health and Wellness Center.

*Double Occupancy, One Resident Temporarily in Health and Wellness Center and One Resident Permanently in Health and Wellness Center.* In a double occupancy situation, if one resident is temporarily transferred to the Health and Wellness Center and the other resident is permanently transferred to the Health and Wellness Center, then the resident temporarily transferred to the Health and Wellness Center must continue to pay the regular Monthly Fee and, after all pre-paid days are used, must also pay 60% of the current per diem rate for the residence in the Health and Wellness Center, while the resident permanently transferred to the Health and Wellness Center is not required to pay a Monthly Fee and, after all pre-paid days are used, will only be required to pay 40% of the current per diem rate for the residence in the Health and Wellness Center.

*Direct Admission to Assisted Living.* If a resident entering the Retirement Facility is directly admitted into the Assisted Living Section of the Health and Wellness Center because of a change in health status after acceptance and prior to the date of occupancy, or if entering directly, such resident must pay the Health Care Reserve Fee and the current assisted living Monthly Fee published by the Corporation.

*Direct Admission to Skilled Nursing.* If a resident entering the Retirement Facility is directly admitted into the Skilled Nursing Section of the Health and Wellness Center because of a change in health status after acceptance and prior to the date of occupancy, the resident must pay the Health Care Reserve Fee and the current monthly skilled nursing living rate published by the Corporation.

## **SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES**

If the health of a resident who was directly admitted into the Health and Wellness Center subsequently improves to the point that such resident, in the judgment of the Corporation, can live independently, such resident can transfer to an Independent Living Unit, subject to availability, by paying the balance of the applicable Entrance Fee and applicable Monthly Fee for the unit desired.

The Retirement Facility provides other health care services, such as primary care, laboratory tests, visiting nurse services, and special services (such as dentistry, physical therapy, occupational therapy, speech therapy and pharmacy services). Residents are responsible for the costs of these services not reimbursed by Medicare or any other third party payer.

### **Entrance Fee Refund Provisions**

After occupancy occurs, the Residence Agreement may be terminated by the resident at any time, subject to 60 days prior written notice to the Corporation, or by the Corporation if the resident fails to pay the Monthly Fee, fails to follow the standard policies of the Retirement Facility, engages in activities or conduct disruptive to the community, breaches the residence agreement, refuses to relocate as required by the Residence Agreement, or has misrepresented or omitted medical, financial, or other information given to the Corporation during the application process. The Corporation must give the resident at least 60 days prior written notice in order to terminate the Residence Agreement under such circumstances. The Residence Agreement automatically terminates when a resident dies, except in the case of double occupancy.

After occupancy occurs, a resident that terminates his/her Residence Agreement may be entitled to a refund of the Residence Fee. If termination occurs during the first 50 months, the resident may be entitled to a partial refund of the Residence Fee. The resident will receive a refund in the amount equal to: (i) the Residence Fee; less (ii) two percent for each month that the Residence Agreement has been in effect for up to 50 months; less (iii) any amounts due to the Corporation. After 50 months, there is no refund of the Residence Fee.

If the Corporation terminates the Residence Agreement after occupancy under the circumstances described in the preceding paragraph, the resident may be entitled to a refund of the Residence Fee. If termination of the Residence Agreement occurs during the first 50 months, the resident may be entitled to a partial refund of the Residence Fee. The resident will receive a refund in the amount equal to: (i) the Residence Fee; less (ii) two percent for each month that the Residence Agreement has been in effect for up to 50 months; less (iii) any amounts due to the Corporation. After 50 months, there is no refund of the Residence Fee.

Payment of the refund is contingent based on the resale of a similar Independent Living Unit. Such payment shall be deferred until 30 days after the Independent Living Unit formerly occupied by the resident is re-occupied and a full Entrance Fee is received for the residence.

### **The IL Project - Independent Living Unit Expansion**

The Corporation plans to construct, finance and operate the addition of 71 New Independent Living Units, parking, additional dining and certain renovations to its community center.

The IL Project is to be constructed in a single five-story building, approximately 250,000 square feet on the existing campus. The planned project includes the addition of seventy-one (71) new independent living apartments and an expanded community center which connects the existing community center to the New Health and Wellness Center. The expanded community center also includes service and amenity spaces such as additional dining, fitness area, classroom, multipurpose rooms, clinic and office space.

The new apartments have an average of 1,492 square feet with spacious open-living design floorplans, ten foot ceilings, and finishes commensurate with high-end real estate in the market area. Other features include

## SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

gourmet kitchens with stainless steel appliances, covered balconies or ground level patios for outdoor living in each apartment home. Each apartment home is expected to include assigned underground parking.

### **Projected Project Configuration and Pricing**

The following table summarizes Management's projected unit configuration and pricing for the IL Project's New Independent Living Units. Please note that the Monthly Fees are presented in fiscal year 2024 dollars and are anticipated to increase 4 percent annually beginning October 1, 2024. The Entrance Fees noted below are presented in fiscal year 2025 dollars and are anticipated to increase 3 percent annually beginning October 1, 2025.

**Table 2**  
**New Independent Living Units**  
**Projected Unit Configuration, Estimated Sizes and Pricing**

Unit Type	The IL Project	Project Weighted Average Square Footage by Unit Type	Single Occupant Monthly Fee- 2024 <sup>(1)</sup>	Single Occupant Amortized Plan Entrance Fee <sup>(2)</sup>
<i>New Independent Living Units:</i>				
Aspen	3	1,140	\$ 5,782	\$ 416,494
Bradford	8	1,185	\$ 5,840	\$ 431,246
Cypress	2	1,360	\$ 6,071	\$ 488,614
Spruce	8	1,470	\$ 6,233	\$ 524,674
Oak	14	1,480	\$ 6,244	\$ 527,953
Willow	6	1,580	\$ 6,377	\$ 560,734
Linden	4	1,589	\$ 6,389	\$ 563,685
Juniper	8	1,610	\$ 6,418	\$ 570,569
Maple	15	1,610	\$ 6,418	\$ 570,569
Hawthorn	3	1,665	\$ 6,476	\$ 588,599
<b>Total / Weighted Average New Independent Living Units</b>	<b>71</b>	<b>1,492</b>	<b>\$ 6,258</b>	<b>\$ 532,020</b>

Source: Management

Notes:

- (1) Monthly Fees effective through September 30, 2024. In addition to the first-person Monthly Fee, a second occupant would be charged \$1,898 per month.
- (2) Entrance Fees presented in fiscal year 2025 and are anticipated to increase beginning October 1, 2025. The Amortized Plan is zero percent refundable. In addition to the first-person Entrance Fee, a second occupant would be charged an Entrance Fee of \$41,000.

### **Projects Timeline**

The following table reflects Management's anticipated IL Project development timelines.

**Table 3**  
**Projects Development Timeline**

Date	Milestone
February 2023	Demolished Prior Health and Wellness Center building and began construction of New Independent Living Units
March 2025	New Independent Living Units construction complete and move-ins begin
February 2026	New Independent Living Units reach stabilized occupancy of 94%

Source: Management

# **SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES**

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of Presentation**

The accompanying projected financial statements have been prepared on the accrual basis of accounting and in accordance with the principles generally accepted in the United States of America.

### **Revenue Recognition**

The Corporation 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. Under ASC Topic 606, management has determined that the performance obligation for the standing obligation to provide the appropriate level of care is the predominate component and does not contain a lease component under ASC Topic 842.

Resident fee revenue for non-routine or additional services are billed monthly in arrears and recognized when the service is provided.

#### **Entrance Fees:**

The nonrefundable entrance fees are recognized as deferred revenue upon receipt of the payment and included in liabilities in the balance sheet 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 projected 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 services 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.

#### **Health care services:**

In the facility, the Corporation provides assisted living and nursing care to residents. The Corporation is paid discounted daily rates for private pay services. These daily rates and other fees are billed in arrears monthly. For skilled nursing services provided under Medicare A guidelines, rates billed are predetermined from the Centers of Medicare and Medicaid Services (CMS). Under ASC Topic 606, revenue is recognized when the service is provided.

### **Cash and Cash Equivalents**

Cash and cash equivalents include all highly liquid investments with original maturities of three months or less when purchased, except those included with assets limited as to use. Restricted cash is included with cash and cash equivalents in the projected statements of cash flows and a reconciliation of cash, cash equivalents and restricted cash reported within the projected balance sheets is presented in the notes to the projected statements of cash flows.

## SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

### Assets Limited as to Use

Assets limited as to use are reported at fair market value. Assets limited as to use needed for current liabilities have been classified as current assets on the balance sheets. Assets limited as to use include assets set aside for the following purposes:

- *The Department of Insurance (Statutory Operating Reserve)* - In accordance with North Carolina General Statute 58, Article 64-33, the Corporation is required to maintain an operating reserve equal to 25 percent (as 50 percent as statutorily defined) of the total operating costs (as defined) projected for the year.
- *Board Designated (Benevolent Fund)* - The Board of Directors has designated \$100,000 plus interest and contributions to be used as the Benevolent Fund. This fund is to be used for resident assistance in the event of financial hardship at the discretion of the Board of Directors.
- *Board Designated (Health Care Reserve)* - The health care reserve represents amounts paid by each resident as part of their entrance fee (\$10,000). The Board of Directors has designated these funds be used to help protect against escalating costs in the Corporation's health care center.
- *Funds Held by Trustee under Trust and Loan Agreements* - Funds held by trustee (the Entrance Fee Fund and the Bond Fund) are held in accordance with the trust and loan agreements. Under the terms of the trust and loan agreements between the Corporation and the North Carolina Medical Care Commission, these funds are deposited with the trustee.

### Investments

Investments in money market mutual funds, corporate obligations, U.S. Treasury obligations, asset-backed securities, common stocks, and mutual funds are measured at fair market value in the balance sheets. Interest and dividends, unrealized and realized gain (losses) on sale of investments are reported as non-operating income, and are included in excess (deficit) of revenues, gains, and other support over expenses. Management has not projected any unrealized gains or losses on investments during the Projection Period.

### Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Interest cost incurred on borrowed funds during construction of capital assets is capitalized as a component of the cost of acquiring those assets. Expenditures which substantially increase the useful lives of existing assets are capitalized (capitalizing amounts in excess of \$500). Routine maintenance and repairs are expensed as incurred. Property and equipment are depreciated under the straight-line method by applying the following useful lives:

Land Improvements	5 - 25 years
Buildings	30 years
Equipment and Furnishings	5 - 15 years
Vehicles	4 - 6 years

Management categorizes costs as construction in progress that have not been placed in service yet and does not depreciate such costs.

## **SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES**

### **Accounts Receivable, net**

Accounts receivable is reported at estimated transaction prices from residents and responsible third-party payers. Amounts owed to the Corporation are reported net of allowances for expected credit losses. 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, the Corporation has implemented a standardized approach to estimate and review the collectability of its receivables based on resident receivable aging trends, current economic conditions and certain forward-looking information. Historical collection and payer reimbursement experience is an integral part of the estimation process related to determining allowance for expected credit losses. In addition, the Corporation 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.

### **Bond Premium**

Bond premium incurred in connection with the issuance of long-term debt is assumed to be recorded as a direct addition to the carrying amount of the debt and amortized as interest expense over the life of the bonds, which approximates the effective interest method.

### **Debt Issuance Costs**

Debt issuance costs represent financing costs as a result of the bond issuances. The financing costs are being amortized over the terms of the bonds and are recorded as interest expense and are a direct reduction to the carrying amount of debt.

### **Early Acceptance Program**

Under the Early Acceptance Program contract, residents who are living off-campus receive the same access to the Retirement Facility's amenities and the same health care services and future benefits that are afforded residents who are living on campus under the Residence Agreement. North Carolina General Assembly Statute §58-64-7 (c) stipulates that the Corporation must account for the revenue and expenses related to the Early Acceptance Program separate from revenue and expenses related to on-campus services on the projected financial statements. The revenue and expenses related to the Early Acceptance Program are reported separately for the Projection Period.

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

Deferred revenue from entrance fees represent funds received from current residents, which have not yet been recognized as revenue, and refundable deposits received from potential residents and is recognized as income over the projected life expectancy of the contract holder.

Refundable entrance fees represents any entrance fees which by the nature of the Residence Agreement are refundable to the resident, and are not recognized into income.

## **SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES**

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

The Corporation annually calculates the present value of the net cost of future services and the use of facilities to be provided to current residents and compares the amount with the balance of deferred revenue from entrance fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded with the corresponding charge to non-operating expense. Management has not projected any liability during the Projection Period.

### **Net Assets**

The Corporation reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

### **Donor Restrictions**

The Corporation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of operations as net assets released from restriction. The Corporation reports gifts of property and equipment as net assets without donor restriction support unless explicit donor stipulations specify how the donated assets must be used.

### **Use of Estimates**

The preparation of the projected financial statements, in conformity with accounting principles generally accepted in the United States of America, requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the projected financial statements, and the reported amounts of results of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Income Taxes**

The Corporation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and accordingly, the accompanying projected financial statements do not reflect a provision or liability for federal and state income taxes.

### **Interest Rate Swaps**

The interest rate swap agreement is 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 agreement is reported in non-operating gains (losses) in the projected statements of operations and changes in net assets. Management has not projected any change in fair value of interest rate swap agreement during the Projection Period.



## SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

### MANAGEMENT'S BASIS FOR PROJECTION OF REVENUES AND ENTRANCE FEES

Projected revenues for the Independent Living Units are primarily based on the Monthly Fees planned to be charged to the Independent Living Unit residents and the planned utilization of the Independent Living Units.

Projected assisted living and nursing revenues are planned to primarily consist of funds generated from services provided to residents either transferring from the Independent Living Units to the Assisted Living Units or Skilled Nursing Beds as well as from direct admissions (although this represents a minor portion of projected census). Management has also included revenue related to the Early Admission Program in its Projection.

#### Projected Utilization and Monthly Fees

Management has projected the following occupancy for the Retirement Facility.

**Table 4**  
**Retirement Facility**  
**Projected Average Occupancy by Level of Care**  
**For the Years Ending September 30,**

For the Year Ending September 30,	2024	2025	2026	2027	2028
<b>Average Available Units:</b>					
Existing Independent Living Units	235	235	235	235	235
New Independent Living Units	-	71	71	71	71
Assisted Living Units	32	32	32	32	32
Skilled Nursing Beds	58	58	58	58	58
<b>Total Available Units</b>	<b>325</b>	<b>396</b>	<b>396</b>	<b>396</b>	<b>396</b>
<b>Average Occupied Units:</b>					
Existing Independent Living Units	224.0	224.0	224.0	224.0	224.0
New Independent Living Units	-	46.0	67.0	67.0	67.0
<b>Independent Living Units</b>	<b>224.0</b>	<b>270.0</b>	<b>291.0</b>	<b>291.0</b>	<b>291.0</b>
Assisted Living Units	28.0	30.0	30.0	30.0	30.0
Skilled Nursing Beds	48.0	48.0	48.0	48.0	48.0
<b>Total Average Occupied Units</b>	<b>300.0</b>	<b>348.0</b>	<b>369.0</b>	<b>369.0</b>	<b>369.0</b>
<b>Average Occupancy Percentage:</b>					
Independent Living Units	95%	88%	95%	95%	95%
Assisted Living Units	88%	94%	94%	94%	94%
Skilled Nursing Beds	83%	83%	83%	83%	83%
<b>Total Occupancy Percentage</b>	<b>92%</b>	<b>88%</b>	<b>93%</b>	<b>93%</b>	<b>93%</b>

Source: Management

## SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

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### *Independent Living Units*

The following table summarizes the projected average Monthly Fees for the Independent Living Units during the Projection Period.

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**Table 5**  
**Independent Living Units**  
**Projected Average Monthly Fees Effective October 1,**

<b>For the Year Ending September 30,</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>
Single Occupant Weighted Average Monthly Fees - Existing Independent Living Units	\$ 5,895	\$ 6,131	\$ 6,376	\$ 6,631	\$ 6,896
Double Occupant Weighted Average Monthly Fees - Existing Independent Living Units	\$ 7,911	\$ 8,227	\$ 8,556	\$ 8,898	\$ 9,254
Single Occupant Weighted Average Monthly Fees - New Independent Living Units	N/A	\$ 6,509	\$ 6,769	\$ 7,040	\$ 7,322
Double Occupant Weighted Average Monthly Fees - New Independent Living Units	N/A	\$ 8,562	\$ 8,904	\$ 9,260	\$ 9,630

Source: Management

Monthly Fees for the Independent Living Units are projected to inflate by 4.0 percent annually throughout the Projection Period.

The double occupancy for the Existing Independent Living Units is assumed to approximate 60 percent during the Projection Period. Double occupancy for the New Independent Living Units is assumed to approximate 75 percent during the Projection Period.

### *Inflationary Pressures*

The United States economy is facing inflationary challenges that are being aggressively managed by the federal reserve via interest rate increases. Management has projected an equal "spread" in its revenue and operating expenses such that Monthly Fees would increase at the same rate that operating expenses would increase. If operating expenses were to increase at higher rates than currently assumed, rate increased would also be greater than presented previous.

### Marketing the IL Project

As of February 1, 2024, Management has presold 65 of its New Independent Living Units (92.0 percent presold).

As part of its marketing efforts, Management anticipates expenditures related to activities, events, media and print collateral, as well as media campaign similar to its existing marketing activities. Management has budgeted amounts necessary to conduct the marketing campaign to achieve its anticipated occupancy levels as projected in Table 6.

Management has a robust marketing plan that is multi-tiered and focused on primary, secondary and tertiary markets using integrated platforms of direct marketing and sales activity, digital and virtual marketing which is supported by an in-person sales process.

Marketing efforts focus on a variety of demographic data as well as affinity groups as identified by market study and current resident data, such as Duke and University of North Carolina retirees, eastern shore performing arts, federal service retirees, local religious and fraternal organizations. This approach has established and maintains a very broad pipeline of potential future residents.

## SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

Marketing activities and programs are closely tied to participant education about community services, utilization of the continuum of care available at the Community, as well as building relationships with Community staff and residents. Management believes that this approach to marketing of the New Independent Living Units yields an integrated marketing strategy with operational transparency meant to encourage and facilitate a smooth transition for incoming residents as members of the Community.

The sales process anticipates prospective residents making a deposit of 10 percent of the entrance fee for a selected unit. Subsequently, the Corporation anticipates increasing the deposit to equal 25 percent and 50 percent of the Entrance Fee which is timed to a unit selection and selection of finishes, respectively. The remaining 50 percent portion of the entrance fee for a selected unit is anticipated to be collected when the resident's unit becomes available for occupancy.

Projected occupancy for the New Independent Living Units are based upon Management's assumed move-in schedule.

The following tables reflect Management's anticipated move-in schedule for the New Independent Living Units.

**Table 6**  
**Projected Move-In Schedule – New Independent Living Units**

	Total Units	Monthly Fill	Cumulative Occupancy	Occupancy Percent
Fiscal Year 2025				
March	71	8	8	11.3%
April	71	8	16	22.5%
May	71	6	22	31.0%
June	71	6	28	39.4%
July	71	6	34	47.9%
August	71	6	40	56.3%
September	71	6	46	64.8%
Fiscal Year 2026				
October	71	6	52	73.2%
November	71	6	58	81.7%
December	71	5	63	88.7%
January	71	3	66	93.0%
February	71	1	67	94.4%
Thereafter	71		67	94.4%

Source: Management

### ***Assisted Living***

Projected revenue consists of revenue from operating the Assisted Living Units. Management has projected this revenue based upon its historical experience operating the Assisted Living Units and actuarial projections.

See Accompanying Independent Accountants' Compilation Report

## SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

As noted in Table 4, most residents in the Assisted Living Units are internal transfers from Independent Living Units. Residents who transfer from Independent Living Units pay rates ranging from 15 percent to 60 percent of the per-diem rate, depending on the terms of their Residence Agreement. The base per-diem rate to which the various discounts apply is \$531 per day, effective October 1, 2023. If a resident enters the Assisted Living Units directly, they pay a Monthly Fee equal to \$10,676 effective October 1, 2023.

Management has projected the daily fees and the Monthly Fee for the Assisted Living Units will be inflated by 4.0 percent annually during the Projection Period.

The following tables summarize the types, sizes, and prices of the Assisted Living Units and Skilled Nursing Beds:

**Table 7**  
**Assisted Living Units**  
**Unit Mix, Square Footage and Fees**

Unit Type	Total Units	Square Footage	Per Diem <sup>(1)</sup>
One Bedroom	32	330	\$531
Total / Weighted Average	32	330	\$531

Source: Management

(1) Reflects the published per-diem rate as of October 1, 2023. Note that residents who transfer from Independent Living Units pay rates ranging from 15 percent to 60 percent of the per-diem rate, depending on the terms of their Residence Agreement (as described hereinafter).

**Table 8**  
**Skilled Nursing Beds**  
**Unit Mix, Square Footage and Fees**

Unit Type	Total Beds	Approximate Square Footage	Per Diem <sup>(1)</sup>
Private	58	330	\$531
Total Skilled Nursing Beds/Weighted Average	58	330	\$531

Source: Management

Note:

(1) Reflects the published per-diem rate as of October 1, 2023. Note that residents who transfer from Independent Living Units or Assisted Living Units pay rates ranging from 15 percent to 60 percent of the per-diem rate, depending on the terms of their Residence Agreement (as described hereinafter).

### **Skilled Nursing**

Management has projected the revenue based upon historical experience and actuarial projections.

As noted in Table 4, most residents in the Skilled Nursing Beds are internal transfers from Independent Living Units or Assisted Living Units. Residents who transfer internally pay rates ranging from 15 percent to 60 percent of the per-diem rate, depending on the terms of their Residence Agreement. The base per-diem rate to which the various discounts apply is \$531 per day, effective October 1, 2023. If a resident enters the Skilled Nursing Beds directly, they pay a Monthly Fee equal to \$13,505 (approximately \$444 per-diem) effective October 1, 2023.

## SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

Management has projected the daily fees and the Monthly Fee for the Skilled Nursing Beds will be inflated by 4.0 annually during the Projection Period.

### **Early Acceptance Program**

Currently, a Monthly Fee of \$950 and an Entrance Fee of \$40,000 is charged for those individuals that join the Early Acceptance Program.

Table 9 highlights the projected associated Entrance Fee receipts and the number of resident contracts sold as it relates to the Early Acceptance Program.

### **The Forest at Home**

The Forest at Home is the Corporation's licensed home care agency, which began operating July 1, 2021. Areas of service are provided on the campus. Management has projected revenues based on projected hours of service.

### **Entrance Fee Receipts and Refunds**

Refunds of the Entrance Fees are generated upon death or termination of the Residence Agreement and withdrawal from the Retirement Facility, subject to the refund terms and timing previously disclosed. Entrance Fees may be generated from Independent Living Units turning over without a corresponding refund because the resident has not withdrawn from the Community but has permanently transferred to the Assisted Living Units or Skilled Nursing Beds. Entrance Fees are projected to inflate at 3.0 percent annually during the Projection Period.

As noted previously, Entrance Fees were presented in pricing consistent with the anticipated year the IL Project opens (fiscal year ending 2025). As such, IL Project-related Entrance Fees are anticipated to increase 3 percent annually beginning fiscal year 2026.

The following table presents the assumed initial and attrition Entrance Fees received and the total Entrance Fee refunds.

**Table 9**  
**Entrance Fee Receipts and Total Entrance Fee Refunds**  
**(Dollars in Thousands)**

<b>For the Year Ending September 30,</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>
<b>Independent Living Units:</b>					
Entrance Fee Receipts and Deposits from Initial Residents <sup>(1)</sup>	\$ -	\$ 21,737	\$ 9,923	\$ -	\$ -
Entrance Fee Receipts from Unit Turnover	6,298	6,647	7,924	9,279	9,882
Entrance Fees Refunded from Unit Turnover	(1,223)	(1,423)	(2,437)	(2,716)	(2,043)
<b>Net Independent Living Unit Entrance Fees</b>	<b>\$ 5,075</b>	<b>\$ 26,961</b>	<b>\$ 15,410</b>	<b>\$ 6,563</b>	<b>\$ 7,839</b>
<b>Early Acceptance Program:</b>					
Entrance Fee Receipts	\$ 480	\$ -	\$ -	\$ -	\$ -
<b>Total Entrance Fee Receipts</b>	<b>\$ 5,555</b>	<b>\$ 26,961</b>	<b>\$ 15,410</b>	<b>\$ 6,563</b>	<b>\$ 7,839</b>

Source: Management and Actuary

Note:

(1) In addition to the initial entrance fee and deposits received during the Projection Period, Management has indicated that it had collected approximately \$5,222,000 of ten percent deposits as of 9/30/2023.

See Accompanying Independent Accountants' Compilation Report

## **SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES**

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### **Other Revenue**

Management has projected other revenue to include service revenue, additional meals, guest meals, guest rooms, and beauty and barber services. Management has projected other revenue based on their experience at the Community and changes in occupancy associated with the IL Project.

### **Investment Return**

Management has projected investment return to consist of interest earned on available cash and cash equivalents, investments and assets limited as to use. During construction of the IL Project, projected interest expense on the Series 2022 Bonds has been netted with interest earned on the various trustee-held funds relating to the Series 2022 Bonds. Management has projected investment earnings ranging from 0.25 percent on cash and cash equivalents to 3.50 percent on Investments. Investment returns on assets limited as to use are projected at either 2.00 percent or 3.50 percent, depending on the nature of the asset.

## **SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES**

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### **MANAGEMENT'S BASIS FOR PROJECTION OF EXPENSES**

#### **Operating Expenses**

Operating expenses have been projected to be recognized during the month incurred. Management has projected operating expenses based upon Management's operating plans, including changes associated with operating the IL Project when it becomes available. In general, operating expenses, including salaries and hourly wages, are projected to increase by 4.0 percent annually throughout the Projection Period for inflation.

As it relates to the New Independent Living Units, management has projected operating expenses, which includes all salaries, wages, benefits and non-salary operating expenses, to approximate 35% of the projected monthly service fee revenue for the Projection Period and a community benefit approximating 5% of Monthly Fee revenue and Entrance Fee amortization.

#### ***Salaries, Wages, and Benefits***

A full time equivalent ("FTE") is assumed to represent 2,080 hours of time paid annually. Salaries and wages are projected to increase by 4.0 percent annually during the Projection Period. Management's projection reflects increases in staffing related to the New Independent Living Units.

Employee benefits costs include FICA, unemployment taxes, workers' compensation, medical insurance, life insurance, retirement contributions and other miscellaneous benefits. Management has projected that these taxes and benefit costs will approximate 25.7 percent of salaries and wages during the Projection Period.

#### ***Non-Salary Operating Expenses***

##### *Dining Services*

Non-salary dining services costs include raw food and dietary supplies. Costs, other than those related to labor, would increase approximately 4.0 percent annually and throughout the Projection Period for inflation. These non-labor costs would also be subject to changes in occupancy.

##### *Housekeeping*

Non-salary costs include housekeeping costs for the Retirement Facility. Costs, other than those related to labor, would increase approximately 4.0 percent annually throughout the Projection Period for inflation. These non-labor costs would also be subject to changes in occupancy.

##### *Laundry*

Non-salary costs include laundry costs for the Retirement Facility. Costs, other than those related to labor, would increase approximately 4.0 percent annually throughout the Projection Period for inflation. These non-labor costs would also be subject to changes in occupancy.

## **SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES**

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### *Health Care Center and Nursing*

Non-salary health care center and nursing costs include costs for providing care in the Assisted Living Units and Skilled Nursing Beds. Costs, other than those related to labor, would increase approximately 4.0 percent annually throughout the Projection Period for inflation. These non-labor costs would also be subject to changes in occupancy.

### *Wellness Clinic*

Non-salary costs include costs to provide care at the Wellness Clinic. Costs, other than those related to labor, would increase approximately 4.0 percent annually throughout the Projection Period for inflation.

### *The Forest at Home*

Non-salary costs include costs to provide home care services to residents. Costs, other than those related to labor, would increase approximately 4.0 percent annually throughout the Projection Period for inflation.

### *Community Life*

Non-salary community life costs include those incurred with the operation of the campus activities. Costs, other than those related to labor, would increase approximately 4.0 percent annually throughout the Projection Period for inflation. These non-labor costs would also be subject to changes in occupancy.

### *Plant Facility Costs*

Non-salary plant facility costs include electricity, water and sewer, gas, cable television, and all activities of maintenance for the Retirement Facility. Costs, other than those related to labor, would increase approximately 4.0 percent annually throughout the Projection Period for inflation and changes in occupancy and the Project. These non-labor costs would also be subject to changes in occupancy.

### *Marketing*

Costs include advertising and purchased services costs for the Retirement Facility. Costs, other than those related to labor and the IL Project, would increase approximately 4.0 percent annually throughout the Projection Period for inflation and the IL Project. These non-labor costs would also be subject to changes in occupancy.

### *General and Administrative*

Costs include insurance, professional service fees, and other administrative costs. Other costs, excluding those related to labor, are projected to increase at a rate of 4.0 percent annually throughout the Projection Period for inflation. These non-labor costs would also be subject to opening of the IL Project and changes in occupancy.



## **SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES**

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### *Early Acceptance*

Non-salary costs include costs to operate the Early Acceptance Program. Other costs, excluding those related to labor, are projected to increase at a rate of 4.0 percent annually throughout the Projection Period for inflation.

### *Depreciation*

Property and equipment are projected to be depreciated over their estimated useful lives using the straight-line method.

### *Interest*

Interest expense is assumed to be related to the debt service requirements, the amortization of the deferred financing costs, and the amortization of the bond premiums associated with the Series 2017 Bonds, the Series 2021 Bonds, and the Series 2022 Bonds. Management plans to capitalize the IL Project -related interest expense during the construction period of the IL Project associated with the Series 2022 Bonds.

### *Community Responsibility*

Pursuant to North Carolina statutes, the Corporation is exempt from property taxes if it incurs social accountability costs equal to 5 percent of operating revenues plus entrance fee amortization (every 1 percent exempts 20 percent of the property taxes). The social accountability costs ("community responsibility") include charity care, in kind activities such as use of space for community needs (voting, etc.). Management's projection of community responsibility reflects the shortfall between other social accountability activities that the Corporation is projecting, and the 5 percent target.

## **SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES**

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### **MANAGEMENT'S BASIS FOR PROJECTION OF OTHER ITEMS**

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

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

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

##### ***Early Acceptance Program Funds***

Early Acceptance Program Funds balances for the Projection Period are assumed to reflect funds received during the Projection Period.

##### ***Accounts and Other Receivables, Net***

Accounts and Other Receivables, Net are projected based on Management's estimate. Management has not projected an estimate for an allowance of expected credit loss during the Projection Period based upon historical performance. Management has projected Accounts and Other Receivables, Net, at approximately 14 days of resident revenues throughout the Projection Period.

##### ***Other Current Assets***

Other Current Assets are projected based on Management's estimate and historical levels throughout the Projection Period.

##### ***Accounts Payable***

Accounts Payable are projected based upon Management's estimate of 10 days of expenses, excluding depreciation, interest, and amortization expenses, throughout the Projection Period.

##### ***Accrued Expenses***

Accrued Expenses are projected based upon Management's estimate of 13 days of expenses, excluding depreciation, interest, and amortization expenses, throughout the Projection Period.

##### ***Accrued Interest Payable***

Accrued Interest Payable has been calculated based on projected interest rates and repayment terms of the long-term debt.

## **SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES**

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

#### ***Trustee Held Funds***

*Bond Funds* – Represents monthly advance payments of bond principal and interest made by the Corporation to the trustee relating to outstanding Series 2017 Bonds, Series 2021 Bonds, and the Series 2022 Bonds. The funds held in these bond funds are expected to be used by the trustee to make principal and interest payments to owners of the outstanding bonds when due.

*Entrance Fee Fund* – Initial Entrance Fees related to the New Independent Living Units are planned to be deposited into the Entrance Fee Fund. Amounts on deposit in the Entrance Fee Fund are assumed to be used to re-pay the Series 2022A-2 Bonds.

*Construction Account* – Represents amounts funded from a portion of the Series 2021 Bonds that are projected to be used for payment of certain Health and Wellness Center project related costs.

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

Other assets limited as to their use include the restricted cash and cash equivalents and assets limited as to use presented on the projected balance sheets. The funds include amounts that contain restrictions on their use by the Corporation.

*Board Designated (Benevolent Fund)* - The Board of Directors has designated \$100,000 plus interest and contributions to be used as the Benevolent Fund. This fund is to be used for resident assistance in the event of financial hardship at the discretion of the Board of Directors. Management has not projected utilizing any of this fund during the Projection Period.

*Board Designated (Health Care Reserve)* - The Health Care Reserve represents amounts paid by each resident as part of their entrance fee (\$10,000 as of October 1, 2000). The Board of Directors has designated these funds be maintained to help protect against escalating costs in the Retirement Facility's Health and Wellness Center. Management has not projected utilizing any of this fund during the Projection Period.

*Statutory Operating Reserve* - North Carolina Statutory Operating Reserve– Section 58-64-33 of the General Statutes of North Carolina, as amended, requires that all continuing care facilities maintain operating reserves equal to 50 percent of the total operating costs (as defined in Section 58-64-33) (or 25 percent of the total operating costs if such facilities maintain an occupancy level in excess of 90 percent and the North Carolina Commissioner of Insurance so approves) for the twelve-month period related to the calculation. Such operating reserves may only be released upon approval of the North Carolina Commissioner of Insurance. Management has projected, based on its projected occupancies, meeting the 25 percent operating reserve requirement for all years of the Projection Period, except for the fiscal year ending December 31, 2025.

*Resident Deposits - Project* – Management has projected the resident deposits collected related to the IL Project's New Independent Living Units will be released upon the move-in and payment of the required entrance fees for the units, which is projected to occur during 2025 and 2026 once the IL Project opens.

## SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

**Table 10**  
**Projected Operating Reserve Calculation**  
**At September 30,**

	2024	2025	2026	2027	2028
<b>Statutory Operating Reserve Calculation (Expenses in Thousands):</b>					
Total Operating Expenses	\$ 31,651	\$ 35,680	\$ 41,963	\$ 42,895	\$ 43,581
Principal Payments	1,305	16,748	16,412	2,625	2,720
Less: Depreciation	(6,884)	(7,638)	(10,760)	(10,794)	(10,483)
Less: Principal Paid from Entrance Fee Fund	-	(15,413)	(14,087)	-	-
Less: Funds Held by Trustee for Bonds	(144)	(144)	(143)	(143)	(141)
Total Operating Costs	\$ 25,928	\$ 29,233	\$ 33,385	\$ 34,583	\$ 35,677
Required Reserve <sup>(1)</sup>	25%	50%	25%	25%	25%
Required Statutory Operating Reserve (In Thousands)	\$ 6,482	\$ 14,617	\$ 8,346	\$ 8,646	\$ 8,919
Average Available Units:					
Independent Living Units	235	235	235	235	235
Independent Living Units- IL Project	-	71	71	71	71
Assisted Living Units	32	32	32	32	32
Total Available Units	267	338	338	338	338
Occupancy at Year End:					
Independent Living Units	224	224	224	224	224
Independent Living Units - IL Project	-	46	67	67	67
Assisted Living Units	28	30	30	30	30
Total Occupied Units	252	300	321	321	321
Average Occupancy at Year End	94.4%	88.8%	95.0%	95.0%	95.0%

Source: Management

Notes:

- (1) If combined independent living and assisted living occupancy is 90 percent or less, the operating reserve requirement is 50 percent; otherwise, it is 25 percent.

### **Property and Equipment**

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

## SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

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The following table reflects the IL Project related costs, capitalized interest, net of interest earnings, and other routine capital additions during the Projection Period:

**Table 11**  
**Projected Property and Equipment Additions**  
**For the Years Ending September 30,**  
**(Dollars in Thousands)**

	2024	2025	2026	2027	2028
Project costs	\$ 55,348	\$ 16,797	\$ -	\$ -	\$ -
Capitalized interest, net of interest earnings, during Project construction	2,130	1,635	-	-	-
Routine capital additions	2,500	2,500	2,850	2,950	3,050
Total	\$ 59,978	\$ 20,932	\$ 2,850	\$ 2,950	\$ 3,050

Source: Management

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

During the Projection Period, the Corporation's long-term debt is planned to be comprised of the Series 2017 Bonds, the Series 2021 Bonds, and the Series 2022 Bonds.

In August 2017, the North Carolina Medical Care Commission authorized the issuance of tax-exempt Retirement Facilities Refunding Revenue Bonds (The Forest at Duke), Series 2017 ("Series 2017 Bonds") in the aggregate principal amount of \$20,210,000. The proceeds of the Series 2017 Bonds were used to refund the Series 2007 bonds. Effective January 1, 2018, as a result of the Tax Cuts and Jobs Act, and by function of the debt agreements for tax law changes, the effective interest rate changed from 2.82 percent to 3.43 percent. Interest on the Series 2017 bonds is payable on the first day of each month. All bonds are secured by substantially all of the property and equipment of the Corporation.

In June 2021, the North Carolina Medical Care Commission authorized the issuance of tax-exempt Retirement Facilities Refunding Revenue Bonds (The Forest at Duke), Series 2021 ("Series 2021 Bonds") in the aggregate principal amount of \$44,415,000. The proceeds of the Series 2021 Bonds were used to fund the New Health and Wellness Center Project. Interest on the Series 2021 bonds is a fixed 4.00 percent and is payable semiannually. All bonds are secured by substantially by all of the property and equipment of the Corporation. The Series 2021 Bonds were issued with an associated bond premium of \$6,404,000.

In November 2022, the North Carolina Medical Care Commission authorized the issuance of the Series 2022A-1 and 2022A-2 Bonds in the aggregate of \$95,570,000 (2022A Bonds). The 2022A-1 Bank Bonds issued through the North Carolina Medical Care Commission ("2022A-1 Bonds") and bought by Truist Bank with a 15-year commitment. The Series 2022A-1 Bonds are subject to monthly and interest payments beginning June 1, 2026 through September 1, 2052. During the initial direct purchase rate period, the 2022A-1 Bonds will bear interest at 79% of SOFR plus 1.55%. The 2022A-2 Bonds will be redeemed by the Corporation through application of initial entrance fees related to the Project. The 2022A-2 Bonds will bear interest at 79% of SOFR plus 1.35%.

The trust indentures and loan agreements underlying the Series 2017, the Series 2021, and the Series 2022 Bonds contain certain financial covenants including minimum long-term debt service coverage and days' cash on hand targets.

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See Accompanying Independent Accountants' Compilation Report

## SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

The following table presents a summary of the assumed annual principal payments for all long-term debt which is presented on a September 30, fiscal year basis:

**Table 12**  
**Projected Annual Principal Payments**  
**(Dollars in Thousands)**

For the Years Ending September 30,	Series 2017 Bonds	Series 2021 Bonds	Series 2022A-1 Bonds	Series 2022A-2 Bonds	Total
2024	\$ 1,305	\$ -	\$ -	\$ -	\$ 1,305
2025	1,335	-	-	15,413	16,748
2026	1,375	-	950	14,087	16,412
2027	1,415	-	1,210	-	2,625
2028	1,460	-	1,260	-	2,720
2029	1,500	-	1,340	-	2,840
2030	1,540	-	1,415	-	2,955
2031	1,585	-	1,485	-	3,070
2032	1,630	-	1,560	-	3,190
2033	-	1,605	1,695	-	3,300
Thereafter	-	42,810	55,155	-	97,965
<b>Total</b>	<b>\$ 13,145</b>	<b>\$ 44,415</b>	<b>\$ 66,070</b>	<b>\$ 29,500</b>	<b>\$ 153,130</b>

Source: Management and the Underwriter

### Net Assets

Management has projected receipts to net assets with donor restrictions each year, and has projected release of those receipts for use in operations each year based on its anticipation of donations during the Projection Period.

**Exhibit E**

Residence and Care Agreement

# **RESIDENCE AND CARE AGREEMENT**



THE **FOREST** AT **DUKE**



# THE FOREST AT DUKE

## RESIDENCE AND CARE AGREEMENT

This Residence and Care Agreement (together with all exhibits and schedules attached and incorporated herein, the “Agreement”) is entered into between THE FOREST AT DUKE, INC. (“The Forest”) located in Durham County at 2701 Pickett Road, Durham, NC and \_\_\_\_\_, (“you”) on this day \_\_\_\_\_. If two persons enter into this Agreement as co-residents, the word “you” will apply to both unless the context requires otherwise. All residents that are parties to this Agreement shall be jointly and severally responsible for all fees, charges and obligations under this Agreement. In this paragraph and throughout the rest of the Agreement, the words “we”, “us”, “our” or “The Forest” refer to The Forest at Duke, Inc., and the words “you”, “your”, and “Resident(s)” refer to \_\_\_\_\_.

Under the laws of the State of North Carolina, The Forest is organized as a nonprofit corporation and operates a continuing care retirement community (the “Community”) created to provide housing, recreation, health care and other services to people sixty-five (65) years of age or older. In the case of co-residents, one resident may be as young as sixty-two (62).

The Forest is pledged to the letter and spirit of U.S. policy for the achievement of equal housing opportunity throughout the nation. The Forest encourages, supports, and is committed to operating a community where there are no barriers or discrimination because of race, color, religion, sex, handicap, familial status or national origin.

The Forest and you agree that you will assume all rights and responsibilities as stated in this Agreement beginning on \_\_\_\_\_, your “Date of Occupancy”. This is the date that The Forest has determined your residence, \_\_\_\_\_, will be readied and available to you.

The Forest and you agree to the following:

### I. Pledge of Service

The Forest will provide you the following services and facilities upon occupancy. Unless otherwise specified in this Agreement, there will be no additional charge made for any of these services and facilities other than payment of the Entry Fee and Monthly Fees, each of which is described in this Agreement, and outlined in Exhibit A. A “Schedule of Ancillary Charges” for certain services and items not covered by the Entry Fee and Monthly Fees is included as Exhibit B. This schedule is updated periodically and will be made available to you each time it is updated.

#### A. Community Facilities:

You may use, along with other residents, the common facilities of The Forest including, but not limited to, the dining rooms, lounges, lobbies, library, social and recreation rooms and designated outdoor activity areas.

**B. Living Accommodations:**

1. **Right to Reside** – You have a non-transferable right to reside in the independent living residence described in Exhibit A, subject to the terms and conditions of this Agreement.
2. **Furnishings** – The Forest provides standard carpeting, window coverings, refrigerator, range, garbage disposal, microwave, and dishwasher. A washer and dryer are provided for apartments, and washer and dryer hook-ups are provided for the cottages. Twenty-four (24) hour emergency call system, individual thermostatic control for heating and air conditioning, cable television outlets, telephone outlets, and smoke alarms are also provided.
3. **Changes to Your Residence** – The Forest allows limited non-structural changes to personalize your residence. Any such changes must have prior written approval by The Forest. You are responsible for the cost of any custom changes, and are required to use installers and contractors approved or provided by The Forest. All such changes become the property of The Forest. You may be responsible for costs associated with restoring the residence to its standard condition prior to occupancy by a subsequent resident. You may also be responsible for the cost of repairing or replacing finishes or appliances damaged as the result of extraordinary wear and tear.

**C. Services:**

1. **Dining Services** - The Forest provides dining services. A choice of meal plan options described below is included in your Monthly Fee. In the case of co-occupancy, both residents will participate in the same plan.
  - a. Meal Plan One – Flexible monthly dining credits per person, used at the resident’s choosing and in accordance with the current Meal Plan One policy.
  - b. Meal Plan Two – Flexible monthly dining credits per person, used at the resident’s choosing and in accordance with the current Meal Plan Two policy.
  - c. Meal Plan Three – An opt-out provision.
2. **Utilities** – Water, sewer service, electricity, heat, air conditioning, basic cable television and wireless internet services are provided. Although telephone access is provided, if you elect to have telephone service, you are responsible for the establishment of telephone hook-up and ongoing service.
3. **Housekeeping** – Housekeeping Services are provided weekly based upon the Housekeeping Services schedule. These services include vacuuming, dusting and cleaning of bathrooms and kitchens.
4. **Maintenance** – The Forest performs the necessary repairs, maintenance, and reasonable replacement of its own property, common facilities and equipment.

5. **Security** – The Forest will use reasonable care in providing security on the premises of The Forest. Emergency response devices and smoke detectors are provided in all residences. Twenty-four (24) hour security staffing, including regular security patrols, is provided. You are responsible for taking appropriate security measures to protect yourself and your property at the Community.
6. **Groundskeeping** – Basic groundskeeping service, including lawn, tree, and shrubbery care, is provided. You may plant and maintain certain areas designated and approved by The Forest.
7. **Activities** – The Forest provides scheduled social, recreational, spiritual, educational and cultural activities, creative arts, exercise and wellness programs, and other activities designed to meet the interest of the residents. There may be a charge associated with certain activities.
8. **Transportation** – Scheduled transportation is provided to shopping centers, public events, and other destinations as determined by The Forest. One round trip per resident per week is provided to local outside medical facilities. Unused medical trips may not be saved or accumulated. Should transportation be desired at times or to places not included in the standard schedule, The Forest will assist with those transportation needs to the degree staff and equipment are available, and an additional charge may apply.
9. **Storage** – Limited storage space is provided.
10. **Parking** – One reserved automobile parking space per independent residence is provided. Additional limited parking is available.
11. **Wellness and Health Services** – The Forest offers primary care, assisted living, skilled nursing, and dementia care services with oversight provided by a licensed physician serving as the Medical Director in accordance with Section V of this Agreement.
12. **Insurance** – The Forest maintains insurance on all of its property and its operations to include general public liability insurance, property insurance including coverage for acts of God, vandalism and theft, professional liability insurance and worker’s compensation. You are required to maintain a personal insurance policy for coverage of your personal belongings.
13. **Taxes** – Any real estate taxes are paid by The Forest.

## II. Financial Provisions

### A. Deposits:

Funds paid toward the Entry Fee may be refundable as outlined in Sections VI and VIII of this Agreement.

**B. Statement of Fees:**

You agree to pay The Forest an Entry Fee and the Monthly Fee for the selected residence as outlined in Exhibit A. Within five (5) days of the date of this Agreement, you agree to pay a fifteen percent (15%) deposit to secure the residence as outlined in Exhibit A. You are then required to make the final balance payment of the Entry Fee fourteen (14) days prior to the Date of Occupancy, as stated on Exhibit A. You agree to pay all fees and charges as set forth in this Agreement.

**C. Entry Fee:**

The Entry Fee is comprised of two parts: a Residence Fee, all or some of which may be refundable in accordance with Sections VI and VIII, plus a non-refundable Health Care Reserve Fee. The Health Care Reserve Fees provide additional resources, which allow The Forest to establish and charge discounted fees for health care services as outlined in Section V.

**D. Monthly Fee:**

The Monthly Fee varies depending upon the type of residence. A Second Person Monthly Fee is charged for Co-Residency. The Monthly Fee and costs for additional services are billed by the fifth (5<sup>th</sup>) business day of each calendar month, with payment due from you by the fifteenth (15<sup>th</sup>) of the same month. The Forest reserves the right, with thirty (30) days' notice, to change the billing date and the payment due date. For a partial first month, the Monthly Fee is pro-rated on a per diem basis. Thereafter, Monthly Fees are paid in advance and are not pro-rated at termination. If you fail to pay the Monthly Fee, The Forest reserves the right to terminate the Agreement. The Forest may add a service charge of one percent (1%) per month to fees and charges not paid by the fifteenth (15<sup>th</sup>) of the month. Fees on the monthly statement shall be paid by automatic bank draft.

**E. Delayed Residency:**

If you choose to defer occupancy, later than the Date of Occupancy as stated in Exhibit A, both the Entry Fee and the applicable Monthly Fee must still be paid as if you moved into The Forest on the Date of Occupancy. You will be credited as appropriate, with the Away Allowance as described in Section II. L until such time that you move to The Forest. Additionally, any refund will be calculated as of the Date of Occupancy as stated in Exhibit A.

**F. Fee Increases:**

It is understood by both parties that The Forest is a nonprofit corporation dedicated to providing high quality services, facilities, and care at the lowest feasible cost. The parties also recognize the uncertain nature of future costs and expenses for goods and services and their mutual need to maintain a sound financial basis for the continued operation of the facility. You agree that The Forest may adjust the Monthly Fee and any and all other fees and charges upon a thirty (30) day written notice to you, as may be reasonably necessary according to the economic requirements and conditions, and the level of services offered. The decision to adjust the Monthly Fee and all other fees and charges is made, in its sole discretion, by the Board of Directors of The Forest.

**G. Financial Hardship:**

It is the intent of The Forest to admit only those persons who are able to pay its current and projected Entry Fee, Monthly Fee and any additional charges. If upon reviewing your financial resources, it is determined that through no fault of your own, you are unable to continue to pay a part or all of the Monthly Fee, The Forest may elect to subsidize your Monthly Fee. A Benevolent Fund was established to assist those residents who encounter financial hardship through no fault of their own. The Benevolent Fund and the other resources of The Forest however, are limited, and The Forest's policy to subsidize residents who have encountered financial hardship is expressly limited by its obligation to meet its commitments to all residents, and to operate on a sound financial basis. If it is apparent to The Forest that you have voluntarily divested assets and resources, or have used resources in a manner other than to meet ordinary and customary living expenses, The Forest may refuse to subsidize your Monthly Fee, and may elect to terminate this Agreement if payments for all fees and charges are not received in a timely manner. The use of the Benevolent Fund to subsidize residents who have encountered financial hardship is at the sole discretion of The Forest. Contributions to the Benevolent Fund are tax deductible, and residents and others may support this Fund with gifts, bequests and other fund-raising activities.

You agree to provide, if requested, financial statements and current financial information and copies of your tax returns for the purpose of demonstrating capacity to meet financial obligations to The Forest and other providers arising out of or in connection with this Agreement.

Under the terms of the Agreement, residents agree that they have not and will not make gifts of real or personal property for the purpose of evading their financial obligations to The Forest.

**H. Subsidy by The Forest:**

Should The Forest elect to subsidize your Monthly Fee, or any other cost for services or care which The Forest under this Agreement is not obligated to pay on your behalf, the accumulated amount of any such subsidy shall be offset against any refund that might become due to you, and any unrecovered balance shall also be a valid claim against your estate. This paragraph shall apply whether or not you reside at The Forest at the time of death or termination of this Agreement.

**I. The Forest's Disclosure Requirements:**

In keeping with North Carolina requirements for disclosure of financial information to the public and to The Forest's residents, The Forest will file an annual disclosure statement with the North Carolina Department of Insurance ("Disclosure Statement"). A copy of the most recent Disclosure Statement will be delivered to you prior to the execution of this Agreement and a copy of each subsequent Disclosure Statement shall be made available to you so long as you reside at The Forest.

**J. The Resident's Disclosure Requirements:**

During the process of applying for admission, you have disclosed your complete health status and history, and your complete financial position to The Forest as of the date of this Agreement. The Forest will not be responsible for any financial support, or for the cost of your care if the true and correct nature of your financial position and/or medical condition has not been revealed to The Forest as of the date of this Agreement or subsequent to the date of this Agreement based upon information you provided to The Forest, at its request. Upon the request of The Forest, you are obligated to provide us the current status of your health and/or financial position so long as you remain a resident of The Forest.

**K. Addition of a Second Resident to Share a Living Accommodation with a Current Resident:**

If, after the Date of Occupancy indicated on Exhibit A, you choose to have a second resident share your residence, The Forest may charge the second resident an Entry Fee equal to the current applicable Single Occupancy Entry Fee for such living accommodation, or such lesser amount as The Forest may determine in its discretion. Thereafter, you are responsible for paying the applicable Double Occupancy Monthly Fee for the residence.

Second residents are subject to the same review and entrance requirements as initial residents and must sign a Residence and Care Agreement. If the second resident is an existing resident, the second resident is subject to the same entrance requirements as initial residents, except in regards to health status evaluation.

**L. Away From The Forest:**

Independent residents who select Meal Plan One and are away from The Forest for fourteen (14) consecutive days or more, are eligible to request an Away Allowance. Independent residents who elect Meal Plan Two and are away from The Forest for thirty (30) consecutive days or more, are eligible to request an Away Allowance. The Away Allowance is described in the Resident Handbook, and is granted only upon written, advance request, and is not applicable for stays in The Forest's Health and Wellness Center. The Away Allowance will be the established, current per person, per day amount as stated on the "Schedule of Ancillary Charges". See attached Exhibit B. There is no Away Allowance offered for Meal Plan Three.

**III. Terms of Residency****A. Rights of Resident:**

You have the right to occupy, use, and enjoy your assigned residence, together with the common areas, amenities, programs, and services of The Forest during your lifetime unless this Agreement is terminated as provided herein. It is understood that this Agreement is not a lease and does not transfer or grant any interest in the real or personal property owned by The Forest other than the rights and privileges as described in this Agreement.

**B. Policies, Rules and Regulations:**

You agree to abide by the policies, rules, and regulations of The Forest including such changes as may be adopted from time to time. These policies, rules, and regulations will be set forth in a Resident Handbook and will be made available to you prior to the execution of this Agreement, and at any time when it is updated.

**C. Business and Health Care Directives:**

You agree to execute and maintain in effect a North Carolina Durable Power of Attorney valid and enforceable in accord with the provisions of Chapter 32C of the General Statutes of North Carolina (or similar laws subsequently enacted). This Power of Attorney shall designate as your attorney-in-fact, a bank, a lawyer, relative or other responsible person or persons of your choice, to act for you in managing your financial affairs and filing for your insurance or other benefits as fully and completely as if you would be acting personally. It shall be in a form which survives your incapacity or disability and otherwise be satisfactory to The Forest. You will deliver a fully executed copy of this Power of Attorney to The Forest prior to the Date of Occupancy. Additionally, you further agree to provide The Forest with a copy of any Living Will, or Durable Power of Attorney for health care decisions which may be in existence, and to provide such documentations which may develop subsequent to the execution of this Agreement. The Forest strongly encourages all residents to designate a Health Care Attorney in Fact capable of making health care decisions in the case of incapacity or emergency.

**D. Property:**

To the maximum extent permitted by law, The Forest will not be responsible for the loss or damage of any property not belonging to The Forest due to any cause. It is understood by both parties that you will have the responsibility for providing insurance protection covering any such loss or damage of personal property. Upon termination of this Agreement, The Forest has the right to promptly (within thirty (30) days) remove from the residence any and all of your property that remains therein or that is stored elsewhere on the property of The Forest, and The Forest may store such property either on or off the premises. You or your estate will be obligated for the payment of moving and storage charges and will reimburse The Forest for its incurred expenses.

Should such belongings remain stored for longer than ninety (90) days, The Forest shall have the right to sell such belongings and pay the proceeds from such sale to you or your estate, net of all expenses incurred to move, store and sell such property. If the proceeds are not adequate to fully reimburse The Forest for all such costs, you or your estate shall be responsible to The Forest for the deficiency.

**E. Insurance:****1. Application for Benefits: Assignment of Benefits**

You shall apply for any federal, state or local benefits for which you may be eligible or entitled upon request by The Forest. If requested by The Forest, any or all such benefits will be applied to the daily fee or other charges incurred by you at The Forest.

You agree to assign to The Forest all insurance benefits received from third party payers for health services provided by The Forest. You agree to grant to The Forest a limited Power of Attorney for the purpose of permitting The Forest to act as your agent or attorney in fact in all matters relating to any such benefit.

## **2. Health Insurance:**

You shall maintain eligible Medicare coverage (and supplemental health insurance coverage) or health insurance coverage that adequately covers hospital, medical, prescriptions and skilled nursing deductibles and co-payments required under your primary insurance policy. Your primary and secondary insurance coverage must recognize The Forest as a healthcare provider, or you shall be responsible for services rendered that otherwise could be covered by insurance. You agree to furnish The Forest with evidence of such coverage prior to the Date of Occupancy as stated in Exhibit A and also upon request.

If your health insurance coverage lapses, The Forest may require you to reapply for suitable insurance coverage. If you are unable to obtain suitable insurance coverage, you shall be responsible for any healthcare services rendered that otherwise could be covered by insurance. Upon request by The Forest, you shall provide evidence of health insurance coverage.

## **3. Medicare-Certified Skilled Nursing Facility Beds:**

The Forest maintains a limited number of Medicare-certified beds in the skilled nursing facility, which are available for use by residents whose skilled nursing care would qualify for Medicare payment on an “if and as available” basis. In the event that you need admission and the admission would qualify for Medicare payment, then your financial responsibility to The Forest will depend upon the type of Medicare coverage you have and whether The Forest is a contractual provider for your coverage.

### ***a) Medicare-certified bed is not available.***

In the event that there is not a Medicare-certified bed at The Forest at the time you require admission, you may either choose to obtain skilled nursing care services at another healthcare facility at your cost until such time as a Medicare-certified bed becomes available at The Forest (presuming you would use a facility that could provide a Medicare-certified bed) or be admitted to a bed in the skilled nursing facility at your cost which is not certified to accept Medicare payment until such time as a Medicare-certified bed becomes available at The Forest.

### ***b) Medicare-certified bed is available and you have traditional Medicare.***

If you are admitted to a Medicare-certified bed in the skilled nursing facility and you have traditional Medicare coverage, The Forest will accept the Medicare reimbursement amount of such care while you shall be responsible for any applicable deductible, co-payment and/or co-insurance amounts that are not paid by Medicare and any supplemental Medicare insurance that you maintain.



***c) Medicare-certified bed is available and you have Medicare Advantage coverage for which The Forest is an in-network provider.***

In the event that The Forest is an in-network provider for your Medicare Advantage coverage, then The Forest will accept the reimbursement amount from your Medicare Advantage insurance carrier while you shall be responsible for any deductible, co-payment and/or co-insurance amounts that are not paid by the Medicare Advantage insurance that you maintain.

***d) Medicare-certified bed is available and you have Medicare Advantage coverage for which The Forest is not an in-network provider.***

The Forest will charge you the full private-payment amount for your admission into a Medicare-certified bed and credit against your financial obligation to The Forest the amount that is paid by your Medicare Advantage insurance if the insurance provides an out-of-pocket network benefit. In the event that your Medicare Advantage insurance will not pay any amount to an out-of-network provider, then you will not be admitted to a Medicare-certified bed at The Forest. A full private-pay resident in a Medicare-certified bed may be required by The Forest to relocate to a bed that is not Medicare-certified when such a bed becomes available.

**F. Resident's Medical Examination:**

You agree to be examined by a Forest physician when there is reasonable cause for concern for your health and well-being.

**G. Subrogation Rights:**

In case of injury to you by a third party, The Forest shall have the right to subrogation for all of its costs and expenses incurred by reason of such injuries, and shall have the right, in your name or otherwise, to take all necessary steps and procedures to enforce the payment of the same by the person responsible for the injury. You agree to cooperate fully and to assist The Forest in recovering any such costs and expenses.

**H. Resident Representation:**

Residents have the right of self-organization through a residents' association which may convene to arrange social and recreational programs and to review the interests of the resident population.

**I. Right of Entry:**

The Forest recognizes your right to privacy, and The Forest shall limit entry to your residence to legitimate emergencies and to scheduled work, including housekeeping, repairs, maintenance, and inspections. You hereby expressly authorize employees or agents of The Forest to enter your residence upon reasonable notice for all such purposes.

**J. Appliances:**

The Forest is not obligated to determine your ability to safely utilize the appliances in your residence. However, should The Forest determine that you have demonstrated an inability to safely operate the range, microwave, refrigerator, disposal unit, or any other appliances in your residence, The Forest will have the right to turn off the power serving such appliance(s) and/or to remove any and all such appliances. In any such instance, you shall remain obligated to pay for any extra meals that you may incur due to the unavailability of any appliance.

**K. Guests:**

Guests are welcome at The Forest, and may stay overnight in your residence for visits of limited duration. Guests may also use The Forest's guest room accommodations, subject to availability and based upon the Guest Room Reservation Policy in the Resident Handbook. At all times, you will be responsible for any injury to others, or damage to the property of others or of The Forest, caused by your guest(s). The Forest reserves the right and authority to limit or terminate the stay of any guest at any time and for any reason.

**L. Emergency Notification:**

You agree to provide The Forest with the following information prior to the Date of Occupancy:

- Names, addresses, and phone numbers of persons to notify in an emergency, or death
- Names of persons having the right of entry into your residence
- Copy of current Durable Power of Attorney
- Copy of current Health Care Power of Attorney
- Copy of any Advance Directives
- Copy of current Insurance Coverages
- Name, address, and phone number of funeral director (prior arrangements are encouraged)
- Information necessary to complete a death certificate

The Forest shall not be responsible for funeral or burial arrangements or costs.

**M. Compliance with Applicable Laws:**

The Forest will operate in full compliance with all laws, rules, regulations, and ordinances promulgated by lawful governmental authorities. Notwithstanding any other provisions of this Agreement, it shall have the right to change your residence, and the terms of this Agreement, to meet the requirements of any law or regulation.

**N. Relocation:**

The Forest reserves the right to relocate you to another accommodation when deemed necessary in order for The Forest to fulfill its strategic, financial or other obligations. The Forest will use reasonable efforts to relocate you to an accommodation of the same or similar type as your

accommodation. Any such decision to relocate you will be discussed thoroughly with you in order to enlist your understanding of the need for and cooperation with the relocation. The Forest will pay all required packing and moving costs, and all reasonable refurbishing costs necessary to achieve substantial comparability between your accommodation and any new accommodation to which you may be relocated.

#### **IV. Resident Moves and Transfers**

It is understood that when you move from one independent living residence to another, or if you move from one level of care to another, your status or rights as a Forest resident do not change. You may transfer and/or move on a temporary or a permanent basis, at the determination of The Forest.

##### **A. Independent Internal Moves:**

- 1. Move to a Larger Independent Living Residence** – Should you desire to transfer to a larger independent living residence, an internal move request should be made in writing according to the Internal Move Policy in the Resident Handbook. An internal move fee may apply as noted in the policy. An additional Entry Fee equal to the difference between the then current Entry Fee for the larger residence and the Entry Fee you originally paid for the smaller residence will be due to The Forest prior to your move to the larger residence.

Any additional Entry Fee amounts paid shall be considered paid from the Date of Occupancy of the original residence (Exhibit A) for purposes of calculating any refund. You will also be responsible for the Monthly Fee associated with the larger residence from the Date of Occupancy, or the actual date of move-in, whichever is earlier. The Monthly Fee for the smaller residence is still in effect, and will be charged until all personal belongings have been removed, and a final walk-through has been completed as per the Internal Move Policy.

- 2. Move to a Smaller Independent Living Residence** – Should you desire to transfer to a smaller independent living residence, an internal move request should be made in writing according to the Internal Move Policy in the Resident Handbook. You may be due a refund, depending on the Date of Occupancy of the original residence, reduced by amortization.

You will be responsible for the Monthly Fee associated with the smaller residence beginning on the Date of Occupancy, or the actual date of move-in, whichever is earlier. You will also be responsible for the Monthly Fee for the larger residence until all personal belongings have been removed from the larger residence, and a final walk-through has been completed as per the Internal Move Policy.

**B. Moves to the Health and Wellness Center:**

The Forest expressly reserves the right to move you to an accommodation that can best provide for your safety and care. If your physical or mental condition deteriorates so that, in the best judgment of The Forest and upon the recommendation of The Forest's Medical Director, you are unable to live independently, or if you cannot live in an independent living residence without endangering yourself or the health or safety of others, The Forest may move you to a more appropriate accommodation. Such changes (if not at your request) shall be made only to protect your health or safety, or the general welfare of the residents of The Forest or others. Residents may request a meeting with The Forest for the discussion and consideration of any actions taken by the The Forest. Should you fail or refuse to cooperate with any such move, The Forest has the right to terminate this Agreement and require you to leave the Community altogether.

If in the sole discretion of The Forest, it determines that your transfer is permanent, The Forest may assign your independent living residence to another resident. Should your condition subsequently improve to a point that you are able to live independently, you may apply for an independent living residence upon the same basis as existed before the transfer. You shall bear all costs of moving and storing your furniture and belongings in the case of such transfer. In addition, if The Forest determines that you can resume occupancy in an independent living residence, you will have priority for a similar residence as soon as one is available.

**C. Limitations of Care/Transfer:**

The Forest's facilities and services are not designed to care for persons who have an active psychiatric illness, who have a dangerous communicable disease or who are involved with drug or alcohol abuse. Should The Forest determine that your physical and/or mental condition becomes such that your continued presence at The Forest is dangerous or detrimental to your health or safety, or to others, The Forest may arrange for such transfer to a special service facility as may be required. The liability of The Forest for costs of such care shall be limited to the amount of your then prevailing Monthly Fee for each month that you continue to pay the Monthly Fee, or the then prevailing per diem rate, as applicable.

If you or your designee prefers a different institution or special service facility than that selected by The Forest, arrangements will be made to accommodate such preference with the understanding that The Forest is relieved of any increase in financial responsibility associated with such transfer, or the costs of such a transfer.

**V. Health Care Services**

During the process of applying to The Forest, you have disclosed a true and correct health status and history, and have been approved by The Forest for independent living. You have disclosed any significant changes in your health status since your initial review. It is understood by both parties that your health condition may change and that you will inform The Forest of any significant changes. If there is reasonable cause for concern, you agree that a Forest physician may examine you.

**A. Health and Wellness Center:**

The Forest's Health and Wellness Center includes a primary care clinic, assisted living residences, skilled nursing residences, and residences offering special care/dementia services.

**B. Continuing Care Services:**

The Forest agrees to provide the health care services outlined below. These services are included in the Monthly Fee, except for those requiring additional payment as described below. The Forest will seek reimbursement from any and all third party payers to the fullest extent available.

- 1. Wellness and Exercise Programs** – The Forest staff will conduct wellness and exercise programs for residents who wish to participate. Some special programs may require extra charges.
- 2. Emergency Response System** – Each residence will be equipped with an emergency response system, monitored twenty-four (24) hours a day.
- 3. Other Health Care Services:**
  - a) Clinic Services** – The Clinic at The Forest provides care and service operations as a physician's office/medical practice. The Clinic will bill an insurer for all reimbursable services. Co-payments and/or deductibles will be billed to patients.
  - b) Primary Care** – The Forest will make available primary care services to you in the Wellness Clinic during regularly scheduled office hours. Trained health care personnel will be on-site twenty-four (24) hours a day. Physicians will be available for scheduled office visits and are on call for Forest residents twenty-four (24) hours a day, seven (7) days a week. The Forest physicians will refer you to specialists as needed. You will be responsible for the cost of care rendered by physicians not reimbursed by Medicare or other third party payer.
  - c) Laboratory Tests and Other Procedures** – Limited laboratory testing services and diagnostic procedures will be provided in the Wellness Clinic according to a fee schedule published by The Forest. You will be responsible for the costs of such services and procedures not reimbursed by Medicare or other third party payer.
  - d) Special Services** – The Forest will provide facilities to accommodate some special services such as Dentistry, Physical Therapy, Occupational Therapy, Speech Therapy, and Pharmacy Services. You will be responsible for the cost of these, and other special services not reimbursed by Medicare or any other third party payer. You are responsible for the costs of medications procured through The Forest pharmacy service or elsewhere.
- 4. Assistance with Insurance Claims** – The Forest will assist you with the filing of health care insurance claims for services rendered by The Forest. Whenever The Forest files insurance claims for you, you agree to promptly and fully cooperate in the filing of all such claims.

5. **Home Care Services, Home Health and/or Certified Care** – You may arrange for limited assistance to accomplish activities of daily living or short term home care services and support through The Forest at Home or an approved, licensed and bonded agency or provider. Such providers must be approved by The Forest before they are allowed access to the community. You are responsible for any costs related to the services of any provider. The Forest may limit or terminate the services of any provider and may refuse access to the grounds or facilities of The Forest by such provider. You understand that arranging and receiving care from a home care provider does not take the place of care that may best be provided in the Health and Wellness Center (See Section IV.B).
6. **Hospitalization** – The Forest will assist you in arranging your inpatient hospital care when ordered by a physician. You will be responsible for all hospital charges not covered by Medicare or other third party payer.
7. **Health Care Services in The Forest Health and Wellness Center** – The Forest will provide temporary or permanent assisted living services, skilled nursing services, and respite care services to you when ordered by a physician. Health care services are provided based upon a specific fee structure as outlined below:
  - a) **Pre-Paid Days:** You are eligible for fifteen (15) pre-paid days in the Health and Wellness Center beginning with the initial Date of Occupancy at The Forest. Pre-paid days may also be used for a stay in an alternative health care facility. Should it be necessary to use one or more pre-paid days, these may again accrue to a maximum of fifteen (15) days. One pre-paid day accrues on the first day of each month for which you have not occupied a Health and Wellness Center bed or a bed in an alternative health care facility in the prior month up to a maximum of fifteen (15) days. While residing in the Health and Wellness Center or in an alternative health care facility when pre-paid days are available, you continue to pay the current Monthly Fee. After the accrued pre-paid days have been used, the rates as outlined in paragraphs 7.b through 7.h below apply or the rates actually charged by the alternative health care facility.
  - b) **Single Occupancy, Temporary Health and Wellness Center:** When it is deemed by The Forest that you are a temporary resident of the Health and Wellness Center, and after pre-paid days have been used, you will pay sixty percent (60%) of the per diem rate for health care services published by The Forest in addition to the regular Monthly Fee.
  - c) **Single Occupancy, Permanent Health and Wellness Center:** When it is deemed by The Forest that you are a permanent resident of the Health and Wellness Center and after pre-paid days have been used, you will pay forty percent (40%) of the per diem rate for health care services published by The Forest. Once you become a permanent resident of the Health and Wellness Center, all personal belongings have been removed from your independent living residence and a final walk-through has been completed, you will relinquish the independent living residence, and the Monthly Fee for the independent living residence will no longer be paid.

- d) Double Occupancy, One Resident Temporarily in Health and Wellness Center:** After pre-paid days have been used, the resident temporarily transferred to the Health and Wellness Center will continue to pay the Second Person Monthly Fee, plus sixty percent (60%) of the per diem rate for health care services published by The Forest. The resident remaining in the independent living residence will pay the Single Occupancy Monthly Fee.
- e) Double Occupancy, One Resident Permanently in Health and Wellness Center:** After pre-paid days have been used, the resident permanently transferred to the Health and Wellness Center will continue to pay the Second Person Monthly Fee plus fifteen percent (15%) of the per diem rate for health care services published by The Forest. The resident remaining in the independent living residence will pay the Single Occupancy Monthly Fee.
- f) Double Occupancy, Both Residents Temporarily in Health and Wellness Center:** After pre-paid days have been used, if both residents are temporarily transferred to the Health and Wellness Center, each will pay sixty percent (60%) of the per diem rate for health care services published by The Forest. In addition, one resident will continue to pay the Single Occupancy Monthly Fee and the other resident will pay the Second Person Monthly Fee.
- g) Double Occupancy, Both Residents Permanently in Health and Wellness Center:** After pre-paid days have been used, if both residents are permanently transferred to the Health and Wellness Center, each will pay forty percent (40%) of the per diem rate for health care services published by The Forest. Once all personal belongings have been removed from the independent living residence, and a final walk-through has been completed, you will relinquish the independent living residence and the Monthly Fee will no longer be paid for the independent living residence.
- h) Double Occupancy, One Resident Temporarily in Health and Wellness Center and One Resident Permanently in Health and Wellness Center:** After pre-paid days have been used, if one resident is temporarily transferred to the Health and Wellness Center, and the other resident is permanently transferred to the Health and Wellness Center, the rates outlined in Section V.B.7.e will apply. In addition, the resident temporarily transferred to the Health and Wellness Center will pay sixty percent (60%) of the per diem rate for health care services published by The Forest.

If appropriate accommodations suited to meet your needs are not available, The Forest will be responsible for identifying alternative health care facilities for you, until such time as an appropriate accommodation is available in The Forest's Health and Wellness Center.

The resident is responsible for the costs of care at the alternative health care facility. During the period of stay in an alternative health care facility, all costs of care will be billed to the resident by the alternative health care facility. If such costs are not covered by Medicare or other third party payer, the resident is responsible for the costs of care at

the alternative health care facility and, the resident may elect to use any available pre-paid days as described in paragraph 7.a above.

Should you elect to use any available pre-paid days, The Forest will either reimburse you or credit your account for the scope of services that would otherwise be included in the per diem rate, provided that The Forest's obligation shall not exceed the current prevailing per diem rate.

### **C. Direct Admission to the Health and Wellness Center:**

After the execution of this Agreement and prior to the Date of Occupancy, you may be admitted directly to the Health and Wellness Center should it be determined that your physical or mental condition precludes you from living independently. Under this circumstance, health care services will be delivered as outlined below. Financial support as described in Section II.G will not apply unless a co-resident takes occupancy of an independent living residence. Should independent living status as determined by The Forest be regained, you will have a priority right to an independent living residence equivalent to the independent accommodation previously contracted, and you may move to the independent living residence by paying the balance of the current Entry Fee and the applicable Monthly Fee.

- 1. Direct Admission to Skilled Nursing** – If after execution of this Agreement and prior to the Date of Occupancy, it is determined that you require skilled nursing services, you may be admitted directly to a skilled nursing residence if accommodations are available. You will pay the Health Care Reserve Fee and the current monthly skilled nursing rate, instead of the Entry Fee and Monthly Fees. Should you subsequently move to an independent living residence after having paid the remaining portion of the Entry Fee and again require Health and Wellness Center services, you would be eligible for the reduced rates outlined in Section V.B.7 of this Agreement, after an agreed upon, pre-determined time of independent residency has been established and met.
- 2. Direct Admission to Assisted Living** – If after execution of this Agreement and prior to the Date of Occupancy it is determined that assisted living services are required, you may be admitted directly to an assisted living residence if accommodations are available. You will pay the Health Care Reserve Fee, plus the current monthly assisted living rate instead of the Entry Fee and Monthly Fee. You may transfer to skilled nursing if more intensive care is needed and accommodations are available, and would then be charged the current monthly skilled nursing rate. Should you move to an independent living residence after having paid the remaining portion of the Entry Fee and again require Health and Wellness Center services, you would be eligible for the reduced rates outlined in Section V.B.7 of this Agreement, after an agreed upon, pre-determined time of independent residency has been established and met.
- 3. Double Occupancy and Direct Admission** – In the case of double occupancy, a resident entering an independent living residence with a co-resident directly admitted to the Health and Wellness Center will pay the Single Occupancy Entry Fee and Single Occupancy Monthly Fee for the independent living residence.



## VI. Termination Prior to Occupancy and Terms of Refund

### A. Termination by the Resident:

1. **Termination Within the Thirty (30) Day Right of Rescission Period** – You may rescind this Agreement prior to the Date of Occupancy, or after occupancy, by giving written notice to The Forest within thirty (30) days following the later of the execution of this Agreement or of the date that you received the Disclosure Statement as required by Section 58-64-1, et. seq. of the North Carolina General Statutes. You may receive a full refund equal to the funds paid toward the Entry Fee without interest, less any non-standard costs incurred by The Forest at your request. Your refund will be paid within sixty (60) days of receipt of your written notice to terminate. You are not required to take occupancy before the end of the thirty (30) day rescission period.
2. **Termination After the Thirty (30) Day Right of Rescission Period** – After the thirty (30) day rescission period and prior to the Date of Occupancy, if you terminate this Agreement, you may receive a refund equal to the funds paid toward the Entry Fee without interest, less an administrative fee equal to two percent (2%) of the Entry Fee for the independent living residence selected, less any non-standard costs incurred by The Forest at your request. Your refund will be paid within sixty (60) days of receipt of your written notice to terminate.

### B. Termination by The Forest:

The Agreement may be terminated by The Forest if it is determined by The Forest that you have misrepresented or omitted medical, financial, or other information given to The Forest during the application process, or if your financial status changes prior to the Date of Occupancy such that you no longer meet The Forest's financial requirements for admission. In such event, you may be due a refund equal to the total amount of funds paid toward the Entry Fee without interest, less an administrative fee equal to two percent (2%) of the Entry Fee based on the independent living residence selected, less any non-standard costs incurred by The Forest at your request. Your refund will be paid within sixty (60) days of written notice to terminate.

### C. Termination as a Result of Death or Illness of Resident:

Prior to the Date of Occupancy, should you die, become ill, be injured or otherwise incapacitated such that The Forest determines that independent living is not possible, this Agreement will automatically be terminated and a refund shall be due to you within sixty (60) days, equal to the funds paid toward the Entry Fee without interest, less any non-standard costs incurred by The Forest at your request. In lieu of terminating this Agreement, you may elect to enter The Forest's Health and Wellness Center under the terms of the direct admissions policy outline in Section V.C.

## VII. Conditions of Termination After Occupancy

**A. Termination by the Resident:** In addition to Section VI, this Agreement may be terminated by you in accordance with the following conditions:

1. The Agreement will be terminated upon your death, or the death of the surviving resident in the case of co-residency. A permanent move to the Health and Wellness Center is not considered a contract termination, and therefore a refund is not applicable. Refunds may only apply upon the termination of the Agreement. The Termination Date will be determined in accordance with Section VII.C below.
2. Except in the case of death, you must give The Forest sixty (60) days written notice of your intent to terminate the Agreement.
3. You must leave the Residence in a condition satisfactory to The Forest. The Forest may charge you for the cost of work required to restore the Residence to its standard condition, with the exception of reasonable wear and tear.
4. Refunds to you shall be reduced by the amount of your outstanding charges due to The Forest.

**B. Termination by The Forest:** The Forest may terminate the Agreement with you if you breach this Agreement, or if you fail to pay the Monthly Fee and any other ancillary charges, or fail to follow the standard policies of The Forest, or refuse to relocate as required by this Agreement, or engage in activities or conduct disruptive to the Community, or if you interfere with the health and safety of the Community, or if you have misrepresented or omitted medical, financial or other information given to The Forest during the application process. The Forest will be required to give you at least sixty (60) days written notice to vacate your residence.

You must leave the Residence in condition satisfactory to The Forest. The Forest may charge you for the cost of work required to restore the Residence to its standard condition, with the exception of reasonable wear and tear.

Refunds to you shall be reduced by the amount of your outstanding fees and charges due to The Forest.

**C. Termination Date:** The “Termination Date” of this Agreement will be the date on which your personal property has been removed from the residence or sixty (60) days following written notice, whichever is later. You will be required to continue paying the Monthly Fee until the Termination Date or until your personal belongings have been removed and a walk-through has been completed by you or your designee and management, whichever is later.

## VIII. Conditions for Refund After Occupancy

- A. Termination of Agreement by Resident:** You may be entitled to a refund of the Residence Fee. If termination of this Agreement occurs during the first fifty (50) months of this Agreement, you or your estate may be entitled to a partial refund of the Residence Fee. You or your estate will receive a refund in the amount equal to: (i) the Residence Fee; less (ii) two percent (2%) for each month that this Agreement has been in effect for up to fifty (50) months; less (iii) any amounts due to The Forest. After fifty (50) months, there is no refund of the Residence Fee. Residence Fees will not be pro-rated for a period less than one month.
- B. Termination of Agreement by The Forest:** If The Forest terminates this Agreement pursuant to Section VII.B, you may be entitled to a refund of the Residence Fee. If termination of this Agreement occurs during the first fifty (50) months of this Agreement, you or your estate may be entitled to a partial refund of the Residence Fee. You or your estate will receive a refund in the amount equal to: (i) the Residence Fee; less (ii) two percent (2%) for each month that this Agreement has been in effect for up to fifty (50) months; less (iii) any amounts due to The Forest. After fifty (50) months, there is no refund of the Residence Fee. Residence Fees will not be pro-rated for a period less than one month.
- C. Payment of Refunds:** Any refund of the Residence Fee will be paid after all outstanding fees and charges due to The Forest by you have been paid, your personal belongings have been removed, and a final walk-through has been completed. Such payment shall be deferred until thirty (30) days after the independent living residence formerly occupied by you is re-occupied and a full Entry Fee is received by The Forest for the residence. Refunds will be paid to you, or in the event of your death, to your estate. The Forest shall have the right to offset any fees and charges owed to The Forest with any refund due to you or your estate.
- D. Release upon Termination:** Upon termination of this Agreement, The Forest is released from any further obligations to you except for the payment of any refund which may be due under Sections VI and VIII of this Agreement.

## IX. Miscellaneous

- A. Rights, Privileges and Limitations:** The rights and privileges to you under this Agreement for living accommodations, facilities, and services are personal and non-transferable and do not include any proprietary interest in the properties or assets of The Forest.

Your rights shall at all times be subordinate to any obligations of The Forest. Upon request by The Forest, you agree to execute and deliver a subordination agreement to establish the priority of such obligations as a lien or liens against the property.

- B. Management of The Forest:** The absolute rights of management are reserved by The Forest and its Board of Directors. The Forest reserves the right to accept or reject any

person as a resident. Residents do not have the right to determine admission or terms of acceptance of any other resident.

- C. Successors and Assigns:** Except as set forth herein, this Agreement will bind and inure to the benefit of the successors and assigns of The Forest and your heirs, executors, administrators and permitted assigns.
- D. Uncontrollable Interruption of Service:** No breach of The Forest's obligations under this Agreement and no liability for injury to you shall result from an interruption of, or failure to provide, contracted service due to an act of God or other cause beyond the reasonable control of The Forest, specifically including strikes or other forms of labor disturbances, government regulations and/or embargoes, shortages of labor or materials, fire, flood, earthquake, pandemic, inclement weather or acts of the resident, The Forest shall make reasonable efforts to continue to provide the usual services in such event.
- E. Confidentiality:** The Forest has the responsibility to keep all of the personal, medical and financial information you have supplied confidential. You agree that The Forest can disclose such information to those who have a need, in The Forest's judgment, or the right to know.
- F. Indemnity:** You agree to indemnify, defend and hold The Forest and its employees, officers, directors, agents and representatives harmless from claims, damages or 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 acts or omissions or those of your guests, including private duty nurses or any other third party service contracted by you. This Section IX. F shall survive termination of this Agreement.
- G. Affiliation:** The Forest holds membership in LeadingAge and LeadingAge NC.
- H. Waiver of Breach:** The failure of The Forest in any one or more instances to insist upon the strict performance, observance, or compliance by you with any of the terms or provisions of this Agreement, or its waiver of a breach by you of any terms or provisions of this Agreement, shall not be construed as a waiver or relinquishment by The Forest of its right to insist upon strict compliance by you with all terms or provisions of this Agreement.
- I. Rules Adopted by The Forest:** The Forest reserves the right to adopt policies, procedures and rules regarding residency consistent with the provisions of this Agreement. You agree to observe the rules adopted by The Forest for the convenience, comfort, and safety of all.
- J. Amendment of Residence and Care Agreement and General Conditions:** The Forest reserves the right, upon thirty (30) days prior written notice to all residents, to modify or amend the Residence and Care Agreement whenever doing so is necessary to correct errors, omissions, or inconsistencies, to provide clarification of intent, or to conform the

documents to the requirements of local, state, or federal laws and regulations applicable to The Forest, in particular, or to residential life care communities, in general, or

whenever doing so is deemed by the Board of Directors of The Forest to be in the best interest of The Forest and the residents in light of changes in health insurance laws and coverages and/or local, state or federal tax laws or regulations.

**K. Entire Contract in this Agreement:** This Agreement, Exhibit A, Exhibit B, and any attached Addenda, Application Forms, and Requests for Changes to the Living Residence constitute the entire contract between The Forest and you. The Forest is not liable for, nor bound in any manner by any statements, representations, or promises made by any person representing or purporting to represent The Forest unless such statements, representations, or promises are set forth in this Agreement. Except as set forth in Section IX.J, this Agreement may not be amended or modified except by written agreement signed by the parties hereto and incorporated herein by reference.

**L. Governing Law: Venue:** This Agreement shall be governed by, interpreted, construed and enforced in accordance with the laws of the State of North Carolina, without giving effect to any choice of law or conflict of law rules or provisions that would cause the application of laws or any jurisdiction other than North Carolina. To the full extent permitted by law, any action, suit or proceeding arising out of or relating to this Agreement shall be brought and enforced in the courts of the State of North Carolina located in Durham County or the United States District Court for the Eastern District of North Carolina, and the parties hereby irrevocably submit to the exclusive jurisdiction of such courts and irrevocably waive any objection that they may now or hereafter have to the laying of venue of any such action or proceeding in such courts. In the event of any such dispute, the non-prevailing party shall pay all reasonable costs, expenses and attorneys' fees incurred by the prevailing party.

**M. Notice Provisions:**

Any notices, consents, or other communications to The Forest shall be in writing and addressed as follows:

President/CEO  
The Forest at Duke  
2701 Pickett Road  
Durham, NC 27705

Your address for the purpose of giving notice prior to your move to The Forest is the address appearing after your signature on the following page or other such address you provide to The Forest in writing.

### Acknowledgements

Your signature below certifies that you have received, read, understand, and accept this Residence and Care Agreement and the current Disclosure Statement for The Forest at Duke.

\_\_\_\_\_  
**Resident's Signature**

\_\_\_\_\_  
**Date**

\_\_\_\_\_  
Current Address: Street/P.O. Box

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

\_\_\_\_\_  
Telephone

\_\_\_\_\_  
**Co-Resident's Signature**

\_\_\_\_\_  
**Date**

\_\_\_\_\_  
Current Address: Street/P.O. Box

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

\_\_\_\_\_  
Telephone

By \_\_\_\_\_  
**President/CEO**

\_\_\_\_\_  
**Date**

**EXHIBIT A**

Your signature below certifies that you understand and accept the following terms:

DATE OF OCCUPANCY: \_\_\_\_\_

RESIDENCE NUMBER/TYPE: \_\_\_\_\_

REFUND PLAN:    ( ) Standard Amortized

RESIDENCY:        ( ) Single Occupancy        ( ) Double Occupancy

TOTAL ENTRY FEE: \_\_\_\_\_

LESS; FUTURE RESIDENCY DEPOSIT: \_\_\_\_\_

LESS: RESERVATION DEPOSIT: \_\_\_\_\_

LESS: 15% DEPOSIT: \_\_\_\_\_

CURRENT MONTHLY FEE: \_\_\_\_\_

ADDENDA: \_\_\_\_\_

\_\_\_\_\_  
**Resident's Signature** **Date**

\_\_\_\_\_  
**Co-Resident's Signature** **Date**

By \_\_\_\_\_  
**President/CEO** **Date**

<b>EXHIBIT B</b>
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**Schedule of Ancillary Charges  
October 1, 2023**

<b><u>Dining Services</u></b>	<b><u>Price</u></b>
Adult Guest Meal in Main Dining Room	\$20.00
Child Guest Meal in Main Dining Room (12 years and under)	10.00
Adult Holiday Guest Meal in Main Dining Room	25.00
Child Holiday Guest Meal in Main Dining Room (12 years and under) (Holidays: Easter, Mother's Day, Thanksgiving, Christmas)	15.00
Guest Meals in Health and Wellness Center: \$3.50 Breakfast; \$4.50 Lunch; \$9.00 Dinner	
* Catering Services through Dining Services based on Catering Menu	
<b><u>General Services</u></b>	
Maintenance Labor per hour	\$ 35.00
Maintenance ½ hour minimum charge	17.50
Housekeeping per hour	25.00
Housekeeping ½ hour minimum charge	12.50
Roll Away Bed/Crib per night	10.00
Laundry per pound	3.00
Key Replacement/Access Fob Replacement	5.00/10.00
Pendant/Transponder	50.00/35.00
<b><u>Administration Services</u></b>	
Guest Room per night	N/A
Fax – up to 5 pages	3.00
Fax – each additional page	1.00
Away Allowance per night/per person	5.75
Resident Computer Support per hour	50.00
Resident Computer Support – minimum charge	25.00
Return Check Fee	25.00
<b><u>Healthcare Services</u></b>	
Medical Records Copy Fee (per Federal Guidelines)	
Pages 1-25: per page	\$ 0.75
Pages 26-100: per page	0.50
Pages 100+: per page	0.25
Minimum charge	10.00
<b><u>Transportation</u></b>	
Concierge Hourly Rate (standard vehicle/commercial vehicle)	\$25.00 / \$40.00
One-Way Flat Fee to Raleigh-Durham International Airport	50.00
Medical Transportation (after one local trip per week):	
Durham	18.00
Chapel Hill	20.00
<b><u>Activities</u></b>	
Please refer to Activities Fee Sheet	
	<b><u>Hair Salon</u></b>
	Please refer to prices listed in the salon

Prices subject to modification by The Forest at Duke



**Exhibit F**

Early Acceptance Agreement

# EARLY ACCEPTANCE AGREEMENT



THE **FOREST** AT **DUKE**

# THE FOREST AT DUKE

## EARLY ACCEPTANCE AGREEMENT

This Early Acceptance Agreement (together with all exhibits and schedules attached and incorporated herein, the “Agreement”) is entered into between THE FOREST AT DUKE, INC. (“The Forest”) located in Durham County at 2701 Pickett Road, Durham, NC and \_\_\_\_\_, (“you”) on this day \_\_\_\_\_. In this paragraph and throughout the rest of the Agreement, the words “we”, “us”, “our” or “The Forest” refer to The Forest at Duke, Inc., and the words “you”, “your”, and “Resident(s)” refer to \_\_\_\_\_.

Under the laws of the State of North Carolina, The Forest is organized as a nonprofit corporation and operates a continuing care retirement community (the “Community”) created to provide housing, recreation, health care and other services to people sixty-five (65) years of age or older. In the case of two residents residing together, one resident may be as young as sixty-two (62).

The Forest and you agree that you will assume all rights and responsibilities as stated in this Agreement beginning on \_\_\_\_\_, your “Date of Financial Responsibility”.

You desire to enter into this Agreement as an off-campus resident of The Forest in connection with The Forest’s offering continuing care without lodging through its “Early Acceptance Program” in order for you to access some of the services provided by The Forest while remaining in your home and not residing on campus.

The Forest and you agree to the following:

### **I. Early Acceptance as a Forest Resident**

#### **A. General:**

You have gone through the admissions process, and The Forest has accepted you as an off-campus resident of The Forest in connection with The Forest’s Early Acceptance Program in order for you to access some of the services provided by The Forest while remaining in your home and not residing on campus. As a resident of The Forest, you are entitled to the general services provided on The Forest’s campus, as outlined in this Agreement. If there is a fee related to a particular service provided to you as a resident, you will be charged the then prevailing fee that corresponds to being a resident of The Forest rather than a guest.

As a resident of The Forest under this Agreement, if you are already in our Future Residency Program, you will remain in the Future Residency Program unless you request to be removed. Your priority number will remain \_\_\_\_\_, which was provided when you joined our Future Residency Program originally. Your status and your rights as a member of the Future Residency Program will not change as a result of entering into this Agreement. You will be offered on-campus accommodations in accordance with the then current Future Residency Program.

If you are not already in the Future Residency Program, you may join, and your priority number will be provided to you as of the date you are added to the Future Residency Program. Your

status and your rights as a member of the Future Residency Program will not change as a result of entering into this Agreement. You will be offered on-campus accommodations in accordance with the then current Future Residency Program.

At the time you choose to accept an accommodation on The Forest's campus, having already been accepted as a resident, you will not have to repeat an admission process. Since time will have passed since the date of your original acceptance, The Forest reserves the right to seek updated medical and financial information in order to determine your appropriate level of care or ability to live independently and to have maintained sufficient assets for any additional entry fee and higher monthly fees then in effect required for residency in the particular reserved residence.

### **B. Execution of Residence and Care Agreement Following Early Acceptance:**

Prior to taking occupancy and financial responsibility for a particular residence on The Forest's campus, you agree to execute the "Residence and Care Agreement Following Early Acceptance" then in effect. Your occupancy of a residence shall be expressly conditioned upon your execution of such agreement. The executed Residence and Care Agreement Following Early Acceptance shall supersede and replace this Agreement in its entirety.

If the Residence and Care Agreement Following Early Acceptance is subsequently terminated, as outlined in that agreement, this Agreement may be re-executed, allowing you to remain a resident of The Forest who does not reside on campus, as long as the reason for termination of the Residence and Care Agreement Following Early Acceptance does not preclude continuation of a contractual relationship.

## **II. Pledge of Service**

The Forest will provide you the following services and facilities upon Date of Financial Responsibility. Unless otherwise specified in this Agreement, there will be no additional charge made for any of these services and facilities other than payment of the Entry Fee and Monthly Fees, each of which is described in this Agreement, and outlined in Exhibit A. A "Schedule of Ancillary Charges" for certain services and items not covered by the Entry Fee and Monthly Fees is included as Exhibit B. This schedule is updated periodically and will be made available to you each time it is updated.

### **A. Community Facilities:**

You may use, along with other residents, the common facilities of The Forest including, but not limited to, the dining rooms, lounges, lobbies, library, social and recreation rooms and designated outdoor activity areas.

### **B. Services:**

- 1. Dining Services** – You may eat in The Forest dining venues and be charged at the prevailing resident rate.

2. **Security** – The Forest will use reasonable care in providing security on the premises of The Forest. Twenty-four (24) hour security staffing, including regular security patrols is provided. You are responsible for taking appropriate security measures to protect yourself and your personal property at the Community. The Forest is not responsible to provide security to you in your home nor for the loss or damage to your property.
3. **Activities** – The Forest provides scheduled social, recreational, spiritual, educational and cultural activities, creative arts, exercise and wellness programs, and other activities designed to meet the interest of the residents. There may be a charge associated with certain activities.
4. **Parking** – The Forest will provide and maintain unassigned parking areas for residents and guests.
5. **Wellness and Health Services** – The Forest offers primary care, assisted living, skilled nursing, and dementia care services with oversight provided by a licensed physician serving as the Medical Director in accordance with Section VI of this Agreement.

### III. Financial Provisions

#### A. Statement of Fees:

You agree to pay The Forest an Entry Fee and the Monthly Fee as outlined in Exhibit A. You are required to make the full payment of the Entry Fee prior to the Date of Financial Responsibility, as stated on Exhibit A. You agree to pay all fees and charges as set forth in this Agreement.

#### B. Entry Fee:

The Entry Fee is a lump sum payment and will not be increased or changed during the term of this Agreement, except for changes required by state or federal programs, or execution of a subsequent Residence and Care Agreement Following Early Acceptance, should you move to The Forest sometime in the future.

The Entry Fee is comprised of two parts: a Residence Fee, all or some of which may be refundable in accordance with Section IX, plus a non-refundable Health Care Reserve Fee. The Health Care Reserve Fees provide additional resources, which allow The Forest to establish and charge discounted fees for health care services as outlined in Section VI.

In the event you decide to move to The Forest and enter into a Residence and Care Agreement Following Early Acceptance, notwithstanding the amortization of the Entry Fee for refund purposes as set forth in Section IX of this Agreement, the full amount of the Entry Fee will be applied towards the then prevailing Entry Fee for the residence you select. Should you choose to terminate this Agreement and not execute a Residence and Care Agreement Following Early Acceptance, you may receive a refund of the unamortized portion of the Entry Fee in accordance with Section IX of this Agreement, and you will not receive a credit for future on-campus residency.

**C. Monthly Fee:**

The Monthly Fee and costs for additional services are billed by the fifth (5<sup>th</sup>) business day of each calendar month, with payment due from you by the fifteenth (15<sup>th</sup>) of the same month. The Forest reserves the right, with thirty (30) days' notice, to change the billing date and the payment due date. For a partial first month, the Monthly Fee is pro-rated on a per diem basis. Thereafter, Monthly Fees are paid in advance and are not pro-rated at termination. If you fail to pay the Monthly Fee, The Forest reserves the right to terminate this Agreement. The Forest may add a service charge of one percent (1%) per month to fees and charges not paid by the fifteenth (15<sup>th</sup>) of the month. Fees on the monthly statement shall be paid by automatic bank draft.

**D. Fee Increases:**

It is understood by you that The Forest is a nonprofit corporation dedicated to providing high quality services, facilities, and care at the lowest feasible cost. You also recognize the uncertain nature of future costs and expenses for goods and services and their mutual need to maintain a sound financial basis for the continued operation of the facility. You agree that The Forest may adjust the Monthly Fee and any and all other fees and charges upon a thirty (30) day written notice to you, as may be reasonably necessary according to the economic requirements and conditions, and the level of services offered. The decision to adjust the Monthly Fee and any and all other fees and charges is made, in its sole discretion, by the Board of Directors of The Forest.

**E. Financial Hardship:**

It is the intent of The Forest to admit only those persons who are able to pay its current and projected Entry Fee, Monthly Fee and any additional charges. If upon reviewing your financial resources, it is determined that through no fault of your own, you are unable to continue to pay a part or all of the Monthly Fee, The Forest may elect to subsidize your Monthly Fee. A Benevolent Fund was established to assist those residents who encounter financial hardship through no fault of their own. The Benevolent Fund and the other resources of The Forest however, are limited, and The Forest's policy to subsidize residents who have encountered financial hardship is expressly limited by its obligation to meet its commitments to all residents, and to operate on a sound financial basis. If it is apparent to The Forest that you have voluntarily divested assets and resources, or have used resources in a manner other than to meet ordinary and customary living expenses, The Forest may refuse to subsidize your Monthly Fee, and may elect to terminate this Agreement if payments for all fees and charges are not received in a timely manner. The use of the Benevolent Fund to subsidize residents who have encountered financial hardship is at the sole discretion of The Forest. Contributions to the Benevolent Fund are tax deductible, and residents and others may support this Fund with gifts, bequests and other fund-raising activities.

You agree to provide, if requested, financial statements and current financial information and copies of your tax returns for the purpose of demonstrating capacity to meet financial obligations to The Forest and other providers arising out of or in connection with this Agreement.

Under the terms of this Agreement, residents agree that they have not and will not make gifts of real or personal property for the purpose of evading their financial obligations to The Forest.

**F. Subsidy by The Forest:**

Should The Forest elect to subsidize your Monthly Fee, or any other cost for services or care which The Forest under this Agreement is not obligated to pay on your behalf, the accumulated amount of any such subsidy shall be offset against any refund that might become due to you, and any unrecovered balance shall also be a valid claim against your estate. This paragraph shall apply whether or not you reside at The Forest at the time of death or termination of this Agreement.

**G. The Forest's Disclosure Requirements:**

In keeping with North Carolina requirements for disclosure of financial information to the public and to The Forest's residents, The Forest will file an annual disclosure statement with the North Carolina Department of Insurance ("Disclosure Statement"). A copy of the most recent Disclosure Statement will be delivered to you prior to the execution of this Agreement and a copy of each subsequent Disclosure Statement shall be made available to you so long as you remain a resident at The Forest.

**H. The Resident's Disclosure Requirements:**

During the process of applying for admission, you have disclosed your complete health status and history, and your complete financial position to The Forest as of the date of this Agreement. The Forest will not be responsible for any financial support, or for the cost of your care if the true and correct nature of your financial position and/or medical condition has not been revealed to The Forest as of the date of this Agreement or subsequent to the date of this Agreement based upon information you provided to The Forest, at its request. Upon the request of The Forest, you are obligated to provide us the current status of your health and/or financial position so long as you remain a resident of The Forest.

**IV. Terms of Residency**

**A. Rights of Resident:**

You have the right to use and enjoy the common areas, amenities, programs, and services of The Forest during your lifetime unless this Agreement is terminated as provided herein. It is understood that this Agreement is not a lease and does not transfer or grant any interest in the real or personal property owned by The Forest other than the rights and privileges as described in this Agreement.

**B. Policies, Rules and Regulations:**

You agree to abide by the policies, rules, and regulations of The Forest including such changes as may be adopted from time to time. These policies, rules, and regulations will be set forth in a

Resident Handbook and will be made available to you prior to the execution of this Agreement, and at any time when it is updated.

**C. Business and Health Care Directives:**

You agree to execute and maintain in effect a North Carolina Durable Power of Attorney valid and enforceable in accord with the provisions of Chapter 32C of the General Statutes of North Carolina (or similar laws subsequently enacted). This Power of Attorney shall designate as your attorney-in-fact, a bank, a lawyer, relative or other responsible person or persons of your choice, to act for you in managing your financial affairs and filing for your insurance or other benefits as fully and completely as if you would be acting personally. It shall be in a form which survives your incapacity or disability and otherwise be satisfactory to The Forest. You will deliver a fully executed copy of this Power of Attorney to The Forest prior to the Date of Financial Responsibility.

You agree to provide to The Forest, upon request, the following information:

- Names, addresses, and phone numbers of persons to notify in an emergency, or death
- Copy of current Durable Power of Attorney
- Copy of current Health Care Power of Attorney
- Copy of any Advance Directives
- Copy of current Insurance Coverages

**D. Property:**

To the maximum extent permitted by law, The Forest will not be responsible for the loss or damage of any property not belonging to The Forest due to any cause. It is understood by both parties that you will have the responsibility for providing insurance protection covering any such loss or damage of your property.

**E. Insurance:**

**1. Application for Benefits: Assignment of Benefits**

You shall apply for any federal, state or local benefits for which you may be eligible or entitled upon request by The Forest. If requested by The Forest, any or all such benefits will be applied to the daily fee or other charges incurred by you at The Forest.

You agree to assign to The Forest all insurance benefits received from third party payers for health services provided by The Forest. You agree to grant to The Forest a limited Power of Attorney for the purpose of permitting The Forest to act as your agent or attorney in fact in all matters relating to any such benefit.

**2. Health Insurance:**

You shall maintain eligible Medicare coverage (and supplemental health insurance coverage) or health insurance coverage that adequately covers hospital, medical, prescriptions and skilled nursing deductibles and co-payments required under your primary insurance policy. Your primary and secondary insurance coverage must



recognize The Forest as a healthcare provider, or you shall be responsible for services rendered that otherwise could be covered by insurance. You agree to furnish The Forest with evidence of such coverage prior to the Date of Financial Responsibility as stated in Exhibit A and also upon request.

If your health insurance coverage lapses, The Forest may require you to reapply for suitable insurance coverage. If you are unable to obtain suitable insurance coverage, you shall be responsible for any healthcare services rendered that otherwise could be covered by insurance. Upon request by The Forest, you shall provide evidence of health insurance coverage.

**3. Medicare-Certified Skilled Nursing Beds:**

The Forest maintains a limited number of Medicare-certified beds in the skilled nursing facility, which are available for use by residents whose skilled nursing care would qualify for Medicare payment on an “if and as available” basis. In the event that you need admission and the admission would qualify for Medicare payment, then your financial responsibility to The Forest will depend upon the type of Medicare coverage you have and whether The Forest is a contractual provider for your coverage.

***a) Medicare-certified bed is not available.***

In the event that there is not a Medicare-certified bed at The Forest at the time you require admission, you may either choose to obtain skilled nursing care services at another healthcare facility at your cost until such time as a Medicare-certified bed becomes available at The Forest (presuming you would use a facility that could provide a Medicare-certified bed) or be admitted to a bed in the skilled nursing facility at your cost which is not certified to accept Medicare payment until such time as a Medicare-certified bed becomes available at The Forest.

***b) Medicare-certified bed is available and you have traditional Medicare.***

If you are admitted to a Medicare-certified bed in the skilled nursing facility and you have traditional Medicare coverage, The Forest will accept the Medicare reimbursement amount of such care while you shall be responsible for any applicable deductible, co-payment and/or co-insurance amounts that are not paid by Medicare and any supplemental Medicare insurance that you maintain.

***c) Medicare-certified bed is available and you have Medicare Advantage coverage for which The Forest is an in-network provider.***

In the event that The Forest is an in-network provider for your Medicare Advantage coverage, then The Forest will accept the reimbursement amount from your Medicare Advantage insurance carrier while you shall be responsible for any deductible, co-payment and/or co-insurance amounts that are not paid by the Medicare Advantage insurance that you maintain.

***d) Medicare-certified bed is available and you have Medicare Advantage coverage for which The Forest is not an in-network provider.***

The Forest will charge you the full private-payment amount for your admission into a Medicare-certified bed and credit against your financial obligation to The Forest the

amount that is paid by your Medicare Advantage insurance if the insurance provides an out-of-pocket network benefit. In the event that your Medicare Advantage insurance will not pay any amount to an out-of-network provider, then you will not be admitted to a Medicare-certified bed at The Forest. A full private-pay resident in a Medicare-certified bed may be required by The Forest to relocate to a bed that is not Medicare-certified when such a bed becomes available.

**F. Resident's Medical Examination:**

You agree to be examined by a Forest physician when there is reasonable cause for concern for your health and well-being.

**G. Subrogation Rights:**

In case of injury to you by a third party, The Forest shall have the right to subrogation for all of its costs and expenses incurred by reason of such injuries, and shall have the right, in your name or otherwise, to take all necessary steps and procedures to enforce the payment of the same by the person responsible for the injury. You agree to cooperate fully and to assist The Forest in recovering any such costs and expenses.

**H. Resident Representation:**

Residents have the right of self-organization through a residents' association which may convene to arrange social and recreational programs and to review the interests of the resident population.

**I. Compliance with Applicable Laws:**

The Forest will operate in full compliance with all laws, rules, regulations, and ordinances promulgated by lawful governmental authorities. Notwithstanding any other provisions of this Agreement, it shall have the right to change the terms of this Agreement, to meet the requirements of any law or regulation.

**V. Care Management and Transfers**

**A. Care Management:**

The Forest shall furnish the following Care Management services to you by qualified staff to assist in decisions related to transfers to the Health and Wellness Center, special service facility or hospital. Staff members may assist with (i) assessing your needs, (ii) developing a plan of care with you to address needs that are identified, (iii) helping identify reputable providers in the area to whom you can be referred for services to meet those needs, and (iv) following up to ensure that those services are meeting your needs and the goals of your care plan. The assessments shall be conducted annually.

If more frequent assessments are needed, or if any needs are identified that may require subsequent services, The Forest's staff will assist you either by providing such services to you in

the event The Forest is licensed to provide such services and you choose The Forest to provide such services or by referring you to services that may be available to you in the community outside of The Forest. If more frequent assessments are needed beyond the annual assessment, or if any needs are identified that may require subsequent services of The Forest's staff or other providers, those assessments and services will be provided to you at the then prevailing rates.

You hereby acknowledge and agree that The Forest is not responsible for furnishing you or causing to be furnished to you medical or other personal care services in your home unless recommended and approved by The Forest as part of your care management plan and requested by you and your physician, as appropriate.

All decisions regarding your care management plan, including the prospect of your need for support services in your home, temporary or permanent transfer to the Health and Wellness Center, or to another licensed facility, or to a special service facility, or to a hospital will be made after consultation with you and, when appropriate, your designee.

If it is determined by The Forest and upon the recommendation of The Forest's Medical Director, that your needs require temporary or permanent transfer to The Forest's Health and Wellness Center or to another licensed facility, or to a special care facility, or to a hospital and if you choose not to make the move to those facilities, then you must agree to sufficient services to provide for appropriate care and safety in your home. If, in The Forest's sole judgment, the services you elect to receive are insufficient for appropriate care and safety in your home, you must move to an appropriate care level at The Forest, or to another licensed facility, or to a special care facility, or The Forest will have the right to terminate this Agreement.

No entry fee adjustment is made with temporary or permanent transfer from your home to The Forest's Health and Wellness Center, or to another licensed facility, or to a special service facility, or to a hospital.

In the event you make a temporary or permanent transfer from your home to The Forest's Health and Wellness Center, you will be charged The Forest's current prevailing Monthly Fee and/or per diem rates for such services, as outlined in Section VI of this Agreement. The new Monthly Fee and/or per diem rates take effect on the date that you make such a temporary or permanent transfer.

In the event that you make a temporary or permanent transfer from your home to another licensed facility, or to a special service facility, or to a hospital, you will be charged the other facility's prevailing Monthly Fee and/or per diem rates for such services.

#### **B. Limitations of Care/Transfer:**

The Forest's facilities and services are not designed to care for persons who have an active psychiatric illness, who have a dangerous communicable disease or who are involved with drug or alcohol abuse. Should The Forest determine that your physical and/or mental condition becomes such that your continued participation in The Forest's Early Acceptance Program is dangerous or detrimental to your health or safety, or to others, The Forest may arrange for such transfer to a special service facility as may be required. The liability of The Forest for costs of

such care shall be limited to the amount of your then prevailing Monthly Fee for each month that you continue to pay the Monthly Fee, or the then prevailing per diem rate, as applicable.

If you or your designee prefers a different institution or special service facility than that selected by The Forest, arrangements will be made to accommodate such preference with the understanding that The Forest is relieved of any increase in financial responsibility associated with such transfer, or the costs of such a transfer.

## **VI. Health Care Services**

During the process of applying to The Forest, you have disclosed a true and correct health status and history, and have been approved by The Forest for early acceptance residency. You have disclosed any significant changes in your health status since your initial review. It is understood by both parties that your health condition may change and that you will inform The Forest of any significant changes. If there is reasonable cause for concern, you agree that a Forest physician may examine you.

### **A. Health and Wellness Center:**

The Forest's Health and Wellness Center includes a primary care clinic, assisted living residences, skilled nursing residences, and residences offering special care/dementia services.

### **B. Continuing Care Services:**

The Forest agrees to provide the health care services outlined below. These services are included in the Monthly Fee, except for those requiring additional payment as described below. The Forest will seek reimbursement from any and all third party payers to the fullest extent available.

- 1. Wellness and Exercise Programs** – The Forest staff will conduct wellness and exercise programs for residents who wish to participate. Some special programs may require extra charges.
- 2. Other Health Care Services:**
  - a) Clinic Services** – The Clinic at The Forest provides care and service operations as a physician's office/medical practice. The Clinic will bill an insurer for all reimbursable services. Co-payments and/or deductibles will be billed to patients.
  - b) Primary Care** – Primary care services are available to residents of the Early Acceptance Program during regularly scheduled office hours if they select The Forest as their primary care provider. You will be responsible for the cost of care rendered by physicians not reimbursed by Medicare or other third party payer.
  - c) Laboratory Tests and Other Procedures** – Should you elect The Forest's primary care clinic as your primary provider, you may be eligible to receive limited laboratory testing services and diagnostic procedures according to a fee schedule published by The Forest. You will be responsible for the costs of such services and procedures not reimbursed by Medicare or other third party payer.

- d) **Special Services** – Should you elect The Forest’s primary care clinic as your primary care provider, you may be eligible to receive some special services such as dentistry, physical therapy, occupational therapy, speech therapy and pharmacy services. All such services shall be coordinated through The Forest’s Care Coordinator. You are responsible for the costs of these, and other special services not reimbursed by Medicare or any other third party payer. You are responsible for the costs of medications procured through The Forest pharmacy service or elsewhere.
- e) **Assistance with Insurance Claims Related to Services Provided by The Forest** – The Forest will assist you with the filing of health care insurance claims for services rendered by The Forest. Whenever The Forest files insurance claims for you, you agree to promptly and fully cooperate in the filing of all such claims.
3. **Hospitalization** – The Forest’s Care Coordinator may assist you in arranging your inpatient hospital care. You will be responsible for all hospital charges not covered by Medicare or other third party payer.
4. **Health Care Services in The Forest’s Health and Wellness Center** – The Forest will provide temporary or permanent assisted living services, skilled nursing services, and respite care services to you when ordered by a physician. Health care services are provided based upon a specific fee structure as outlined below:
- a) **Pre-Paid Days:** You are eligible for fifteen (15) pre-paid days in the Health and Wellness Center beginning with the initial Date of Financial Responsibility at The Forest. Pre-paid days may also be used for a stay in an alternative health care facility. Should it be necessary to use one or more pre-paid days, these may again accrue to a maximum of fifteen (15) days. One pre-paid day accrues on the first day of each month for which you have not occupied a Health and Wellness Center bed or a bed in an alternative health care facility in the prior month up to a maximum of fifteen (15) days. While residing in the Health and Wellness Center or in an alternative health care facility when pre-paid days are available, you continue to pay the current Monthly Fee. After the accrued pre-paid days have been used, the rates as outlined in Section VI. 4.b and 4.c below apply or the rates actually charged by the alternative health care facility.
- b) **Temporary Health and Wellness Center:** When it is deemed by The Forest that you are a temporary resident of the Health and Wellness Center, and after pre-paid days have been used, you will pay sixty percent (60%) of the per diem rate for health care services published by The Forest in addition to the regular Monthly Fee.
- c) **Permanent Health and Wellness Center:** When it is deemed by The Forest that you are a permanent resident of the Health and Wellness Center and after pre-paid days have been used, you will pay forty percent (40%) of the per diem rate for health care services published by The Forest. Once you become a permanent resident of the Health and Wellness Center, the Monthly Fee will no longer be paid.

If appropriate accommodations suited to meet your needs are not available, The Forest will be responsible for identifying alternative health care facilities for you, until such time as an appropriate accommodation is available in The Forest's Health and Wellness Center.

The resident is responsible for the costs of care at the alternative health care facility. During the period of stay in an alternative health care facility, all costs of care will be billed to the resident by the alternative health care facility. If such costs are not covered by Medicare or other third party payer, the resident is responsible for the costs of care at the alternative health care facility and, the resident may elect to use any available pre-paid days as described in paragraph 4.a above.

Should you elect to use any available pre-paid days, The Forest will either reimburse you or credit your account for the scope of services that would otherwise be included in the per diem rate, provided that The Forest's obligation shall not exceed the current prevailing per diem rate.

## **VII. Other Services Excluded in This Agreement**

**1. Transportation** – The Forest will not be responsible for providing any type of transportation to you during this Agreement, including but not limited to any transportation to or from The Forest campus and emergency transportation to any hospital or other health care facility.

**2. Security** – The Forest will not be responsible for providing any type of security, staff emergency response, emergency response devices, smoke detectors or the like to your home or personal residence during this Agreement.

**3. Housekeeping, Maintenance and Grounds Keeping** – The Forest will not be responsible for providing any type of laundry or housekeeping services to your home or personal residence during this Agreement. The Forest will not be responsible for providing any type of home maintenance or grounds keeping care to your home or personal residence during this Agreement.

**4. Utilities** – The Forest will not be responsible for furnishing any type of utilities, including but not limited to heating, air conditioning, water, electricity, and/or gas, sewage disposal, trash removal, television service, internet service and telephone service, to you during this Agreement.

**5. Taxes** – The Forest will not be responsible for paying any taxes owed by you, including without limitation, any income taxes or personal or real property taxes assessed on your personal or real property during this Agreement. You are solely responsible for all taxes, owed by you, including, without limitation, all personal income taxes and all taxes assessed on your personal and real property.

**6. Other Excluded Services** – The Forest will not be responsible for payment of any services not described in Section VI. B. These excluded services include, but are not

limited to prescription and non-prescription medications, refractions, eye glasses, contact lenses, audio logical tests, hearing aids, dentistry, dentures, dental inlays, incontinent and other personal hygiene supplies, orthopedic appliances, podiatry, chiropractic services, organ transplants, renal dialysis, treatment for alcohol and drug abuse, and diagnosis and therapy for psychiatric disorders.

**7. Illness or Accident** – If you have an accident or if you are ill, The Forest will have no responsibility to pay for costs resulting from or in connection with such accident or illness.

## **VIII. Conditions of Termination**

- A. Termination Within the Thirty (30) Day Right of Rescission Period** - You may rescind this Agreement prior to the Date of Financial Responsibility by giving written notice to The Forest within thirty (30) days following the later of the execution of this Agreement or of the date that you received the Disclosure Statement as required by Section 58-64-1, et. seq. of the North Carolina General Statutes. You may receive a refund equal to the funds paid toward the Entry Fee without interest. Your refund will be paid within sixty (60) days of receipt of your written notice to terminate.
- B. Termination After the Thirty (30) Day Right of Rescission Period** – After the thirty (30) day rescission period and prior to the Date of Financial Responsibility, if you terminate this Agreement, you may receive a refund equal to the funds paid toward the Entry Fee without interest, less an administrative fee equal to two percent (2%) of the Entry Fee. Your refund will be paid within sixty (60) days of receipt of your written notice to terminate.
- C. Termination by the Resident:** In addition to Sections VIII. A and B, this Agreement may be terminated by you in accordance with the following conditions:
1. The Agreement will be terminated upon your death. A permanent move to the Health and Wellness Center is not considered a contract termination, and therefore a refund is not applicable. Refunds may only apply upon the termination of the Agreement. The Termination Date will be determined in accordance with Section VIII. E below.
  2. Except in the case of death, you must give The Forest sixty (60) days written notice of your intent to terminate the Agreement.
  3. You or your estate may be entitled to a prorated refund of the Residence Fee pursuant to Section IX. Refunds to you or your estate shall be reduced by the amount of your outstanding charges due to The Forest.
- D. Termination by The Forest:** The Forest may terminate the Agreement with you if you breach this Agreement, or if you fail to pay the Monthly Fee and any other

ancillary charges, or fail to follow the standard policies of The Forest, or refuse to relocate as required by this Agreement, or engage in activities or conduct disruptive to the Community, or if you interfere with the health and safety of the Community, or if you have misrepresented or omitted medical, financial or other information given to The Forest during the application process. The Forest will be required to give you at least sixty (60) days written notice of termination. You may be entitled to a prorated refund of the Residence Fee pursuant to Section IX. Refunds shall be reduced by the amount of your outstanding fees and charges due to The Forest.

- E. Termination Date:** The Termination Date of this Agreement will be sixty (60) days following written notice, or in the case of death, the date of death. You will be required to continue paying the Monthly Fee until the Termination Date.

## **IX. Conditions for Refund**

- A. Termination of Agreement by Resident:** You may be entitled to a refund of the Residence Fee. If termination of this Agreement occurs during the first twenty-five (25) months of this Agreement, you or your estate may be entitled to a partial refund of the Residence Fee. You or your estate will receive a refund in the amount equal to: (i) the Residence Fee; less (ii) four percent (4%) for each month that this Agreement has been in effect for up to twenty-five (25) months; less (iii) any amounts due to The Forest. After twenty-five (25) months, there is no refund of the Residence Fee.
- B. Termination of Agreement by The Forest:** If The Forest terminates this Agreement pursuant to Section VIII. D, you may be entitled to a refund of the Residence Fee. If termination of this Agreement occurs during the first twenty-five (25) months of this Agreement, you may be entitled to a partial refund of the Residence Fee. You will receive a refund in the amount equal to: (i) the Residence Fee; less (ii) four percent (4%) for each month that this Agreement has been in effect for up to twenty-five (25) months; less (iii) any amounts due to The Forest. After twenty-five (25) months, there is no refund of the Residence Fee.
- C. Payment of Refunds:** Any refund of the Residence Fee will be paid within sixty (60) days after all outstanding fees and charges due to The Forest by you have been paid. The Forest shall have the right to offset any fees and charges owed to The Forest with any refund due to you or your estate. Refunds will be paid to you, or in the event of your death, to your estate.
- D. Release upon Termination:** Upon termination of this Agreement, The Forest is released from any further obligations to you except for the payment of any refund which may be due under Sections VIII and IX of this Agreement.



**X. Miscellaneous**

- A. Rights, Privileges and Limitations:** The rights and privileges to you under this Agreement for facilities and services are personal and non-transferable and do not include any proprietary interest in the properties or assets of The Forest.

Your rights shall at all times be subordinate to any obligations of The Forest. Upon request by The Forest, you agree to execute and deliver a subordination agreement to establish the priority of such obligations as a lien or liens against the property.

- B. Management of The Forest:** The absolute rights of management are reserved by The Forest and its Board of Directors. The Forest reserves the right to accept or reject any person as a resident. Residents do not have the right to determine admission or terms of acceptance of any other resident.

- C. Successors and Assigns:** Except as set forth herein, this Agreement will bind and inure to the benefit of the successors and assigns of The Forest and your heirs, executors, administrators and permitted assigns.

- D. Uncontrollable Interruption of Service:** No breach of The Forest's obligations under this Agreement and no liability for injury to you shall result from an interruption of, or failure to provide, contracted service due to an act of God or other cause beyond the reasonable control of The Forest, specifically including strikes or other forms of labor disturbances, government regulations and/or embargoes, shortages of labor or materials, fire, flood, earthquake, pandemic, inclement weather or acts of the resident, The Forest shall make reasonable efforts to continue to provide the usual services in such event.

- E. Confidentiality:** The Forest has the responsibility to keep all of the personal, medical, and financial information you have supplied confidential. You agree that The Forest can disclose such information to those who have a need, in The Forest's judgment, or the right to know.

- F. Indemnity:** You agree to indemnify, defend and hold The Forest and its employees, officers, directors, agents and representatives harmless from claims, damages or 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 acts or omissions or those of your guests, including private duty nurses or any other third party service contracted by you. This Section X. F shall survive termination of this Agreement.

- G. Affiliations:** The Forest holds membership in LeadingAge and LeadingAge NC.

- H. No Guarantee of Residence:** The Forest's execution of this Agreement does not guarantee that any apartment or home at The Forest will be available for your occupancy during your lifetime or prior to the termination of this Agreement for any reason.

- I. Waiver of Breach:** The failure of The Forest in any one or more instances to insist upon the strict performance, observance, or compliance by you with any of the terms or provisions of this Agreement, or its waiver of a breach by you of any terms or provisions

of this Agreement, shall not be construed as a waiver or relinquishment by The Forest of its right to insist upon strict compliance by you with all terms or provisions of this Agreement.

- J. Rules Adopted by The Forest:** The Forest reserves the right to adopt policies, procedures and rules regarding residency consistent with the provisions of this Agreement. You agree to observe the rules adopted by The Forest for the convenience, comfort, and safety of all.

- K. Amendment of Early Acceptance Agreement and General Conditions:** The Forest reserves the right, upon thirty (30) days prior written notice to you, to modify or amend the Early Acceptance Agreement whenever doing so is necessary to correct errors, omissions, or inconsistencies, to provide clarification of intent, or to conform the documents to the requirements of local, state, or federal laws and regulations applicable to The Forest, in particular, or to residential life care communities, in general, or whenever doing so is deemed by the Board of Directors of The Forest to be in the best interest of The Forest and the residents in light of changes in health insurance laws and coverages and/or local, state or federal tax laws or regulations.

- L. Entire Contract in this Agreement:** This Agreement, Exhibit A, Exhibit B, and any attached Addenda and Application Forms constitute the entire contract between The Forest and you. The Forest is not liable for, nor bound in any manner by any statements, representations, or promises made by any person representing or purporting to represent The Forest unless such statements, representations, or promises are set forth in this Agreement. Except as set forth in Section X. K, this Agreement may not be amended or modified except by written agreement signed by the parties hereto and incorporated herein by reference.

- M. Governing Law: Venue:** This Agreement shall be governed by, interpreted, construed and enforced in accordance with the laws of the State of North Carolina, without giving effect to any choice of law or conflict of law rules or provisions that would cause the application of laws or any jurisdiction other than North Carolina. To the full extent permitted by law, any action, suit or proceeding arising out of or relating to this Agreement shall be brought and enforced in the courts of the State of North Carolina located in Durham County or the United States District Court for the Eastern District of North Carolina, and the parties hereby irrevocably submit to the exclusive jurisdiction of such courts and irrevocably waive any objection that they may now or hereafter have to the laying of venue of any such action or proceeding in such courts. In the event of any such dispute, the non-prevailing party shall pay all reasonable costs, expenses and attorneys' fees incurred by the prevailing party.

**N. Notice Provisions:**

Any notices, consents, or other communications to The Forest shall be in writing and addressed as follows:

President/CEO  
The Forest at Duke  
2701 Pickett Road  
Durham, NC 27705

Your address for the purpose of giving notice to The Forest is the address appearing after your signature on the following page or other such address you provide to The Forest in writing.

## Acknowledgements

Your signature below certifies that you have received, read, understand, and accept this Early Acceptance Agreement and the current Disclosure Statement for The Forest at Duke.

\_\_\_\_\_  
**Resident's Signature**

\_\_\_\_\_  
**Date**

\_\_\_\_\_  
Current Address: Street/P.O. Box

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

\_\_\_\_\_  
Telephone

By \_\_\_\_\_  
**President/CEO**

\_\_\_\_\_  
**Date**

**EXHIBIT A**

Your signature below certifies that you understand and accept the following terms:

DATE OF FINANCIAL RESPONSIBLILTY: \_\_\_\_\_

RESIDENCE FEE: \_\_\_\_\_

HEALTH CARE RESERVE FEE: \_\_\_\_\_

TOTAL ENTRY FEE: \_\_\_\_\_

CURRENT MONTHLY FEE: \_\_\_\_\_

ADDENDA: \_\_\_\_\_

\_\_\_\_\_  
**Resident's Signature** **Date**

By \_\_\_\_\_  
**President/CEO** **Date**

<b>EXHIBIT B</b>
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**Schedule of Ancillary Charges for Early Acceptance Program  
October 1, 2023**

<b><u>Dining Services</u></b>	<b><u>Price</u></b>
Adult Guest Meal in Main Dining Room	\$20.00
Child Guest Meal in Main Dining Room (12 years and under)	10.00
Adult Holiday Guest Meal in Main Dining Room	25.00
Child Holiday Guest Meal in Main Dining Room (12 years and under) (Holidays: Easter, Mother's Day, Thanksgiving, Christmas)	15.00
Guest Meals in Health and Wellness Center: \$3.50 Breakfast; \$4.50 Lunch; \$9.00 Dinner	
* Catering Services through Dining Services based on Catering Menu	
<b><u>General Services</u></b>	
Access Fob Replacement	10.00
Transponder	35.00
<b><u>Administration Services</u></b>	
Fax – up to 5 pages	3.00
Fax – each additional page	1.00
Return Check Fee	25.00
<b><u>Healthcare Services</u></b>	
Medical Records Copy Fee (per Federal Guidelines)	
Pages 1-25: per page	\$ 0.75
Pages 26-100: per page	0.50
Pages 100+: per page	0.25
Minimum charge	10.00
<b><u>Activities</u></b>	
Please refer to Activities Fee Sheet	

Prices subject to modification by The Forest at Duke

**Exhibit G**

Residence and Care Agreement Following Early Acceptance Agreement

**RESIDENCE AND CARE  
AGREEMENT  
FOLLOWING EARLY  
ACCEPTANCE**



THE **FOREST** AT **DUKE**



# THE FOREST AT DUKE

## RESIDENCE AND CARE AGREEMENT FOLLOWING EARLY ACCEPTANCE

This Residence and Care Agreement Following Early Acceptance (together with all exhibits and schedules attached and incorporated herein, the "Agreement") is entered into between THE FOREST AT DUKE, INC. ("The Forest") located in Durham County at 2701 Pickett Road, Durham, NC and \_\_\_\_\_, ("you") on this day \_\_\_\_\_. If two persons enter into this Agreement as co-residents, the word "you" will apply to both unless the context requires otherwise. All residents that are parties to this Agreement shall be jointly and severally responsible for all fees, charges and obligations under this Agreement. In this paragraph and throughout the rest of the Agreement, the words "we", "us", "our" or "The Forest" refer to The Forest at Duke, Inc., and the words "you", "your", and "Resident(s)" refer to \_\_\_\_\_.

Under the laws of the State of North Carolina, The Forest is organized as a nonprofit corporation and operates a continuing care retirement community (the "Community") created to provide housing, recreation, health care and other services to people sixty-five (65) years of age or older. In the case of co-residents, one resident may be as young as sixty-two (62).

The Forest is pledged to the letter and spirit of U.S. policy for the achievement of equal housing opportunity throughout the nation. The Forest encourages, supports, and is committed to operating a community where there are no barriers or discrimination because of race, color, religion, sex, handicap, familial status or national origin.

The Forest and you agree that prior to you entering into this Agreement, you and The Forest were a party to an Early Acceptance Agreement dated \_\_\_\_\_, 20\_\_\_\_, pursuant to which you were a resident of The Forest without lodging in order for you to access some of the services provided by The Forest while remaining in your home and not residing in the Community.

The Forest and you agree that this Agreement will supersede the Early Acceptance Agreement.

The Forest and you agree that you will assume all rights and responsibilities as stated in this Agreement beginning on \_\_\_\_\_, your "Date of Occupancy". This is the date that The Forest has determined your residence, \_\_\_\_\_, will be readied and available to you.

The Forest and you agree to the following:

### **I. Pledge of Service**

The Forest will provide you the following services and facilities upon occupancy. Unless otherwise specified in this Agreement, there will be no additional charge made for any of these services and facilities other than payment of the Entry Fee and Monthly Fees, each of which is described in this Agreement, and outlined in Exhibit A. A "Schedule of Ancillary Charges" for certain services and items not covered by the Entry Fee and Monthly Fees is included as Exhibit

B. This schedule is updated periodically and will be made available to you each time it is updated.

**A. Community Facilities:**

You may use, along with other residents, the common facilities of The Forest including, but not limited to, the dining rooms, lounges, lobbies, library, social and recreation rooms and designated outdoor activity areas.

**B. Living Accommodations:**

1. **Right to Reside** – You have a non-transferable right to reside in the independent living residence described in Exhibit A, subject to the terms and conditions of this Agreement.
2. **Furnishings** – The Forest provides standard carpeting, window coverings, refrigerator, range, garbage disposal, microwave, and dishwasher. A washer and dryer are provided for apartments, and washer and dryer hook-ups are provided for the cottages. Twenty-four (24) hour emergency call system, individual thermostatic control for heating and air conditioning, cable television outlets, telephone outlets, and smoke alarms are also provided.
3. **Changes to Your Residence** – The Forest allows limited non-structural changes to personalize your residence. Any such changes must have prior written approval by The Forest. You are responsible for the cost of any custom changes, and are required to use installers and contractors approved or provided by The Forest. All such changes become the property of The Forest. You may be responsible for costs associated with restoring the residence to its standard condition prior to occupancy by a subsequent resident. You may also be responsible for the cost of repairing or replacing finishes or appliances damaged as the result of extraordinary wear and tear.

**C. Services:**

1. **Dining Services** - The Forest provides dining services. A choice of meal plan options described below is included in your Monthly Fee. In the case of co-occupancy, both residents will participate in the same plan.
  - a. Meal Plan One – Flexible monthly dining credits per person, used at the resident’s choosing and in accordance with the current Meal Plan One policy.
  - b. Meal Plan Two – Flexible monthly dining credits per person, used at the resident’s choosing and in accordance with the current Meal Plan Two policy.
  - c. Meal Plan Three – An opt-out provision.
2. **Utilities** – Water, sewer service, electricity, heat, air conditioning, basic cable television and wireless internet services are provided. Although telephone access is provided, if

you elect to have telephone service, you are responsible for the establishment of telephone hook-up and ongoing service.

3. **Housekeeping** – Housekeeping Services are provided weekly based upon the Housekeeping Services schedule. These services include vacuuming, dusting and cleaning of bathrooms and kitchens.
4. **Maintenance** – The Forest performs the necessary repairs, maintenance, and reasonable replacement of its own property, common facilities and equipment.
5. **Security** – The Forest will use reasonable care in providing security on the premises of The Forest. Emergency response devices and smoke detectors are provided in all residences. Twenty-four (24) hour security staffing, including regular security patrols, is provided. You are responsible for taking appropriate security measures to protect yourself and your property at the Community.
6. **Groundskeeping** – Basic groundskeeping service, including lawn, tree, and shrubbery care, is provided. You may plant and maintain certain areas designated and approved by The Forest.
7. **Activities** – The Forest provides scheduled social, recreational, spiritual, educational and cultural activities, creative arts, exercise and wellness programs, and other activities designed to meet the interest of the residents. There may be a charge associated with certain activities.
8. **Transportation** – Scheduled transportation is provided to shopping centers, public events, and other destinations as determined by The Forest. One round trip per resident per week is provided to local outside medical facilities. Unused medical trips may not be saved or accumulated. Should transportation be desired at times or to places not included in the standard schedule, The Forest will assist with those transportation needs to the degree staff and equipment are available, and an additional charge may apply.
9. **Storage** – Limited storage space is provided.
10. **Parking** – One reserved automobile parking space per independent residence is provided. Additional limited parking is available.
11. **Wellness and Health Services** – The Forest offers primary care, assisted living, skilled nursing, and dementia care services with oversight provided by a licensed physician serving as the Medical Director in accordance with Section V of this Agreement.
12. **Insurance** – The Forest maintains insurance on all of its property and its operations to include general public liability insurance, property insurance including coverage for acts of God, vandalism and theft, professional liability insurance and worker’s compensation. You are required to maintain a personal insurance policy for coverage of your personal belongings.
13. **Taxes** – Any real estate taxes are paid by The Forest.

## **II. Financial Provisions**

### **A. Deposits:**

Funds paid toward the Entry Fee may be refundable as outlined in Sections VI and VIII of this Agreement.

### **B. Statement of Fees:**

You agree to pay The Forest an Entry Fee and the Monthly Fee for the selected residence as outlined in Exhibit A. The Entry Fee is in addition to the Entry Fee that you paid under the Early Acceptance Agreement. The total Entry Fee that you previously paid when you executed the Early Acceptance Agreement will be credited to the total Entry Fee as set forth in Exhibit A.

Within five (5) days of the date of this Agreement, you agree to pay a fifteen percent (15%) deposit to secure the residence as outlined in Exhibit A. You are then required to make the final balance payment of the Entry Fee fourteen (14) days prior to the Date of Occupancy, as stated on Exhibit A. You agree to pay all fees and charges as set forth in this Agreement.

### **C. Entry Fee:**

The Entry Fee is comprised of two parts: a Residence Fee, all or some of which may be refundable in accordance with Sections VI and VIII, plus a non-refundable Health Care Reserve Fee. The Health Care Reserve Fees provide additional resources, which allow The Forest to establish and charge discounted fees for health care services as outlined in Section V. The Health Care Reserve Fee was included in the previously paid Early Acceptance Entry Fee and will be fully credited to the total Entry Fee as set forth in Exhibit A.

### **D. Monthly Fee:**

The Monthly Fee varies depending upon the type of residence. A Second Person Monthly Fee is charged for Co-Residency. The Monthly Fee and costs for additional services are billed by the fifth (5<sup>th</sup>) business day of each calendar month, with payment due from you by the fifteenth (15<sup>th</sup>) of the same month. The Forest reserves the right, with thirty (30) days' notice, to change the billing date and the payment due date. For a partial first month, the Monthly Fee is pro-rated on a per diem basis. Thereafter, Monthly Fees are paid in advance and are not pro-rated at termination. If you fail to pay the Monthly Fee, The Forest reserves the right to terminate this Agreement. The Forest may add a service charge of one percent (1%) per month to fees and charges not paid by the fifteenth (15<sup>th</sup>) of the month. Fees on the monthly statement shall be paid by automatic bank draft.

### **E. Delayed Residency:**

If you choose to defer occupancy, later than the Date of Occupancy as stated in Exhibit A, both the Entry Fee and the applicable Monthly Fee must still be paid as if you moved into The Forest on the Date of Occupancy. You will be credited as appropriate, with the Away Allowance as

described in Section II. L until such time that you move to The Forest. Additionally, any refund will be calculated based on the Date of Occupancy as stated in Exhibit A.

**F. Fee Increases:**

It is understood by both parties that The Forest is a nonprofit corporation dedicated to providing high quality services, facilities, and care at the lowest feasible cost. The parties also recognize the uncertain nature of future costs and expenses for goods and services and their mutual need to maintain a sound financial basis for the continued operation of the facility. You agree that The Forest may adjust the Monthly Fee and any and all other fees and charges upon a thirty (30) day written notice to you, as may be reasonably necessary according to the economic requirements and conditions, and the level of services offered. The decision to adjust the Monthly Fee and any and all other fees and charges is made, in its sole discretion, by the Board of Directors of The Forest.

**G. Financial Hardship:**

It is the intent of The Forest to admit only those persons who are able to pay its current and projected Entry Fee, Monthly Fee and any additional charges. If upon reviewing your financial resources, it is determined that through no fault of your own, you are unable to continue to pay a part or all of the Monthly Fee, The Forest may elect to subsidize your Monthly Fee. A Benevolent Fund was established to assist those residents who encounter financial hardship through no fault of their own. The Benevolent Fund and the other resources of The Forest however, are limited, and The Forest's policy to subsidize residents who have encountered financial hardship is expressly limited by its obligation to meet its commitments to all residents, and to operate on a sound financial basis. If it is apparent to The Forest that you have voluntarily divested assets and resources, or have used resources in a manner other than to meet ordinary and customary living expenses, The Forest may refuse to subsidize your Monthly Fee, and may elect to terminate this Agreement if payments for all fees and charges are not received in a timely manner. The use of the Benevolent Fund to subsidize residents who have encountered financial hardship is at the sole discretion of The Forest. Contributions to the Benevolent Fund are tax deductible, and residents and others may support this Fund with gifts, bequests and other fund-raising activities.

You agree to provide, if requested, financial statements and current financial information and copies of your tax returns for the purpose of demonstrating capacity to meet financial obligations to The Forest and other providers arising out of or in connection with this Agreement.

Under the terms of this Agreement, residents agree that they have not and will not make gifts of real or personal property for the purpose of evading their financial obligations to The Forest.

**H. Subsidy by The Forest:**

Should The Forest elect to subsidize your Monthly Fee, or any other cost for services or care which The Forest under this Agreement is not obligated to pay on your behalf, the accumulated amount of any such subsidy shall be offset against any refund that might become due to you, and

any unrecovered balance shall also be a valid claim against your estate. This paragraph shall apply whether or not you reside at The Forest at the time of death or termination of this Agreement.

**I. The Forest’s Disclosure Requirements:**

In keeping with North Carolina requirements for disclosure of financial information to the public and to The Forest’s residents, The Forest will file an annual disclosure statement with the North Carolina Department of Insurance (“Disclosure Statement”). A copy of the most recent Disclosure Statement will be delivered to you prior to the execution of this Agreement and a copy of each subsequent Disclosure Statement shall be made available to you so long as you reside at The Forest.

**J. The Resident’s Disclosure Requirements:**

During the process of applying for admission, you have disclosed your complete health status and history, and your complete financial position to The Forest as of the date of this Agreement. The Forest will not be responsible for any financial support, or for the cost of your care if the true and correct nature of your financial position and/or medical condition has not been revealed to The Forest as of the date of this Agreement or subsequent to the date of this Agreement based upon information you provided to The Forest, at its request. Upon the request of The Forest, you are obligated to provide us the current status of your health and/or financial position so long as you remain a resident of The Forest.

**K. Addition of a Second Resident to Share a Living Accommodation with a Current Resident:**

If, after the Date of Occupancy indicated on Exhibit A, you choose to have a second resident share your residence, The Forest may charge the second resident an Entry Fee equal to the current applicable Single Occupancy Entry Fee for such living accommodation, or such lesser amount as The Forest may determine in its discretion. Thereafter, you are responsible for paying the applicable Double Occupancy Monthly Fee for the residence.

Second residents are subject to the same review and entrance requirements as initial residents and must sign a Residence and Care Agreement Following Early Acceptance. If the second resident is an existing resident, the second resident is subject to the same entrance requirements as initial residents, except in regards to health status evaluation.

**L. Away From The Forest:**

Independent residents who select Meal Plan One and are away from The Forest for fourteen (14) consecutive days or more, are eligible to request an Away Allowance. Independent residents who elect Meal Plan Two and are away from The Forest for thirty (30) consecutive days or more, are eligible to request an Away Allowance. The Away Allowance is described in the Resident Handbook, and is granted only upon written, advance request, and is not applicable for stays in The Forest’s Health and Wellness Center. The Away Allowance will be the established, current

per person, per day amount as stated on the “Schedule of Ancillary Charges”. See attached Exhibit B. There is no Away Allowance offered for Meal Plan Three.

### **III. Terms of Residency**

#### **A. Rights of Resident:**

You have the right to occupy, use, and enjoy your assigned residence, together with the common areas, amenities, programs, and services of The Forest during your lifetime unless this Agreement is terminated as provided herein. It is understood that this Agreement is not a lease and does not transfer or grant any interest in the real or personal property owned by The Forest other than the rights and privileges as described in this Agreement.

#### **B. Policies, Rules and Regulations:**

You agree to abide by the policies, rules, and regulations of The Forest including such changes as may be adopted from time to time. These policies, rules, and regulations will be set forth in a Resident Handbook and will be made available to you prior to the execution of this Agreement, and at any time when it is updated.

#### **C. Business and Health Care Directives:**

You agree to execute and maintain in effect a North Carolina Durable Power of Attorney valid and enforceable in accord with the provisions of Chapter 32C of the General Statutes of North Carolina (or similar laws subsequently enacted). This Power of Attorney shall designate as your attorney-in-fact, a bank, a lawyer, relative or other responsible person or persons of your choice, to act for you in managing your financial affairs and filing for your insurance or other benefits as fully and completely as if you would be acting personally. It shall be in a form which survives your incapacity or disability and otherwise be satisfactory to The Forest. You will deliver a fully executed copy of this Power of Attorney to The Forest prior to the Date of Occupancy. Additionally, you further agree to provide The Forest with a copy of any Living Will, or Durable Power of Attorney for health care decisions which may be in existence, and to provide such documentations which may develop subsequent to the execution of this Agreement. The Forest strongly encourages all residents to designate a Health Care Attorney in Fact capable of making health care decisions in the case of incapacity or emergency.

#### **D. Property:**

To the maximum extent permitted by law, The Forest will not be responsible for the loss or damage of any property not belonging to The Forest due to any cause. It is understood by both parties that you will have the responsibility for providing insurance protection covering any such loss or damage of personal property. Upon termination of this Agreement, The Forest has the right to promptly (within thirty (30) days) remove from the residence any and all of your property that remains therein or that is stored elsewhere on the property of The Forest, and The Forest may store such property either on or off the premises. You or your estate will be

obligated for the payment of moving and storage charges and will reimburse The Forest for its incurred expenses.

Should such belongings remain stored for longer than ninety (90) days, The Forest shall have the right to sell such belongings and pay the proceeds from such sale to you or your estate, net of all expenses incurred to move, store and sell such property. If the proceeds are not adequate to fully reimburse The Forest for all such costs, you or your estate shall be responsible to The Forest for the deficiency.

**E. Insurance:**

**1. Application for Benefits: Assignment of Benefits**

You shall apply for any federal, state or local benefits for which you may be eligible or entitled upon request by The Forest. If requested by The Forest, any or all such benefits will be applied to the daily fee or other charges incurred by you at The Forest.

You agree to assign to The Forest all insurance benefits received from third party payers for health services provided by The Forest. You agree to grant to The Forest a limited Power of Attorney for the purpose of permitting The Forest to act as your agent or attorney in fact in all matters relating to any such benefit.

**2. Health Insurance:**

You shall maintain eligible Medicare coverage (and supplemental health insurance coverage) or health insurance coverage that adequately covers hospital, medical, prescriptions and skilled nursing deductibles and co-payments required under your primary insurance policy. Your primary and secondary insurance coverage must recognize The Forest as a healthcare provider, or you shall be responsible for services rendered that otherwise could be covered by insurance. You agree to furnish The Forest with evidence of such coverage prior to the Date of Occupancy as stated in Exhibit A and also upon request.

If your health insurance coverage lapses, The Forest may require you to reapply for suitable insurance coverage. If you are unable to obtain suitable insurance coverage, you shall be responsible for any healthcare services rendered that otherwise could be covered by insurance. Upon request by The Forest, you shall provide evidence of health insurance coverage.

**3. Medicare-Certified Skilled Nursing Facility Beds:**

The Forest maintains a limited number of Medicare-certified beds in the skilled nursing facility, which are available for use by residents whose skilled nursing care would qualify for Medicare payment on an “if and as available” basis. In the event that you need admission and the admission would qualify for Medicare payment, then your financial responsibility to The Forest will depend upon the type of Medicare coverage you have and whether The Forest is a contractual provider for your coverage.

**a) Medicare-certified bed is not available.**

In the event that there is not a Medicare-certified bed at The Forest at the time you require admission, you may either choose to obtain skilled nursing care services at



another healthcare facility at your cost until such time as a Medicare-certified bed becomes available at The Forest (presuming you would use a facility that could provide a Medicare-certified bed) or be admitted to a bed in the skilled nursing facility at your cost which is not certified to accept Medicare payment until such time as a Medicare-certified bed becomes available at The Forest.

***b) Medicare-certified bed is available and you have traditional Medicare.***

If you are admitted to a Medicare-certified bed in the skilled nursing facility and you have traditional Medicare coverage, The Forest will accept the Medicare reimbursement amount of such care while you shall be responsible for any applicable deductible, co-payment and/or co-insurance amounts that are not paid by Medicare and any supplemental Medicare insurance that you maintain.

***c) Medicare-certified bed is available and you have Medicare Advantage coverage for which The Forest is an in-network provider.***

In the event that The Forest is an in-network provider for your Medicare Advantage coverage, then The Forest will accept the reimbursement amount from your Medicare Advantage insurance carrier while you shall be responsible for any deductible, co-payment and/or co-insurance amounts that are not paid by the Medicare Advantage insurance that you maintain.

***d) Medicare-certified bed is available and you have Medicare Advantage coverage for which The Forest is not an in-network provider.***

The Forest will charge you the full private-payment amount for your admission into a Medicare-certified bed and credit against your financial obligation to The Forest the amount that is paid by your Medicare Advantage insurance if the insurance provides an out-of-pocket network benefit. In the event that your Medicare Advantage insurance will not pay any amount to an out-of-network provider, then you will not be admitted to a Medicare-certified bed at The Forest. A full private-pay resident in a Medicare-certified bed may be required by The Forest to relocate to a bed that is not Medicare-certified when such a bed becomes available.

**F. Resident's Medical Examination:**

You agree to be examined by a Forest physician when there is reasonable cause for concern for your health and well-being.

**G. Subrogation Rights:**

In case of injury to you by a third party, The Forest shall have the right to subrogation for all of its costs and expenses incurred by reason of such injuries, and shall have the right, in your name or otherwise, to take all necessary steps and procedures to enforce the payment of the same by the person responsible for the injury. You agree to cooperate fully and to assist The Forest in recovering any such costs and expenses.

**H. Resident Representation:**

Residents have the right of self-organization through a residents' association which may convene to arrange social and recreational programs and to review the interests of the resident population.

**I. Right of Entry:**

The Forest recognizes your right to privacy, and The Forest shall limit entry to your residence to legitimate emergencies and to scheduled work, including housekeeping, repairs, maintenance, and inspections. You hereby expressly authorize employees or agents of The Forest to enter your residence upon reasonable notice for all such purposes.

**J. Appliances:**

The Forest is not obligated to determine your ability to safely utilize the appliances in your residence. However, should The Forest determine that you have demonstrated an inability to safely operate the range, microwave, refrigerator, disposal unit, or any other appliances in your residence, The Forest will have the right to turn off the power serving such appliance(s) and/or to remove any and all such appliances. In any such instance, you shall remain obligated to pay for any extra meals that you may incur due to the unavailability of any appliance.

**K. Guests:**

Guests are welcome at The Forest, and may stay overnight in your residence for visits of limited duration. Guests may also use The Forest's guest room accommodations, subject to availability and based upon the Guest Room Reservation Policy in the Resident Handbook. At all times, you will be responsible for any injury to others, or damage to the property of others or of The Forest, caused by your guest(s). The Forest reserves the right and authority to limit or terminate the stay of any guest at any time and for any reason.

**L. Emergency Notification:**

You agree to provide The Forest with the following information prior to the Date of Occupancy:

- Names, addresses, and phone numbers of persons to notify in an emergency, or death
- Names of persons having the right of entry into your residence
- Copy of current Durable Power of Attorney
- Copy of current Health Care Power of Attorney
- Copy of any Advance Directives
- Copy of current Insurance Coverages
- Name, address, and phone number of funeral director (prior arrangements are encouraged)
- Information necessary to complete a death certificate

The Forest shall not be responsible for funeral or burial arrangements or costs.

**M. Compliance with Applicable Laws:**

The Forest will operate in full compliance with all laws, rules, regulations, and ordinances promulgated by lawful governmental authorities. Notwithstanding any other provisions of this Agreement, it shall have the right to change your residence, and the terms of this Agreement, to meet the requirements of any law or regulation.

**N. Relocation:**

The Forest reserves the right to relocate you to another accommodation when deemed necessary in order for The Forest to fulfill its strategic, financial or other obligations. The Forest will use reasonable efforts to relocate you to an accommodation of the same or similar type as your accommodation. Any such decision to relocate you will be discussed thoroughly with you in order to enlist your understanding of the need for and cooperation with the relocation. The Forest will pay all required packing and moving costs, and all reasonable refurbishing costs necessary to achieve substantial comparability between your accommodation and any new accommodation to which you may be relocated.

**IV. Resident Moves and Transfers**

It is understood that when you move from one independent living residence to another, or if you move from one level of care to another, your status or rights as a Forest resident do not change. You may transfer and/or move on a temporary or a permanent basis, at the determination of The Forest.

**A. Independent Internal Moves:**

- 1. Move to a Larger Independent Living Residence** – Should you desire to transfer to a larger independent living residence, an internal move request should be made in writing according to the Internal Move Policy in the Resident Handbook. An internal move fee may apply as noted in the policy. An additional Entry Fee equal to the difference between the then current Entry Fee for the larger residence and the Entry Fee you originally paid for the smaller residence will be due to The Forest prior to your move to the larger residence.

Any additional Entry Fee amounts paid shall be considered paid from the Date of Occupancy of the original residence (Exhibit A) for purposes of calculating any refund. You will also be responsible for the Monthly Fee associated with the larger residence from the Date of Occupancy, or the actual date of move-in, whichever is earlier. The Monthly Fee for the smaller residence is still in effect, and will be charged until all personal belongings have been removed, and a final walk-through has been completed as per the Internal Move Policy.

- 2. Move to a Smaller Independent Living Residence** – Should you desire to transfer to a smaller independent living residence, an internal move request should be made in writing according to the Internal Move Policy in the Resident Handbook. You may be

due a refund, depending on the Date of Occupancy of the original residence, reduced by amortization.

You will be responsible for the Monthly Fee associated with the smaller residence beginning on the Date of Occupancy, or the actual date of move-in, whichever is earlier.

You will also be responsible for the Monthly Fee for the larger residence until all personal belongings have been removed from the larger residence, and a final walk-through has been completed as per the Internal Move Policy.

**B. Moves to the Health and Wellness Center:**

The Forest expressly reserves the right to move you to an accommodation that can best provide for your safety and care. If your physical or mental condition deteriorates so that, in the best judgment of The Forest and upon the recommendation of The Forest's Medical Director, you are unable to live independently, or if you cannot live in an independent living residence without endangering yourself or the health or safety of others, The Forest may move you to a more appropriate accommodation. Such changes (if not at your request) shall be made only to protect your health or safety, or the general welfare of the residents of The Forest or others. Residents may request a meeting with The Forest for the discussion and consideration of any actions taken by The Forest. Should you fail or refuse to cooperate with any such move, The Forest has the right to terminate this Agreement and require you to leave the Community altogether.

If in the sole discretion of The Forest, it determines that your transfer is permanent, The Forest may assign your independent living residence to another resident. Should your condition subsequently improve to a point that you are able to live independently, you may apply for an independent living residence upon the same basis as existed before the transfer. You shall bear all costs of moving and storing your furniture and belongings in the case of such transfer. In addition, if The Forest determines that you can resume occupancy in an independent living residence, you will have priority for a similar residence as soon as one is available.

**C. Limitations of Care/Transfer:**

The Forest's facilities and services are not designed to care for persons who have an active psychiatric illness, who have a dangerous communicable disease or who are involved with drug or alcohol abuse. Should The Forest determine that your physical and/or mental condition becomes such that your continued presence at The Forest is dangerous or detrimental to your health or safety, or to others, The Forest may arrange for such transfer to a special service facility as may be required. The liability of The Forest for costs of such care shall be limited to the amount of your then prevailing Monthly Fee for each month that you continue to pay the Monthly Fee, or the then prevailing per diem rate, as applicable.

If you or your designee prefers a different institution or special service facility than that selected by The Forest, arrangements will be made to accommodate such preference with the understanding that The Forest is relieved of any increase in financial responsibility associated with such transfer, or the costs of such a transfer.

## V. Health Care Services

During the process of applying to The Forest, you have disclosed a true and correct health status and history, and have been approved by The Forest for independent living. You have disclosed any significant changes in your health status since your initial review. It is understood by both parties that your health condition may change and that you will inform The Forest of any significant changes. If there is reasonable cause for concern, you agree that a Forest physician may examine you.

### A. Health and Wellness Center:

The Forest's Health and Wellness Center includes a primary care clinic, assisted living residences, skilled nursing residences, and residences offering special care/dementia services.

### B. Continuing Care Services:

The Forest agrees to provide the health care services outlined below. These services are included in the Monthly Fee, except for those requiring additional payment as described below. The Forest will seek reimbursement from any and all third party payers to the fullest extent available.

1. **Wellness and Exercise Programs** – The Forest staff will conduct wellness and exercise programs for residents who wish to participate. Some special programs may require extra charges.
2. **Emergency Response System** – Each residence will be equipped with an emergency response system, monitored twenty-four (24) hours a day.
3. **Other Health Care Services:**
  - a) **Clinic Services** – The Clinic at The Forest provides care and service operations as a physician's office/medical practice. The Clinic will bill an insurer for all reimbursable services. Co-payments and/or deductibles will be billed to patients.
  - b) **Primary Care** – The Forest will make available primary care services to you in the Wellness Clinic during regularly scheduled office hours. Trained health care personnel will be on-site twenty-four (24) hours a day. Physicians will be available for scheduled office visits and are on call for Forest residents twenty-four (24) hours a day, seven (7) days a week. The Forest physicians will refer you to specialists as needed. You will be responsible for the cost of care rendered by physicians not reimbursed by Medicare or other third party payer.
  - c) **Laboratory Tests and Other Procedures** – Limited laboratory testing services and diagnostic procedures will be provided in the Wellness Clinic according to a fee schedule published by The Forest. You will be responsible for the costs of such services and procedures not reimbursed by Medicare or other third party payer.
  - d) **Special Services** – The Forest will provide facilities to accommodate some special services such as Dentistry, Physical Therapy, Occupational Therapy, Speech Therapy, and Pharmacy Services. You will be responsible for the cost of these, and

other special services not reimbursed by Medicare or any other third party payer. You are responsible for the costs of medications procured through The Forest pharmacy service or elsewhere.

4. **Assistance with Insurance Claims** – The Forest will assist you with the filing of health care insurance claims for services rendered by The Forest. Whenever The Forest files insurance claims for you, you agree to promptly and fully cooperate in the filing of all such claims.
5. **Home Care Services, Home Health and/or Certified Care** – You may arrange for limited assistance to accomplish activities of daily living or short term home care services and support through The Forest at Home or an approved, licensed and bonded agency or provider. Such providers must be approved by The Forest before they are allowed access to the community. You are responsible for any costs related to the services of any provider. The Forest may limit or terminate the services of any provider and may refuse access to the grounds or facilities of The Forest by such provider. You understand that arranging and receiving care from a home care provider does not take the place of care that may best be provided in the Health and Wellness Center (See Section V.B).
6. **Hospitalization** – The Forest will assist you in arranging your inpatient hospital care when ordered by a physician. You will be responsible for all hospital charges not covered by Medicare or other third party payer.
7. **Health Care Services in The Forest Health and Wellness Center** – The Forest will provide temporary or permanent assisted living services, skilled nursing services, and respite care services to you when ordered by a physician. Health care services are provided based upon a specific fee structure as outlined below:
  - a) **Pre-Paid Days:** You are eligible for fifteen (15) pre-paid days in the Health and Wellness Center beginning with the initial Date of Occupancy at The Forest. Pre-paid days may also be used for a stay in an alternative health care facility. Should it be necessary to use one or more pre-paid days, these may again accrue to a maximum of fifteen (15) days. One pre-paid day accrues on the first day of each month for which you have not occupied a Health and Wellness Center bed or a bed in an alternative health care facility in the prior month up to a maximum of fifteen (15) days. While residing in the Health and Wellness Center or in an alternative health care facility when pre-paid days are available, you continue to pay the current Monthly Fee. After the accrued pre-paid days have been used, the rates as outlined in paragraphs 7.b through 7.h below apply or the rates actually charged by the alternative health care facility.
  - b) **Single Occupancy, Temporary Health and Wellness Center:** When it is deemed by The Forest that you are a temporary resident of the Health and Wellness Center, and after pre-paid days have been used, you will pay sixty percent (60%) of the per diem rate for health care services published by The Forest in addition to the regular Monthly Fee.

- c) **Single Occupancy, Permanent Health and Wellness Center:** When it is deemed by The Forest that you are a permanent resident of the Health and Wellness Center and after pre-paid days have been used, you will pay forty percent (40%) of the per diem rate for health care services published by The Forest. Once you become a permanent resident of the Health and Wellness Center, all personal belongings have been removed from your independent living residence and a final walk-through has been completed, you will relinquish the independent living residence, and the Monthly Fee for the independent living residence will no longer be paid.
- d) **Double Occupancy, One Resident Temporarily in Health and Wellness Center:** After pre-paid days have been used, the resident temporarily transferred to the Health and Wellness Center will continue to pay the Second Person Monthly Fee, plus sixty percent (60%) of the per diem rate for health care services published by The Forest. The resident remaining in the independent living residence will pay the Single Occupancy Monthly Fee.
- e) **Double Occupancy, One Resident Permanently in Health and Wellness Center:** After pre-paid days have been used, the resident permanently transferred to the Health and Wellness Center will continue to pay the Second Person Monthly Fee plus fifteen percent (15%) of the per diem rate for health care services published by The Forest. The resident remaining in the independent living residence will pay the Single Occupancy Monthly Fee.
- f) **Double Occupancy, Both Residents Temporarily in Health and Wellness Center:** After pre-paid days have been used, if both residents are temporarily transferred to the Health and Wellness Center, each will pay sixty percent (60%) of the per diem rate for health care services published by The Forest. In addition, one resident will continue to pay the Single Occupancy Monthly Fee and the other resident will pay the Second Person Monthly Fee.
- g) **Double Occupancy, Both Residents Permanently in Health and Wellness Center:** After pre-paid days have been used, if both residents are permanently transferred to the Health and Wellness Center, each will pay forty percent (40%) of the per diem rate for health care services published by The Forest. Once all personal belongings have been removed from the independent living residence, and a final walk-through has been completed, you will relinquish the independent living residence and the Monthly Fee will no longer be paid for the independent living residence.
- h) **Double Occupancy, One Resident Temporarily in Health and Wellness Center and One Resident Permanently in Health and Wellness Center:** After pre-paid days have been used, if one resident is temporarily transferred to the Health and Wellness Center, and the other resident is permanently transferred to the Health and Wellness Center, the rates outlined in Section V.B.7.e will apply. In addition, the resident temporarily transferred to the Health and Wellness Center will pay sixty percent (60%) of the per diem rate for health care services published by The Forest.

If appropriate accommodations suited to meet your needs are not available, The Forest will be responsible for identifying alternative health care facilities for you, until such time as an appropriate accommodation is available in The Forest's Health and Wellness Center.

The resident is responsible for the costs of care at the alternative health care facility. During the period of stay in an alternative health care facility, all costs of care will be billed to the resident by the alternative health care facility. If such costs are not covered by Medicare or other third party payer, the resident is responsible for the costs of care at the alternative health care facility and, the resident may elect to use any available pre-paid days as described in paragraph 7.a above.

Should you elect to use any available pre-paid days, The Forest will either reimburse you or credit your account for the scope of services that would otherwise be included in the per diem rate, provided that The Forest's obligation shall not exceed the current prevailing per diem rate.

## **VI. Termination Prior to Occupancy and Terms of Refund**

### **A. Termination by the Resident:**

- 1. Termination Within the Thirty (30) Day Right of Rescission Period** – You may rescind this Agreement prior to the Date of Occupancy, or after occupancy, by giving written notice to The Forest within thirty (30) days following the later of the execution of this Agreement or of the date that you received the Disclosure Statement as required by Section 58-64-1, et. seq. of the North Carolina General Statutes. You may receive a full refund equal to the funds paid toward the Entry Fee without interest, less any non-standard costs incurred by The Forest at your request. Your refund will be paid within sixty (60) days of receipt of your written notice to terminate. You are not required to take occupancy before the end of the thirty (30) day rescission period.
- 2. Termination After the Thirty (30) Day Right of Rescission Period** – After the thirty (30) day rescission period and prior to the Date of Occupancy, if you terminate this Agreement, you may receive a refund equal to the funds paid toward the Entry Fee without interest, less an administrative fee equal to two percent (2%) of the Entry Fee for the independent living residence selected, less any non-standard costs incurred by The Forest at your request. Your refund will be paid within sixty (60) days of receipt of your written notice to terminate.

### **B. Termination by The Forest:**

The Agreement may be terminated by The Forest if it is determined by The Forest that you have misrepresented or omitted medical, financial, or other information given to The Forest during the application process, or if your financial status changes prior to the Date of Occupancy such that you no longer meet The Forest's financial requirements



for admission. In such event, you may be due a refund equal to the total amount of funds paid toward the Entry Fee without interest, less an administrative fee equal to two percent (2%) of the Entry Fee based on the independent living residence selected, less any non-standard costs incurred by The Forest at your request. Your refund will be paid within sixty (60) days of written notice to terminate.

### **C. Termination as a Result of Death or Illness of Resident:**

Prior to the Date of Occupancy, should you die, become ill, be injured or otherwise incapacitated such that The Forest determines that independent living is not possible, this Agreement will automatically be terminated and a refund shall be due to you within sixty (60) days, equal to the funds paid toward the Entry Fee without interest, less any non-standard costs incurred by The Forest at your request.

## **VII. Conditions of Termination After Occupancy**

**A. Termination by the Resident:** In addition to Section VI, this Agreement may be terminated by you in accordance with the following conditions:

1. The Agreement will be terminated upon your death, or the death of the surviving resident in the case of co-residency. A permanent move to the Health and Wellness Center is not considered a contract termination, and therefore a refund is not applicable. Refunds may only apply upon the termination of the Agreement. The Termination Date will be determined in accordance with Section VII.C below.
2. Except in the case of death, you must give The Forest sixty (60) days written notice of your intent to terminate the Agreement.
3. You must leave the Residence in a condition satisfactory to The Forest. The Forest may charge you for the cost of work required to restore the Residence to its standard condition, with the exception of reasonable wear and tear.
4. Refunds to you shall be reduced by the amount of your outstanding charges due to The Forest.

**B. Termination by The Forest:** The Forest may terminate the Agreement with you if you breach this Agreement, or if you fail to pay the Monthly Fee and any other ancillary charges, or fail to follow the standard policies of The Forest, or refuse to relocate as required by this Agreement, or engage in activities or conduct disruptive to the Community, or if you interfere with the health and safety of the Community, or if you have misrepresented or omitted medical, financial or other information given to The Forest during the application process. The Forest will be required to give you at least sixty (60) days written notice to vacate your residence.

You must leave the Residence in a condition satisfactory to The Forest. The Forest may charge you for the cost of work required to restore the Residence to its standard condition, with the exception of reasonable wear and tear.

Refunds to you shall be reduced by the amount of your outstanding fees and charges due to The Forest.

- C. **Termination Date:** The “Termination Date” of this Agreement will be the date on which your personal property has been removed from the residence or sixty (60) days following written notice, whichever is later. You will be required to continue paying the Monthly Fee until the Termination Date or until your personal belongings have been removed and a walk-through has been completed by you or your designee and management, whichever is later.

### VIII. Conditions for Refund After Occupancy

- A. **Termination of Agreement by Resident:** You may be entitled to a refund of the Residence Fee. If termination of this Agreement occurs during the first fifty (50) months of this Agreement, you or your estate may be entitled to a partial refund of the Residence Fee. You or your estate will receive a refund in the amount equal to: (i) the Residence Fee; less (ii) two percent (2%) for each month that this Agreement has been in effect for up to fifty (50) months; less (iii) any amounts due to The Forest. After fifty (50) months, there is no refund of the Residence Fee. Residence Fees will not be pro-rated for a period less than one month.
- B. **Termination of Agreement by The Forest:** If The Forest terminates this Agreement pursuant to Section VII.B, you may be entitled to a refund of the Residence Fee. If termination of this Agreement occurs during the first fifty (50) months of this Agreement, you or your estate may be entitled to a partial refund of the Residence Fee. You or your estate will receive a refund in the amount equal to: (i) the Residence Fee; less (ii) two percent (2%) for each month that this Agreement has been in effect for up to fifty (50) months; less (iii) any amounts due to The Forest. After fifty (50) months, there is no refund of the Residence Fee. Residence Fees will not be pro-rated for a period less than one month.
- C. **Payment of Refunds:** Any refund of the Residence Fee will be paid after all outstanding fees and charges due to The Forest by you have been paid, your personal belongings have been removed, and a final walk-through has been completed. Such payment shall be deferred until thirty (30) days after the independent living residence formerly occupied by you is re-occupied and a full Entry Fee is received by The Forest for the residence. Refunds will be paid to you, or in the event of your death, to your estate. The Forest shall have the right to offset any fees and charges owed to The Forest with any refund due to you or your estate.

- D. Release upon Termination:** Upon termination of this Agreement, The Forest is released from any further obligations to you except for the payment of any refund which may be due under Sections VI and VIII of this Agreement.

## **IX. Miscellaneous**

- A. Rights, Privileges and Limitations:** The rights and privileges to you under this Agreement for living accommodations, facilities, and services are personal and non-transferable and do not include any proprietary interest in the properties or assets of The Forest.

Your rights shall at all times be subordinate to any obligations of The Forest. Upon request by The Forest, you agree to execute and deliver a subordination agreement to establish the priority of such obligations as a lien or liens against the property.

- B. Management of The Forest:** The absolute rights of management are reserved by The Forest and its Board of Directors. The Forest reserves the right to accept or reject any person as a resident. Residents do not have the right to determine admission or terms of acceptance of any other resident.
- C. Successors and Assigns:** Except as set forth herein, this Agreement will bind and inure to the benefit of the successors and assigns of The Forest and your heirs, executors, administrators and permitted assigns.
- D. Uncontrollable Interruption of Service:** No breach of The Forest's obligations under this Agreement and no liability for injury to you shall result from an interruption of, or failure to provide, contracted service due to an act of God or other cause beyond the reasonable control of The Forest, specifically including strikes or other forms of labor disturbances, government regulations and/or embargoes, shortages of labor or materials, fire, flood, earthquake, pandemic, inclement weather or acts of the resident, The Forest shall make reasonable efforts to continue to provide the usual services in such event.
- E. Confidentiality:** The Forest has the responsibility to keep all of the personal, medical and financial information you have supplied confidential. You agree that The Forest can disclose such information to those who have a need, in The Forest's judgment, or the right to know.
- F. Indemnity:** You agree to indemnify, defend and hold The Forest and its employees, officers, directors, agents and representatives harmless from claims, damages or 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 acts or omissions or those of your guests, including private duty nurses or any other third party service contracted by you. This Section IX.F shall survive termination of this Agreement.
- G. Affiliation:** The Forest holds membership in LeadingAge and LeadingAge NC.

- H. Waiver of Breach:** The failure of The Forest in any one or more instances to insist upon the strict performance, observance, or compliance by you with any of the terms or provisions of this Agreement, or its waiver of a breach by you of any terms or provisions of this Agreement, shall not be construed as a waiver or relinquishment by The Forest of its right to insist upon strict compliance by you with all terms or provisions of this Agreement.
- I. Rules Adopted by The Forest:** The Forest reserves the right to adopt policies, procedures and rules regarding residency consistent with the provisions of this Agreement. You agree to observe the rules adopted by The Forest for the convenience, comfort, and safety of all.
- J. Amendment of Residence and Care Agreement Following Early Acceptance and General Conditions:** The Forest reserves the right, upon thirty (30) days prior written notice to all residents, to modify or amend the Residence and Care Agreement Following Early Acceptance whenever doing so is necessary to correct errors, omissions, or inconsistencies, to provide clarification of intent, or to conform the documents to the requirements of local, state, or federal laws and regulations applicable to The Forest, in particular, or to residential life care communities, in general, or whenever doing so is deemed by the Board of Directors of The Forest to be in the best interest of The Forest and the residents in light of changes in health insurance laws and coverages and/or local, state or federal tax laws or regulations.
- K. Entire Contract in this Agreement:** This Agreement, Exhibit A, Exhibit B, and any attached Addenda, Application Forms, and Requests for Changes to the Living Residence constitute the entire contract between The Forest and you. The Forest is not liable for, nor bound in any manner by any statements, representations, or promises made by any person representing or purporting to represent The Forest unless such statements, representations, or promises are set forth in this Agreement. Except as set forth in Section IX. J, this Agreement may not be amended or modified except by written agreement signed by the parties hereto and incorporated herein by reference.
- L. Governing Law: Venue:** This Agreement shall be governed by, interpreted, construed and enforced in accordance with the laws of the State of North Carolina, without giving effect to any choice of law or conflict of law rules or provisions that would cause the application of laws or any jurisdiction other than North Carolina. To the full extent permitted by law, any action, suit or proceeding arising out of or relating to this Agreement shall be brought and enforced in the courts of the State of North Carolina located in Durham County or the United States District Court for the Eastern District of North Carolina, and the parties hereby irrevocably submit to the exclusive jurisdiction of such courts and irrevocably waive any objection that they may now or hereafter have to the laying of venue of any such action or proceeding in such courts. In the event of any such dispute, the non-prevailing party shall pay all reasonable costs, expenses and attorneys' fees incurred by the prevailing party.

**M. Notice Provisions:**

Any notices, consents, or other communications to The Forest shall be in writing and addressed as follows:

President/CEO  
The Forest at Duke  
2701 Pickett Road  
Durham, NC 27705

Your address for the purpose of giving notice prior to your move to The Forest is the address appearing after your signature on the following page or other such address you provide to The Forest in writing.

**Acknowledgements**

Your signature below certifies that you have received, read, understand, and accept this Residence and Care Agreement Following Early Acceptance and the current Disclosure Statement for The Forest at Duke.

\_\_\_\_\_  
**Resident's Signature**

\_\_\_\_\_  
**Date**

\_\_\_\_\_  
Current Address: Street/P.O. Box

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

\_\_\_\_\_  
Telephone

\_\_\_\_\_  
**Co-Resident's Signature**

\_\_\_\_\_  
**Date**

\_\_\_\_\_  
Current Address: Street/P.O. Box

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

\_\_\_\_\_  
Telephone

By \_\_\_\_\_  
**President/CEO**

\_\_\_\_\_  
**Date**

**EXHIBIT A**

Your signature below certifies that you understand and accept the following terms:

DATE OF OCCUPANCY: \_\_\_\_\_

RESIDENCE NUMBER/TYPE: \_\_\_\_\_

REFUND PLAN:    ( ) Standard Amortized

RESIDENCY:        ( ) Single Occupancy        ( ) Double Occupancy

TOTAL ENTRY FEE: \_\_\_\_\_

LESS: EARLY ACCEPTANCE ENTRY FEE: \_\_\_\_\_

LESS: FUTURE RESIDENCY DEPOSIT: \_\_\_\_\_

LESS: RESERVATION DEPOSIT: \_\_\_\_\_

LESS: 15% DEPOSIT: \_\_\_\_\_

CURRENT MONTHLY FEE: \_\_\_\_\_

ADDENDA: \_\_\_\_\_

\_\_\_\_\_  
**Resident's Signature** **Date**

\_\_\_\_\_  
**Co-Resident's Signature** **Date**

By \_\_\_\_\_  
**President/CEO** **Date**

<b>EXHIBIT B</b>
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**Schedule of Ancillary Charges  
October 1, 2023**

<b><u>Dining Services</u></b>	<b><u>Price</u></b>
Adult Guest Meal in Main Dining Room	\$20.00
Child Guest Meal in Main Dining Room (12 years and under)	10.00
Adult Holiday Guest Meal in Main Dining Room	25.00
Child Holiday Guest Meal in Main Dining Room (12 years and under) (Holidays: Easter, Mother's Day, Thanksgiving, Christmas)	15.00
Guest Meals in Health and Wellness Center: \$3.50 Breakfast; \$4.50 Lunch; \$9.00 Dinner	
* Catering Services through Dining Services based on Catering Menu	
<b><u>General Services</u></b>	
Maintenance Labor per hour	\$ 35.00
Maintenance ½ hour minimum charge	17.50
Housekeeping per hour	25.00
Housekeeping ½ hour minimum charge	12.50
Roll Away Bed/Crib per night	10.00
Laundry per pound	3.00
Key Replacement/Access Fob Replacement	5.00/10.00
Pendant/Transponder	50.00/35.00
<b><u>Administration Services</u></b>	
Guest Room per night	N/A
Fax – up to 5 pages	3.00
Fax – each additional page	1.00
Away Allowance per night/per person	5.75
Resident Computer Support per hour	50.00
Resident Computer Support – minimum charge	25.00
Return Check Fee	25.00
<b><u>Healthcare Services</u></b>	
Medical Records Copy Fee (per Federal Guidelines)	
Pages 1-25: per page	\$ 0.75
Pages 26-100: per page	0.50
Pages 100+: per page	0.25
Minimum charge	10.00
<b><u>Transportation</u></b>	
Concierge Hourly Rate (standard vehicle/commercial vehicle)	\$25.00 / \$40.00
One-Way Flat Fee to Raleigh-Durham International Airport	50.00
Medical Transportation (after one local trip per week):	
Durham	18.00
Chapel Hill	20.00
<b><u>Activities</u></b>	<b><u>Hair Salon</u></b>
Please refer to Activities Fee Sheet	Please refer to prices listed in the salon

Prices subject to modification by The Forest at Duke