



– A Well-Spring Group Life Plan Community –

Disclosure Statement

May 31, 2024

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

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

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

- **This Disclosure Statement may be delivered until revised, but not after October 29, 2025.**
- **Delivery of this Disclosure Statement to a contracting party before execution of a contract for the provision of continuing care is required;**
- **This Disclosure Statement has not been reviewed or approved by any government agency or representative to ensure accuracy or completeness of the information set out.**

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Definition of Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“Residential Living” means garden homes and apartment residences.

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

“The Village” means The Village at Brookwood.

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

I. ORGANIZATION

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

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

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

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

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

II. FACILITY INTRODUCTION AND INFORMATION

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

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

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

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

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

Board of Trustees

The business and affairs of Well•Spring are directed by a self-perpetuating Board of Directors composed of 17 members. The President of the Residents' Association serves as a voting member of the Board of Directors. The Board of Directors currently meets five times a year and at times the Directors may determine. The following is a list of the members of the Board of Trustees and the Officers of Well•Spring, their addresses and synopses of their relevant backgrounds and experience:

JERRY BAILEY

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

KATHRYN "COOKIE" BILLINGS

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

KEN BOGGS

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

ANTHONY BOYD

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

CHRIS BROWN

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

BARRY CANNER

Mr. Canner is a Retired Municipal Planner and Inn Keeper. Mr. Canner is a Village at Brookwood Resident. Mr. Canner resides at 207 Eastwood Court, Burlington, NC 27215.

BOB CHANDLER

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

TIM CLONTZ

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

SALLY CONE

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

JEAN DAVISON

Mrs. Davison is a community volunteer and retired from her work in Marketing and Public Relations. Mrs. Davison resides at 3033 Verbena Lane, Greensboro, NC, 27410.

WENDY GATLIN

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

JENNIFER KOENIG

Mrs. Koenig is an attorney and Partner with the Schell Bray law firm located at 230 N. Elm in Greensboro. Mrs. Koenig resides at 1801 WE. Market Street, Greensboro, North Carolina 27403.

BONNIE MCALISTER

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

ROBERT POWELL

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

SUSAN SHUMAKER

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

WARREN WEBSTER

Mr. Webster is a retired international education who served with his wife at American International Schools in Pakistan, Singapore, Taipei, Cyprus, The Dominican Republic, Bulgaria and Panama. Mr. Webster resides at 208 Eastwood Court, Burlington, NC, 27215.

BEN ZURAW

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

None of the members of the Board of Directors of Well•Spring are employees of Well•Spring.

Management Staff

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

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

April Mayberry, NHA - *Executive Director & Director of Healthcare*. April grew up in a small rural town the mountains of North Carolina in and now resides in Greensboro with her family and has for the past nine years. She holds a bachelor's degree in Recreational Therapy from Western Carolina University and has been serving older adults for over 25 years. Her journey in healthcare began in the for-profit industry with Genesis Healthcare which included Recreation Therapy Director, Behavioral Health Director, and Associate Administrator before becoming a Licensed Nursing Home Administrator in 2011. In 2019 April began working for The Well-Spring Group as the Director of Health Services at The Village at Brookwood in Burlington, NC and in 2022 was named Executive Director. She is also a 2022 fellow of the Leading Age North Carolina Leadership Academy. April is active in her community and serves on several boards including Access Dental, not for profit organization that provides quality special care services and community dentistry to the medically, intellectually, and physically disabled individuals throughout North Carolina. She is also a member of The Anatomical Gift Program Board of

Advisors for Elon University. April has made it her mission to serve aging adults and to provide experiences that exceed the needs of an evolving and diverse population of older adults.

Professional Staff and Consultants

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

Michelle Burger, Director of Resident Services

Michelle joined The Village of Brookwood in April 2024. She has worked as a community servant throughout her career, beginning in the Parks and Recreation field before transitioning to serving residents in continuing care retirement communities. Michelle is a graduate of NC State University, and holds a master's degree in Parks, Recreation, and Tourism Management. She enjoys making meaningful connections with residents and providing opportunities for connection throughout the community.

Lynette Hinely, Business Office Manager

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

Cindy Kroksh, Director of Clinical Services

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

Arthur Gardiner, Director of Dining Services

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

Betsy Huneycutt, Director of Sales & Marketing

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

Cary Hinely, Director of Facilities Services

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

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

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

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

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

III. POLICIES

A. Residency – Health and Financial Criteria

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

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

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

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

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

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

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

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

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

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

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

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

B. Cancellation/Termination

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

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

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

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

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

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

C. Entrance Fee Plans

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

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

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

D. Moves and Transfers

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

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

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

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

E. Addition of a Co-Resident or Marriage

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

F. Financial Assistance

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

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

IV. **SERVICES - Life Care**

A. **Standard Services Available**

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

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

B. **Services for an Extra Charge**

Services that may require additional payment include:

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

C. Absences

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

D. Health Care Services Available

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

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

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

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

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

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

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

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

B. Services for an Extra Charge

Services that will require additional payment include:

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

C. Health Care Services Available

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

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

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

VI. FEES

A. Residency Fees

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

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

2024 Life Care Entrance Fees & Monthly Service Fees				
Style	Description	Occupancy	Declining	Monthly Fee
Azalea	826 sq. ft. one bedroom	Single	219,900	3,310
Azalea	826 sq. ft. one bedroom	Double	259,300	4,931
Birch	1,113 sq. ft. one bedroom and den	Single	270,200	3,600
Birch	1,113 sq. ft. one bedroom and den	Double	309,600	5,221
Camellia	1,206 sq. ft., two bedrooms	Single	287,100	3,935
Camellia	1,206 sq. ft., two bedrooms	Double	326,500	5,556
Dogwood	1,352 sq. ft., two bedrooms and den	Single	320,900	4,270
Dogwood	1,352 sq. ft., two bedrooms and den	Double	360,300	5,891
Elm	1,596 sq. ft., two bedrooms and den	Single	355,800	4,630
Elm	1,596 sq. ft., two bedrooms and den	Double	395,100	6,251
Holly	1,692 sq. ft., two bedrooms	Single	363,800	5,056
Holly	1,692 sq. ft., two bedrooms	Double	403,100	6,677
Juniper	1,772 sq. ft., two bedrooms	Single	418,400	5,120
Juniper	1,772 sq. ft., two bedrooms	Double	463,600	6,770
Maple/Magnolia	1,892 sq. ft., three bedrooms	Single	391,200	5,290
Maple/Magnolia	1,892 sq. ft., three bedrooms	Double	430,500	6,911
Oak	1,965 sq. ft., three bedrooms	Single	407,600	5,444
Oak	1,965 sq. ft., three bedrooms	Double	446,900	7,065
Pine	2,160 sq. ft., three bedrooms	Single	468,800	5,510
Pine	2,160 sq. ft., three bedrooms	Double	513,900	7,160

2024 Fee for Service Entrance Fees & Monthly Service Fees				
Style	Description	Occupancy	Declining	Monthly Fee
Azalea	826 sq. ft. one bedroom	Single	138,600	2,781
Azalea	826 sq. ft. one bedroom	Double	163,400	3,817
Birch	1,113 sq. ft. one bedroom and den	Single	175,700	3,068
Birch	1,113 sq. ft. one bedroom and den	Double	201,300	4,104
Camellia	1,206 sq. ft., two bedrooms	Single	201,000	3,404
Camellia	1,206 sq. ft., two bedrooms	Double	228,600	4,440
Dogwood	1,352 sq. ft., two bedrooms and den	Single	224,700	3,771
Dogwood	1,352 sq. ft., two bedrooms and den	Double	252,300	4,807
Elm	1,596 sq. ft., two bedrooms and den	Single	249,100	4,135
Elm	1,596 sq. ft., two bedrooms and den	Double	276,600	5,171
Holly	1,692 sq. ft., two bedrooms	Single	276,500	4,172
Holly	1,692 sq. ft., two bedrooms	Double	306,400	5,208
Juniper	1,772 sq. ft., two bedrooms	Single	297,400	4,439
Juniper	1,772 sq. ft., two bedrooms	Double	327,200	5,475
Maple/Magnolia	1,892 sq. ft., three bedrooms	Single	309,800	4,590
Maple/Magnolia	1,892 sq. ft., three bedrooms	Double	339,700	5,626
Oak	1,965 sq. ft., three bedrooms	Single	318,000	4,240
Oak	1,965 sq. ft., three bedrooms	Double	352,400	5,220
Pine	2,160 sq. ft., three bedrooms	Single	356,300	4,660
Pine	2,160 sq. ft., three bedrooms	Double	390,600	5,640

B. Entrance Fee and Monthly Service Fee

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

C. Health Care Center Fees – Life Care

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

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

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

D. Health Care Center Fees – Fee for Service

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

E. Fee Change Policies

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

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

F. Changes in Fees for the Previous Five Years

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

	<u>Independent Living LifeCare or Fee-for-service</u>		<u>Assisted Living Per Diem</u>		<u>Skilled Care Per Diem</u>	
Effective Date	% Per Month (Weighted average across all unit types)	\$ Per Month (Weighted average across all unit types)	% Per Day	\$ Per Day	% Per Day	\$ Per Day
10/1/2019	4%	\$104	4%	\$12	4%	\$12
10/1/2020	3%	\$108	3%	\$8	3%	\$10
10/1/2021	5%	\$113	5%	\$13	5%	\$17
10/1/2022	7%	\$117	7%	\$14	7%	\$25
1/1/2024	6%	\$124	7%	\$19	7%	\$25

G. Miscellaneous Ancillary Charges

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

VII. FINANCIAL INFORMATION

A. Debt Overview & Member Substitution Agreement

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

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

B. Change in Fiscal Year

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

C. Residents with Continuing Care Contracts

As of December 31, 2023, there were a total of 239 residents receiving continuing care services. There were 204 residents in Independent Living, 17 in Assisted Living and 18 in Skilled Nursing.

D. Current Financial Statements

The Village at Brookwood began operations on July 21, 2003. Audited financial statements for the year ended December 31, 2023 are included as Attachment A.

E. Five Year Forecasted Statement

See Attachment B for financial projection statements prepared for the fiscal years 2024-2028.

E. Material Differences between Forecasted Financial Data and Actual Results

Narrative describing material differences between forecasted financial data as shown in previous Disclosure Statement and Audited Actual Results.

	FY 2023 Audit	FY 2023 Forecast Compilation	Variance \$	Variance %
Revenues				
Resident fees earned	12,041,707	13,571,000	(1,529,293)	-11%
Investment Income	36,948	69,000	(32,052)	-46%
Net assets released from restrictions for use in operations	60,930	-	60,930	N/A
Contribution Revenue	336,436	-	336,436	N/A
Other revenue	1,159,839	670,000	489,839	73%
TOTAL	13,635,860	14,310,000	(674,140)	-5%

Resident fees earned - variance is due to closure of Medicare beds, lower than projected census in Healthcare due to renovating Healthcare units. and lower than anticipated earning of entrance fees.
 Investment Income - variance is due to realized and unrealized losses on investments due to movement in the market during 2023

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

Contribution Revenue - variance is due to not anticipating any contributions when forecast compilation was prepared.

Other revenue - variance is due to more revenue than anticipated from therapy services in healthcare, customization in IL units by new residents, and greater than anticipated food service revenue.

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

Expenses	FY 2023 Audit	FY 2023 Forecast Compilation	Variance \$	Variance %
Resident Care	3,618,958	3,383,000	235,958	7%
Dietary	2,196,778	1,871,000	325,778	17%
Housekeeping/Laundry	533,850	514,000	19,850	4%
Plant Operations	2,158,747	2,121,000	37,747	2%
General and Administrative	3,782,805	3,230,000	552,805	17%
Depreciation	2,837,225	2,900,000	(62,775)	-2%
Interest & Amortization	1,190,615	1,342,000	(151,385)	-11%
TOTAL ASSETS	16,318,978	15,361,000	957,978	6%

Dietary - variance due to increase in raw food costs.

General & Administrative - variance is due to increased employee benefit costs and medical insurance claims.

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

Balance Sheet - Assets	FY 2023 Audit	FY 2023 Forecast Compilation	Variance \$	Variance %
Cash	1,709,960	458,000	1,251,960	273%
Accounts Receivable	628,945	436,000	192,945	44%
Other Current Assets	94,875	61,000	33,875	56%
Assets whose use is limited - Operating Reserves	3,900,000	3,167,000	733,000	23%
Property and equipment, net	46,461,247	46,096,000	365,247	1%
Assets under Swap agreements	1,181,586	1,337,000	(155,414)	-12%

TOTAL ASSETS	53,976,613	51,555,000	2,421,613	5%
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Cash- variance due to cash needs due to construction payments needed in early 2024.
 Other Current Assets - increase due to increase in inventory of raw food and paper & plastic supplies.
 Accounts Receivable - variance due to the timing of collections.
 Assets whose use is limited - Operating Reserves - Increase due to increase in DOI Operating Reserve requirement as of 12/31/23 greater than projected.
Variance threshold amount used to determine the material differences above was 15% or \$500,000.

Balance Sheet - Liabilities	FY 2023 Audit	FY 2023 Forecast Compilation	Variance \$	Variance %
Accrued Interest Payable	105,132	92,000	13,132	14%
Accounts Payable and Accrued Liabilities	3,618,690	2,073,000	1,545,690	75%
Debt - current portion	580,561	489,000	91,561	19%
Admission Deposits	1,867,566	558,000	1,309,566	235%
Deferred Revenue - Non-Refundable & Refundable Entrance Fees	22,490,157	21,083,000	1,407,157	7%
Related Party Payable	4,038,139	3,714,000	324,139	9%

Debt - non-current portion	23,893,911	23,900,000	(6,089)	0%
Net Assets - Without Donor Restrictions	(2,822,094)	(624,000)	(2,198,094)	352%
Net Assets - With Donor Restrictions	204,551	270,000	(65,449)	-24%
TOTAL LIABILITIES	53,976,613	51,555,000	2,421,613	5%

Accounts Payable & Accrued Liabilities variance is due to timing of construction payments needed in early 2024.

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

Net Assets-Without Donor Restrictions - variance due to revenue and expense variances as explained above

Net Assets-With Donor Restrictions - variance due to greater than anticipated use of donated funds for resident financial assistance.

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

Cash Flow	FY 2023 Audit	FY 2023 Forecast Compilation	Variance \$	Variance %
Change in Net Assets	(3,492,425)	(1,229,000)	(2,263,425)	184%
Depreciation and Amortization	2,859,498	2,932,000	(72,502)	-2%
Amortization of Deferred Revenue	(1,728,668)	(2,484,000)	755,332	-30%
Entrance Fees Received	4,498,600	3,783,000	715,600	19%
Changes in Operating Assets and Liabilities	2,003,377	908,000	1,095,377	121%
Related Party Payable	(3,576,100)	-	(3,576,100)	N/A

Net Change in Investments and Assets whose use is limited	3,314,000	147,000	3,167,000	2154%
Capital Expenditures	(4,186,033)	(5,741,000)	1,554,967	-27%
Payment of Deferred Financing Costs	-	-	-	N/A
Entrance Fees Refunded	(918,491)	(794,000)	(124,491)	16%
NET INCREASE (DECREASE) IN CASH	(1,226,242)	(2,478,000)	1,251,758	-51%

Change in Net Assets - variance discussed in previous section.

Amortization of Deferred Revenue- variance due to less than anticipated deaths of residents with unamortized entry fee balances.

Entrance Fees Received - variance due to increased occupancy and addition of new units.

Operating Assets and Liabilities - variance due to due to timing of construction payments.

Related Party Payable and Net Change in Investments and Assets whose use is limited - variance due to reclassification of DOI Operating Reserve provided by Well-Spring Retirement Community.

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

Entrance Fees Refunded - variance due to greater than projected refunds to estates of deceased residents.

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

VIII. RESERVES, ESCROW AND TRUSTS

A. Trustee-Held Funds

There are no Trustee-held funds.

B. Operating Reserves

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

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

C. Board Designated Funds

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

D. Investment Accounts

The Village does not maintain investment accounts.

IX. FACILITY DEVELOPMENT OR EXPANSION

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

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

X. RESIDENCE AND SERVICES AGREEMENTS

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

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

XI. MISCELLANEOUS

A. Marketing Incentives

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

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

B. Wait List

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

C. Edgewood Place Divestiture

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

Attachment A
Audited Financial Statements

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

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023



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**ALAMANCE EXTENDED CARE, INC. DBA: THE VILLAGE AT BROOKWOOD
(AN AFFILIATE OF WELL-SPRING SERVICES, INC.)
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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Alamance Extended Care, Inc. dba: The Village at Brookwood (an affiliate of Well•Spring Services, Inc.) (The Village), which comprise the balance sheet as of December 31, 2023, and the related statement of operations, changes in net assets (deficit), and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Village as of December 31, 2023, and the results of its operations, change in its net assets, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Village's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Village's ability to continue as a going concern for a reasonable period of time.

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



CliftonLarsonAllen LLP

Charlotte, North Carolina
April 22, 2024

ALAMANCE EXTENDED CARE, INC. DBA: THE VILLAGE AT BROOKWOOD
(AN AFFILIATE OF WELL-SPRING SERVICES, INC.)
BALANCE SHEET
DECEMBER 31, 2023

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 1,709,960
Resident Accounts Receivable	223,601
Allowance for Credit Losses	(43,347)
Resident Accounts Receivable, Net	180,254
Related Party Receivable	140,175
Other Receivables	308,516
Other Current Assets	94,875
Total Current Assets	2,433,780

ASSETS LIMITED AS TO USE

Statutory Operating Reserve	3,900,000
Total Assets Limited to Use	3,900,000

PROPERTY AND EQUIPMENT, NET

46,461,247

ASSET UNDER INTEREST RATE SWAP AGREEMENT

1,181,586

Total Assets	\$ 53,976,613
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accrued Interest Payable	\$ 105,132
Accounts Payable and Other Accrued Expenses	2,941,257
Accrued Salaries and Wages	677,433
Related Party Payable	138,139
Deferred Revenue from Entrance Fees	900,000
Current Portion of Long-Term Debt	580,561
Total Current Liabilities	5,342,522

LONG-TERM LIABILITIES

Admission Deposits	1,867,566
Refundable Entrance Fees	3,811,501
Deferred Revenue from Entrance Fees	17,778,656
Long-Term Debt, Net of Current Portion	23,893,911
Related Party Long-Term Payable	3,900,000
Total Long-Term Liabilities	51,251,634

Total Liabilities	56,594,156
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NET ASSETS (DEFICIT)

Without Donor Restrictions	(2,822,094)
With Donor Restrictions	204,551
Total Net Assets (Deficit)	(2,617,543)

Total Liabilities and Net Assets (Deficit)	\$ 53,976,613
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See accompanying Notes to Financial Statements.

ALAMANCE EXTENDED CARE, INC. DBA: THE VILLAGE AT BROOKWOOD
(AN AFFILIATE OF WELL-SPRING SERVICES, INC.)
STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2023

REVENUE, GAINS, AND OTHER SUPPORT

Resident Fees Earned, Including Amortization of Deferred Revenue from Nonrefundable Entrance Fees of \$1,728,668.	\$ 12,041,707
Investment Income, Net	36,948
Contributions	336,436
Net Assets Released from Restrictions for Use in Operations	60,930
Other Revenue	1,159,839
Total Revenue, Gains, and Other Support	13,635,860

EXPENSES

Resident Care	3,618,958
Dietary	2,196,778
Housekeeping	533,850
Plant Operations	2,158,747
General and Administrative	3,782,805
Depreciation	2,837,225
Interest and Amortization	1,190,615
Total Expenses	16,318,978

OPERATING LOSS (2,683,118)

OTHER LOSS

Accreted Interest	(239,340)
Change in Value of Interest Rate Swap Agreement	(155,133)
Total Other Loss	(394,473)

DEFICIT OF REVENUE, GAINS, AND OTHER SUPPORT UNDER EXPENSES \$ (3,077,591)

See accompanying Notes to Financial Statements.

**ALAMANCE EXTENDED CARE, INC. DBA: THE VILLAGE AT BROOKWOOD
(AN AFFILIATE OF WELL-SPRING SERVICES, INC.)
STATEMENT OF CHANGES IN NET ASSETS (DEFICIT)
YEAR ENDED DECEMBER 31, 2023**

	Net Assets (Deficit) Without Donor Restrictions	Net Assets With Donor Restrictions	Total Net Assets (Deficit)
BALANCE - JANUARY 1, 2023	\$ 605,142	\$ 269,740	\$ 874,882
Deficit of Revenue, Gains, and Other Support Under Expenses	(3,077,591)	-	(3,077,591)
Donor-Restricted Contributions	-	6,096	6,096
Net Assets Released from Restriction for Purchase of Property and Equipment	10,355	(10,355)	-
Net Assets Released from Restriction for Use in Operations	-	(60,930)	(60,930)
Transfer of Net Assets from TVAB to WSMD	(360,000)	-	(360,000)
Decrease in Net Assets (Deficit)	<u>(3,427,236)</u>	<u>(65,189)</u>	<u>(3,492,425)</u>
BALANCE - DECEMBER 31, 2023	<u>\$ (2,822,094)</u>	<u>\$ 204,551</u>	<u>\$ (2,617,543)</u>

See accompanying Notes to Financial Statements.

ALAMANCE EXTENDED CARE, INC. DBA: THE VILLAGE AT BROOKWOOD
(AN AFFILIATE OF WELL-SPRING SERVICES, INC.)
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Decrease in Net Assets	\$ (3,492,425)
Adjustments to Reconcile Decrease in Net Assets to	
Net Cash Provided by Operating Activities:	
Depreciation	2,837,225
Amortization of Deferred Financing Costs	22,273
Amortization of Deferred Revenues	(1,728,668)
Accreted Interest	239,340
Entrance Fees Received	4,498,600
Increase in Admission Deposits	1,309,656
Change in Value of Interest Rate Swap Agreements	155,133
Provision for Credit Losses	30,240
(Increase) Decrease In:	
Resident Accounts Receivable	12,199
Related Party Receivable	(55,154)
Other Receivables	(179,514)
Other Current Assets	(34,752)
Increase (Decrease) in:	
Accounts Payable and Other Accrued Expenses	437,666
Related Party Payable	(3,576,100)
Accrued Salaries and Wages	218,259
Accrued Interest Payable	12,907
Net Cash Provided by Operating Activities	706,885

CASH FLOWS FROM INVESTING ACTIVITIES

Change in Investments and Assets Limited as to Use	3,314,000
Purchases of Property and Equipment	(4,186,033)
Net Cash Used by Investing Activities	(872,033)

CASH FLOWS FROM FINANCING ACTIVITIES

Principal Payments on Long Term Debt	(142,603)
Refunds of Deferred Entrance Fees	(918,491)
Net Cash Used by Financing Activities	(1,061,094)

NET DECREASE IN CASH AND CASH EQUIVALENTS

(1,226,242)

Cash and Cash Equivalents - Beginning of Year

2,936,202

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 1,709,960

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash Paid for Interest	\$ 1,197,476
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Purchases of Capital Assets in Accounts Payable	\$ 1,856,730
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See accompanying Notes to Financial Statements.

**ALAMANCE EXTENDED CARE, INC. DBA: THE VILLAGE AT BROOKWOOD
(AN AFFILIATE OF WELL•SPRING SERVICES, INC.)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

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

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

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

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

**ALAMANCE EXTENDED CARE, INC. DBA: THE VILLAGE AT BROOKWOOD
(AN AFFILIATE OF WELL-SPRING SERVICES, INC.)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

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

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

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

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

Use of Estimates

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

Cash and Cash Equivalents

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

Assets Limited as to Use

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

**ALAMANCE EXTENDED CARE, INC. DBA: THE VILLAGE AT BROOKWOOD
(AN AFFILIATE OF WELL-SPRING SERVICES, INC.)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are recorded at cost. All items with a cost of over \$1,000 and an estimated useful life of three years or more are capitalized. Donated property and equipment are recorded as an addition to net assets when received, based on the fair value of the asset on the date contributed. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of the costs of acquiring these assets.

The following estimated useful lives are used to calculate depreciation:

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

The Village periodically assesses the realizability of its long-lived assets and evaluates such assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Impairment is determined to exist for assets to be held and used if estimated future cash flows, undiscounted and without interest charges, are less than the carrying amount. Impairment is determined to exist for assets to be disposed of if estimated net realizable value is less than the carrying amount. Management has determined that no such impairments exist as December 31, 2023.

Accounts Receivable and Allowance for Credit Losses

Resident receivables are reported net of an allowance for credit losses to represent the Village's estimate of expected losses at the balance sheet date. The Village separates resident receivables into risk pools based on payors and aging. In determining the amount of the allowance as of the balance sheet date, the Village develops a loss rate for each risk pool. This loss rate is based on management's historical collection experience, adjusted for management's expectations about current and future economic conditions.

Changes in the allowance for credit losses for the year ended were as follows:

Allowances for Credit Losses:

Balance, Beginning of the Year	\$ 13,107
Provisions	30,240
Balance, End of Period	<u>\$ 43,347</u>

ALAMANCE EXTENDED CARE, INC. DBA: THE VILLAGE AT BROOKWOOD
(AN AFFILIATE OF WELL-SPRING SERVICES, INC.)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Financing Costs

Deferred financing costs include costs incurred in connection with the issuance of debt. Such costs are amortized using the straight-line method, which approximates the effective interest method, over the term of the debt. Amortization of \$22,273 for the year ended December 31, 2023, is included with interest expense in the accompanying financial statements.

Deferred Revenue from Entrance Fees and Refundable Entrance Fees

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

A portion of the entrance fee may be refundable when the residency is terminated. Such refundable amounts are shown as refundable entrance fees in the accompanying balance sheet. In accordance with the continuing care contract, the nonrefundable portion is reduced each month, commencing with the date of occupancy and recognized as income over the estimated life expectancy, annually, for each resident. Total contractual refund obligations in the event of move-out, death, or termination at December 31, 2023 were approximately \$10,907,000. Management's estimate of the portion of this amount that will actually be refunded in addition to the minimum amount is recorded as deferred revenue from entrance fees within current liabilities in the accompanying balance sheet.

The residency agreements acquired upon acquisition are projected at their estimated fair value. The fair value of those refundable entrance fees are accreted to face value using the effective interest method over the estimated life expectancy of the residents at acquisition. The discount rate assumed is 3.78%. At the date of the Member Substitution Agreement, management assumed an unamortized discount of approximately \$973,000. Accreted interest upon amortization of these agreements on the statement of operations is approximately \$239,000 at December 31, 2023.

Obligation to Provide Future Services

The Village annually calculates the present value of the net cost of future services and use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from entrance fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded (obligation to provide future services). The obligation is discounted at 5.5%. The Village recorded no net obligation associated with its contracts for the year ended December 31, 2023.

ALAMANCE EXTENDED CARE, INC. DBA: THE VILLAGE AT BROOKWOOD
(AN AFFILIATE OF WELL-SPRING SERVICES, INC.)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Asset Under Interest Rate Swap Agreement

The Village entered into an interest rate swap agreement to limit the effect of increases in the interest rates of variable rate debt. This interest rate swap agreement is reported in the accompanying balance sheet at the estimated fair value at December 31, 2023.

The Village does not hold derivative instruments for any purpose other than limiting the effects of interest rate fluctuations and does not hold interest rate swap agreements for speculative or investment purposes.

Statement of Operations

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

Benevolent Assistance

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

The Village has estimated its direct and indirect costs of providing benevolent assistance under its benevolent assistance policy. In order to estimate the cost of providing such care, management calculated a cost-to-charge ratio by comparing the cost to provide services to residents and amount charged to residents. The cost-to-charge ratio is applied to the charges foregone to calculate the estimated direct and indirect cost of providing benevolent assistance. Using this methodology, the Village has estimated the costs for services under the Village's benevolent assistance policy to be approximately \$53,000 for the year ended December 31, 2023.

The Village received no funds to subsidize the costs of providing benevolent assistance under its benevolent assistance policy for the period ended December 31, 2023.

Contributions

The Village reports contributions of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statement of operations and changes in net assets as net assets released from restrictions.

**ALAMANCE EXTENDED CARE, INC. DBA: THE VILLAGE AT BROOKWOOD
(AN AFFILIATE OF WELL-SPRING SERVICES, INC.)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions (Continued)

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

Deficit of Revenue, Gains, and Other Support Under Expenses

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

Concentration of Credit Risk

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

Advertising

Advertising costs are expensed as incurred. Advertising expenses were approximately \$166,000 for the year ended December 31, 2023.

Income Tax Status

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

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

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

ALAMANCE EXTENDED CARE, INC. DBA: THE VILLAGE AT BROOKWOOD
(AN AFFILIATE OF WELL-SPRING SERVICES, INC.)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

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

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

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

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

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

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

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

ALAMANCE EXTENDED CARE, INC. DBA: THE VILLAGE AT BROOKWOOD
(AN AFFILIATE OF WELL-SPRING SERVICES, INC.)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards

The Village has adopted FASB ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses. The Village adopted this new guidance utilizing the modified retrospective transition method. The adoption of this Standard did not have a material impact on the Village's financial statements but did change how the allowance for credit losses is determined.

Subsequent Events

In preparing these financial statements, the Village has evaluated events and transactions for potential recognition or disclosure through April 22, 2024, the date the financial statements were issued.

NOTE 2 RESIDENT FEES EARNED

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

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

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

**ALAMANCE EXTENDED CARE, INC. DBA: THE VILLAGE AT BROOKWOOD
(AN AFFILIATE OF WELL-SPRING SERVICES, INC.)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 RESIDENT FEES EARNED (CONTINUED)

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

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

The composition of resident fees earned based on the Village's lines of business, method of reimbursement, and timing of revenue recognition for the year ended December 31, 2023, are as follows:

Service Lines:	
Independent Living	\$ 8,481,948
Assisted Living	1,276,338
Health Care Services	2,283,421
Total	<u>\$ 12,041,707</u>
Method of Reimbursement:	
Monthly Service Fee	\$ 5,139,607
Amortization of Entrance Fees	1,728,668
Fee for Service	5,173,432
Total	<u>\$ 12,041,707</u>
Timing of Revenue and Recognition:	
Health Care Services Transferred Over Time	<u>\$ 12,041,707</u>

Financing Component

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

ALAMANCE EXTENDED CARE, INC. DBA: THE VILLAGE AT BROOKWOOD
(AN AFFILIATE OF WELL-SPRING SERVICES, INC.)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 RESIDENT FEES EARNED (CONTINUED)

The opening and closing contract balances were as follows:

	Accounts Receivable	Deferred Revenue from Entrance Fees
Account Balance as of January 1, 2023	\$ 222,693	\$ 15,569,964
Account Balance as of December 31, 2023	180,254	17,778,656

NOTE 3 ASSETS LIMITED AS TO USE

Statutory Operating Reserve

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

At December 31, 2023, management has estimated that \$3,900,000, would be necessary to meet the operating reserve requirement. The investments and assets limited as to use that are available to fund the statutory operating reserve are held by WSRC. This amount is presented in other liabilities on the balance sheet at December 31, 2023. The reserves set aside by WSRC for the Village are adequate to meet the reserve requirement.

NOTE 4 PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2023, is as follows:

Land	\$ 7,094,031
Land Improvements	511,130
Buildings	29,872,116
Building Improvements	8,312,086
Furniture and Equipment	1,828,470
Subtotal	<u>47,617,833</u>
Less: Accumulated Depreciation	<u>(4,385,879)</u>
Subtotal	43,231,954
Construction-In-Progress	3,229,293
Net Property and Equipment	<u>\$ 46,461,247</u>

Construction in progress at December 31, 2023 is related to general renovations and the Garden Homes expansion project.

**ALAMANCE EXTENDED CARE, INC. DBA: THE VILLAGE AT BROOKWOOD
(AN AFFILIATE OF WELL•SPRING SERVICES, INC.)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 5 LONG-TERM DEBT

A summary of long-term debt outstanding at December 31, 2023, is as follows:

Description

2022 Bank Loan; interest only through June 2023. Monthly payment of principal is due beginning July 1, 2023. All unpaid principal and interest is due June 1, 2037. Interest is payable monthly at a variable rate (6.59% at December 31, 2023.)	<u>\$ 24,857,398</u>
Total	24,857,398
Less: Current Maturities	(580,561)
Less: Unamortized Deferred Financing Costs	<u>(382,926)</u>
Long-Term Debt, Net of Current Portion	<u><u>\$ 23,893,911</u></u>

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

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

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

ALAMANCE EXTENDED CARE, INC. DBA: THE VILLAGE AT BROOKWOOD
(AN AFFILIATE OF WELL-SPRING SERVICES, INC.)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5 LONG-TERM DEBT (CONTINUED)

During 2022, the Village entered into a variable-to-fixed interest rate swap agreement to manage the interest rate risk on the variable rate indebtedness on a portion of the 2022 Acquisition Loan. Under the swap agreement, the Village's variable rate on \$15,000,000 of the 2022 Acquisition Loan is effectively converted to 3.78%. The swap has an effective date of July 1, 2022 and terminates on June 1, 2037. The total estimated fair value of the swap agreement is \$1,181,586 as of December 31, 2023. This amount is included on the balance sheet as Asset Under Interest Rate Swap Agreement. The change in fair value was a loss of \$155,133 and is included in Other Loss in the statement of operations for the year ended December 31, 2023.

The maturities of long-term debt for the years subsequent to December 31, 2023, are as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2024	\$ 580,561
2025	508,369
2026	528,197
2027	548,798
2028	567,763
Thereafter	22,123,710
Total	<u>\$ 24,857,398</u>

NOTE 6 FAIR VALUE MEASUREMENT

The Village uses fair value measurement to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Village measures fair value refer to Note 1 – Organization and Summary of Significant Accounting Policies. The following table presents the fair value hierarchy for the balances as of the assets and liabilities of the Village measured at fair value on a recurring basis as of December 31:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Investments and Assets Limited as to Use:				
Mutual Funds - Equities	\$ 3,900,000	\$ -	\$ -	\$ 3,900,000
Asset Under Interest Rate Swap				
Agreements	-	1,181,586	-	1,181,586
Total Assets Measured at Fair Value	<u>\$ 3,900,000</u>	<u>\$ 1,181,586</u>	<u>\$ -</u>	<u>\$ 5,081,586</u>

NOTE 7 RETIREMENT PLANS

The Village has a tax-deferred retirement savings plan (the Plan) that covers all employees aged 21 or older who have completed at least one year of service. The Plan provides for a tax-deferred contribution by the and an employee elective contribution. Total expenses related to the plans were approximately \$179,000 for the year ended December 31, 2023.

**ALAMANCE EXTENDED CARE, INC. DBA: THE VILLAGE AT BROOKWOOD
(AN AFFILIATE OF WELL-SPRING SERVICES, INC.)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 8 COMMITMENTS AND CONTINGENCIES

Self-Insured Health Plan

The Village is self-insured for its employee group health insurance and has estimated and recorded accruals for the self-insurance portion of these arrangements. The Village has purchased specific stop-loss protection for all claims over \$130,000 and aggregate stop-loss protection for total claims which exceed \$2,645,659. An accrual for the self-insurance program was established to estimate claims incurred through December 31, 2023, but not reported. This accrual totaled approximately \$80,000 at December 31, 2023, and is included in accounts payable and other accrued expenses on the balance sheet.

Professional Malpractice Liability Insurance

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

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2023, are available for the following purposes:

Employee Holiday Fund	\$ 12,384
Resident Financial Assistance	130,731
Employee Financial Assistance Fund	<u>61,436</u>
Total	<u><u>\$ 204,551</u></u>

During the year ended December 31, 2023, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time as follows:

Resident Financial Assistance	\$ 58,760
Capital Projects Fund	10,355
Employee Financial Assistance Fund	<u>2,170</u>
Total	<u><u>\$ 71,285</u></u>

**ALAMANCE EXTENDED CARE, INC. DBA: THE VILLAGE AT BROOKWOOD
(AN AFFILIATE OF WELL-SPRING SERVICES, INC.)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 10 LIQUIDITY

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

Cash and Cash Equivalents	\$ 1,709,960
Resident Accounts Receivable, Net	180,254
Related Party Receivable	140,175
Other Receivables	308,516
Less: Net Assets with Donor Restrictions	<u>(204,551)</u>
Total Financial Assets Available to Meet Liquidity Needs	<u><u>\$ 2,134,354</u></u>

NOTE 11 RELATED PARTY TRANSACTIONS

As of December 31, 2023, the Village had net outstanding balances due (to)/from various related organizations for services rendered:

Well-Spring Retirement Community, Inc.	\$ (3,968,094)
Well-Spring Management and Development	76,600
Adult Center for Enrichment	(583)
Well-Spring Home Care, LLC	<u>(5,887)</u>
Total	<u><u>\$ (3,897,964)</u></u>

NOTE 12 CONCENTRATIONS OF CREDIT RISKS

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

ALAMANCE EXTENDED CARE, INC. DBA: THE VILLAGE AT BROOKWOOD
(AN AFFILIATE OF WELL-SPRING SERVICES, INC.)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 13 FUNCTIONAL EXPENSES

Program, management, and fundraising expenses for the year ended December 31, 2023, are summarized as follows:

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 4,623,483	\$ 1,115,398	\$ -	\$ 5,738,881
Payroll Tax	252,091	152,335	-	404,426
Employee Benefits	938,680	567,231	-	1,505,911
Management Services	-	395,218	-	395,218
Legal Fees	-	27,854	-	27,854
Accounting Fees	-	62,793	-	62,793
Outside Services	148,786	73,397	-	222,183
Advertising and Marketing	35	165,761	-	165,796
Office Expense	693,326	325,506	-	1,018,832
Interest Expense	1,190,615	-	-	1,190,615
Depreciation	2,837,225	-	-	2,837,225
Insurance	455,140	-	-	455,140
Equipment Rental and Maintenance	738,880	21,302	-	760,182
Residents Activities	2,954	88,336	-	91,290
Utilities	786,882	-	-	786,882
Miscellaneous	458,075	197,675	-	655,750
Total Expenses by Function	<u>\$ 13,126,172</u>	<u>\$ 3,192,806</u>	<u>\$ -</u>	<u>\$ 16,318,978</u>

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

NOTE 14 SUBSEQUENT EVENTS

Subsequent to year-end, the Well-Spring Group and Brightspire (formerly the Presbyterian Homes) signed a binding definitive agreement to move forward with a merger of the two organizations. A new parent entity called Kintura will be created in which the Well-Spring Group and Brightspire will be equal partners in the newly formed entity. Kintura will begin operations upon closure of the agreement, which is expected upon the receipt of the Internal Revenue Service's official determination letter confirming Kintura's status as a tax-exempt organization. The newly formed organization will include five life plan communities serving more than 2,000 residents and employing more than 2,100 team members over its communities and additional services and programs provided.

Attachment B
Five Year Forecast Statement

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

COMPILATION OF A FINANCIAL PROJECTION

**FOR THE YEARS ENDING
DECEMBER 31, 2024 THROUGH DECEMBER 31, 2028**



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INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

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

Management is responsible for the accompanying projected financial statements of Alamance Extended Care, Inc. d/b/a The Village at Brookwood (the "Village"), which comprise the projected statements of financial position as of December 31, 2024, 2025, 2026, 2027 and 2028, and the related projected statements of operations and changes in net deficits, and cash flows for the years then ending, and the related summary of significant projection assumptions and accounting policies in accordance with the guidelines for presentation of a financial projection established by the American Institute of Certified Public Accountants (AICPA).

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

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

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Charlotte, North Carolina
May 20, 2024

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

	2024	2025	2026	2027	2028
REVENUES, GAINS, AND OTHER SUPPORT					
Patient Service Revenue	\$ 12,360	\$ 14,329	\$ 15,142	\$ 15,953	\$ 16,812
Amortization of Entrance Fees	2,245	2,477	2,571	2,697	2,829
Interest Income	80	88	123	225	392
Net Assets Released from Restrictions - Operations	-	145	-	-	-
Other Revenue	1,597	1,285	1,354	1,426	1,502
Total Revenues, Gains, and Other Support	16,282	18,324	19,190	20,301	21,535
OPERATING EXPENSES					
Health Care	2,949	3,082	3,213	3,349	3,492
Resident Services	818	855	891	929	969
Dietary	2,432	2,569	2,678	2,792	2,910
Plant Operations	2,082	2,176	2,269	2,365	2,466
Laundry	-	-	-	-	-
Housekeeping	688	785	819	854	891
General and Administrative	4,461	4,662	4,860	5,066	5,281
Depreciation	3,147	3,454	3,307	3,001	3,116
Interest Expense	1,321	1,433	1,278	1,239	1,210
Total Expenses	17,898	19,016	19,315	19,595	20,335
OPERATING INCOME (LOSS)	(1,616)	(692)	(125)	706	1,200
NON-OPERATING EXPENSES					
Accreted Interest	(119)	(110)	(110)	(110)	(81)
Total Non-Operating Expense	(119)	(110)	(110)	(110)	(81)
Transfer of Net Assets (to) from Affiliate	35	(93)	(7)	(73)	(231)
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENSES AND INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS					
	(1,700)	(895)	(242)	523	888
Change In Net Deficit With Donor Restrictions	-	(145)	-	-	-
Increase (Decrease) in Net Deficit	(1,700)	(1,040)	(242)	523	888
Net Deficit - Beginning of Year	(2,617)	(4,317)	(5,357)	(5,599)	(5,076)
Net Deficit - End of Year	\$ (4,317)	\$ (5,357)	\$ (5,599)	\$ (5,076)	\$ (4,188)

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

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

	2024	2025	2026	2027	2028
CASH FLOWS FROM OPERATING ACTIVITIES					
Change in Net Deficit	\$ (1,700)	\$ (1,040)	\$ (242)	\$ 523	\$ 888
Adjustments to Reconcile Change in Net Deficit to Net Cash Provided (Used) by Operating Activities:					
Depreciation	3,147	3,454	3,307	3,001	3,116
Amortization of Entrance Fees	(2,245)	(2,477)	(2,571)	(2,697)	(2,829)
Amortization of Deferred Issuance Costs	32	32	32	32	32
Accreted Interest	119	110	110	110	81
Changes in Current Assets:					
Accounts Receivable, Net	(86)	(31)	(16)	(17)	(18)
Other Receivables	43	(31)	(16)	(17)	(18)
Other Current Assets	(15)	(6)	(5)	(5)	(6)
Changes in Current Liabilities:					
Accounts Payable	(917)	105	91	94	98
Accrued Employee Compensation	(15)	35	29	31	32
Net Cash Provided (Used) by Operating Activities	(1,637)	151	719	1,055	1,376
CASH FLOWS FROM INVESTING ACTIVITIES					
Net Change in Investments	-	(411)	(1,151)	(3,786)	(4,399)
Net Change in Assets Limited as to Use	75	(185)	(116)	(152)	(161)
Acquisition of Property and Equipment	(2,150)	(2,150)	(2,150)	(2,150)	(2,150)
Acquisition of Property and Equipment for Project	(9,197)	-	-	-	-
Capitalized Interest Into Property and Equipment	(209)	-	-	-	-
Net Cash Used by Investing Activities	(11,481)	(2,746)	(3,417)	(6,088)	(6,710)
CASH FLOWS FROM FINANCING ACTIVITIES					
Principal Payments on Long-Term Debt	(581)	(508)	(528)	(549)	(568)
Principal Payment on Working Capital Term Loan	-	(2,944)	(2,056)	-	-
Proceeds from Working Capital Term Loan	5,000	-	-	-	-
Change in Related Party Long-Term Payable	115	(5)	116	152	161
Initial Entrance Fees	3,499	1,989	-	-	-
Entrance Fees Received	4,929	5,494	5,808	6,082	6,394
Entrance Fees Refunded	(1,048)	(776)	(592)	(601)	(599)
Net Cash Provided by Financing Activities	11,914	3,250	2,748	5,084	5,388
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,204)	655	50	51	54
Cash and Cash Equivalents - Beginning of Year	1,710	506	1,161	1,211	1,262
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 506	\$ 1,161	\$ 1,211	\$ 1,262	\$ 1,316
Supplementary Disclosure: Interest Paid During the Year	\$ 1,498	\$ 1,401	\$ 1,246	\$ 1,207	\$ 1,178

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

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

	2024	2025	2026	2027	2028
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 506	\$ 1,161	\$ 1,211	\$ 1,262	\$ 1,316
Resident Accounts Receivable, Net	266	297	313	330	348
Related Party Receivable	140	140	140	140	140
Investments	-	411	1,562	5,348	9,747
Other Receivables	266	297	313	330	348
Other Current Assets	110	116	121	126	132
Total Current Assets	1,288	2,422	3,660	7,536	12,031
ASSETS LIMITED AS TO USE					
Statutory Operating Reserve	3,825	4,010	4,126	4,278	4,439
Total Assets Limited as to Use	3,825	4,010	4,126	4,278	4,439
ASSET UNDER INTEREST RATE SWAP AGREEMENT					
	1,182	1,182	1,182	1,182	1,182
PROPERTY AND EQUIPMENT, NET					
	54,870	53,566	52,409	51,558	50,592
Total Assets	\$ 61,165	\$ 61,180	\$ 61,377	\$ 64,554	\$ 68,244
LIABILITIES AND NET DEFICITS					
CURRENT LIABILITIES					
Accrued Interest Payable	\$ 105	\$ 105	\$ 105	\$ 105	\$ 105
Accounts Payable and Other Accrued Expenses	2,023	2,129	2,222	2,319	2,421
Accrued Salaries and Wages	662	697	726	757	789
Related Party Payable	138	138	138	138	138
Deferred Revenue from Entrance Fees	900	900	900	900	900
Current Maturities of Long-Term Debt	508	528	549	568	594
Current Maturities of Working Capital Term Loan	2,944	2,056	-	-	-
Total Current Liabilities	7,280	6,553	4,640	4,787	4,947
DEFERRED REVENUE AND OTHER LIABILITIES					
Admission Deposits	1,868	1,868	1,868	1,868	1,868
Refundable Entrance Fees	3,970	4,707	5,175	5,667	6,184
Deferred Revenue from Entrance Fees	22,875	26,477	28,762	31,161	33,687
Long-Term Debt, Net of Current Portion	23,418	22,922	22,405	21,869	21,307
Working Capital Term Loan	2,056	-	-	-	-
Related Party Long-Term Payable	4,015	4,010	4,126	4,278	4,439
Total Deferred Revenue and Other Liabilities	58,202	59,984	62,336	64,843	67,485
Total Liabilities	65,482	66,537	66,976	69,630	72,432
NET ASSETS (DEFICIT)					
Without Donor Restrictions	(4,522)	(5,417)	(5,659)	(5,136)	(4,248)
With Donor Restrictions	205	60	60	60	60
Total Net Deficit	(4,317)	(5,357)	(5,599)	(5,076)	(4,188)
Total Liabilities and Net Deficit	\$ 61,165	\$ 61,180	\$ 61,377	\$ 64,554	\$ 68,244

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

Summary of Significant Projection Assumptions and Accounting Policies

Introduction and Background Information

Basis of Presentation

The accompanying financial projection presents, to the best of the knowledge and belief of management of Alamance Extended Care, Inc, Well Spring Services, and Well Spring Management and Development (collectively, "Management") the expected financial position, results of operations and changes in net deficits, and cash flows of Alamance Extended Care, Inc. d/b/a The Village at Brookwood (the "Village" or "AEC") as of and for each of the five years ending December 31, 2028 (the "Projection Period"). The Village is a North Carolina nonprofit corporation which was founded in 1986. The Village was established to develop and operate a continuing care retirement community and to provide housing, health care, and related services to older adults. The Village is an affiliate of Well Spring Services, Inc., the sole member of the Village, which also functions as the sole member of Well Spring Retirement Community, Well Spring Foundation, Well Spring Management and Development, Inc., and Adult Center of Enrichment, Inc. The accompanying financial projection only includes the Village and none of the other affiliates.

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

Management's Hypothetical Assumptions are as follows:

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

Accordingly, the projection reflects Management's judgment as of May 20, 2024, the date of this projection, of the expected conditions and its expected course of action. The assumptions disclosed herein are the assumptions which Management believes are significant to the financial projection. There will usually be differences between projected and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

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

Summary of Significant Projection Assumptions and Accounting Policies

Introduction and Background Information, Continued

Background

Organizational Information

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

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

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

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

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

Community Information

The Village owns and manages a life plan community ("LPC") situated on approximately 47 acres located in Burlington, North Carolina called The Village at Brookwood (the "Community"). The Community consists of 110 independent living apartment units and 45 independent living cottage units (collectively, the "Existing Independent Living Units"); a 24-unit assisted living facility, which contains 12 traditional assisted living units (the "Traditional Assisted Living Units") and 12 memory support units (the "Memory Support Units") (collectively, the Traditional Assisted Living Units and Memory Support Units are referred to as the "Assisted Living Units"); a 24-bed sheltered nursing unit (the "Nursing Facility" or "Nursing Beds"); a community center; and a wellness center. Collectively, the Assisted Living Units and Nursing Beds are referred to as the "Health Care Center" or "Health Care Beds."

Summary of Significant Projection Assumptions and Accounting Policies

Introduction and Background Information, Continued

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

Table 1
Unit Configuration and Square Footage

Independent Living	Type	Number of Units	Approximate Square Feet
<i>Apartments</i>			
Azalea	1 BR / 1 BA	13	826
Birch	1 BR / 1.5 BA	27	1,113
Camellia	2 BR / 2 BA	30	1,206
Dogwood	2 BR / 2 BA	20	1,352
Elm	2 BR / 2 BA / Den	20	1,596
<i>Garden Homes</i>			
Holly	2 BR / 2 BA	16	1,692
Magnolia	2 BR / 2 BA	23	1,892
Oak	2 BR / 2 BA	6	1,965
Total / Weighted Average		155	1,408

Health Care Units	Number of Units	Approximate Square Feet
<i>Assisted Living Units</i>		
Traditional Assisted Living Units	12	289-367
Memory Support Units	12	289-367
Total	24	
<i>Nursing Beds ⁽¹⁾</i>		
Sheltered Nursing Beds	24	205-297
Total	24	

Source: Management

Notes:

- (1) In July 2020, Management closed Edgewood place and sold 54 of the total 81 Edgewood Nursing Beds. The Village still holds license for 27 beds, but Management has projected the beds to remain offline during the Projection Period and have been excluded from the table.

Expansion Plans

The Village started to construction on an additional 15 garden homes on the campus during 2023 which it plans to open and operate during 2024 (the “New Garden Homes – Phase 1”). The Village plans to construct and open 6 additional garden homes on the campus during 2025 (the “New Garden Homes – Phase 2”). The two phases are collectively referred to as the “Project”. As noted in Table 5, the Village plans to use cash and a working capital loan to fund construction and other related expenditures of the Project.

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

Summary of Significant Projection Assumptions and Accounting Policies

Introduction and Background Information, Continued

Table 2
The Project
Unit Configuration and Square Footage

Independent Living	Type	Number of Units - Phase 1	Number of Units - Phase 2	Approximate Square Feet
<i>New Garden Homes</i>				
Juniper	Two Bedrooms	7	3	1,772
Pine	Three Bedrooms	8	3	2,160
Total		15	6	1,979

Source: Management

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

Table 3
Unit Configuration Before and After the Project

Level of Care	Number of Units/Beds Before the Projects are Complete	Project Additions - Phase 1	Project Additions - Phase 2	Number of Units/Beds After the Projects are Complete
<i>Independent Living Units:</i>				
Apartments	110	0	0	110
Garden Homes	45	0	0	45
New Garden Homes	0	15	6	21
Independent Living Units	155	15	6	176
<i>Health Care Units/Beds</i>				
Assisted Living Units	24	0	0	24
Nursing Beds	24	0	0	24
Health Care Units/Beds	48	0	0	48
Total	203	15	6	224

Source: Management

Project Timeline

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

Table 4
Project Timeline

Event	Date
New Garden Homes - Phase 1 Construction Complete and Fill-Up Begins	July 2024
New Garden Homes - Phase 2 Construction Commences	July 2024
New Garden Homes - Phase 1 Achieves Stabilized Occupancy (93.3%)	September 2024
New Garden Homes - Phase 2 Construction Complete and Fill-Up Begins	January 2025
New Garden Homes - Phase 2 Achieves Stabilized Occupancy (93.3%)	March 2025

Source: Management

Summary of Significant Projection Assumptions and Accounting Policies

Introduction and Background Information, Continued

Project Sources and Uses of Funds

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

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

Sources of Funds	New Garden		Total
	Homes - Phase 1	Homes - Phase 2	
Working Capital Term Note	\$ 5,000	\$ -	\$ 5,000 ¹
Equity	3,815	3,525	7,340 ²
Total Sources of Funds	\$ 8,815	\$ 3,525	\$ 12,340

Uses of Funds			
Construction and Land Improvements	\$ 8,815	\$ 3,525	\$ 12,340 ³
Total Uses of Funds	\$ 8,815	\$ 3,525	\$ 12,340

Notes to Table 5:

- 1) Management has projected it would pay for a portion of the Project's construction costs using a working capital loan. See the terms of the working capital term note in the long-term debt and interest expense section of the Projection.
- 2) Management has projected it would pay for a portion of the Project's construction costs using the Village's cash and cash equivalents.
- 3) Construction and land improvements reflects the anticipated costs for constructing the Project.

Summary of Significant Projection Assumptions and Accounting Policies

Summary of Significant Accounting Policies

Basis of Accounting

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

Use of Estimates

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

Net Deficits

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

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

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

Cash and Cash Equivalents

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

Resident Accounts Receivable and Allowance for Credit Loss

Resident receivables are reported net of an allowance for credit losses to represent the Village's estimate of expected losses at the balance sheet date. The Village separates resident receivables into risk pools based on payors and aging. In determining the amount of the allowance as of the balance sheet date, the Village develops a loss rate for each risk pool. This loss rate is based on management's historical collection experience, adjusted for management's expectations about current and future economic conditions.

Inventories

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

Summary of Significant Projection Assumptions and Accounting Policies

Summary of Significant Accounting Policies (Continued)

Assets Limited as to Use

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

Property and Equipment

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

The following estimated useful lives are used to calculate depreciation:

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

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

Deferred Financing Costs

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

Deferred Revenue from Entrance Fees and Refundable Entrance Fees

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

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

Summary of Significant Projection Assumptions and Accounting Policies

Summary of Significant Accounting Policies (Continued)

Obligation to Provide Future Services

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

Asset Under Interest Rate Swap Agreement

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

Statement of Operations

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

Benevolent Assistance

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

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

Excess of Revenue, Gains, and Other Support Over Expenses

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

Summary of Significant Projection Assumptions and Accounting Policies

Summary of Significant Accounting Policies (Continued)

Resident and Health Care Service Revenue

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

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

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

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

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

Medicare

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

Summary of Significant Projection Assumptions and Accounting Policies

Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

Summary of Significant Projection Assumptions and Accounting Policies

Summary of Significant Accounting Policies (Continued)

Contract Costs

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

Income Tax Status

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

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

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

Summary of Significant Projection Assumptions and Accounting Policies

Summary of Significant Projection Assumptions

Revenues

Resident Service Revenue

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

Independent Living Occupancy

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

Table 6
Projected Existing Independent Living Occupancy

Year Ending December 31,	Average Units Available	Average Units Occupied	Average Occupancy
2024	155.0	145.0	93.5%
2025	155.0	145.0	93.5%
2026	155.0	145.0	93.5%
2027	155.0	145.0	93.5%
2028	155.0	145.0	93.5%

Source: Management

Management has assumed that the number of Existing Independent Living Units to have double occupancy will average approximately 32.0% for each year in the Projection Period.

Table 7
Projected New Garden Home Occupancy – Phase 1

Year Ending December 31,	Average Units Available	Average Units Occupied	Average Occupancy
2024	7.5	5.8	77.3%
2025	15.0	14.0	93.3%
2026	15.0	14.0	93.3%
2027	15.0	14.0	93.3%
2028	15.0	14.0	93.3%

Source: Management

Table 8
Projected New Garden Home Occupancy – Phase 2

Year Ending December 31,	Average Units Available	Average Units Occupied	Average Occupancy
2024	N/A	N/A	N/A
2025	6.0	5.1	85.0%
2026	6.0	5.6	93.3%
2027	6.0	5.6	93.3%
2028	6.0	5.6	93.3%

Source: Management

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

Summary of Significant Projection Assumptions and Accounting Policies

Summary of Significant Projection Assumptions

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

Table 9
New Garden Homes – Phase 1 Unit Move-In

Fiscal Year 2024	Total Units	Monthly Fill	Cumulative Occupancy	Occupancy Percentage
July	15	4.67	4.67	31.1%
August	15	4.67	9.34	62.3%
September	15	4.66	14.00	93.3%
Thereafter	15		14.00	93.3%

Source: Management

Table 10
New Garden Homes – Phase 2 Unit Move-In

Fiscal Year 2025	Total Units	Monthly Fill	Cumulative Occupancy	Occupancy Percentage
January	6	1.87	1.87	31.2%
February	6	1.87	3.74	62.3%
March	6	1.86	5.60	93.3%
Thereafter	6		5.60	93.3%

Health Care Center Occupancy

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

Table 11
Projected Assisted Living Occupancy

Year Ending December 31,	Average Units Available	Average Units Occupied	Average Occupancy
2024	24	21.0	87.5%
2025	24	23.0	95.8%
2026	24	23.0	95.8%
2027	24	23.0	95.8%
2028	24	23.0	95.8%

Source: Management

Table 12
Projected Nursing Beds Occupancy

Year Ending December 31,	Average Units Available	Average Units Occupied	Average Occupancy
2024	24	22.0	91.7%
2025	24	22.0	91.7%
2026	24	22.0	91.7%
2027	24	22.0	91.7%
2028	24	22.0	91.7%

Source: Management

Summary of Significant Projection Assumptions and Accounting Policies

Summary of Significant Projection Assumptions (Continued)

Table 13
Independent Living Monthly Service Fees - 2024

Independent Living	Number of Units	All Lifecare Plans	Fee-for-Service Plan
<i>Apartments</i>			
Azalea	13	\$ 3,310	\$ 2,781
Birch	27	3,600	3,068
Camellia	30	3,935	3,404
Dogwood	20	4,270	3,771
Elm	20	4,630	4,135
<i>Garden Homes</i>			
Holly	16	5,056	4,172
Magnolia	23	5,290	4,439
Oak	6	5,444	4,590
<i>New Garden Homes ⁽¹⁾</i>			
Juniper	7	5,120	4,240
Pine	8	5,510	4,660
Total / Weighted Average	170	\$ 4,420	\$ 3,780
Second Person Fee Existing Independent Living Units		\$ 1,621	\$ 1,036
Second Person Fee New Garden Homes		\$ 1,650	\$ 980

Source: Management

Notes:

1) Pricing for the New Garden Homes – Phase 2 will reflect 2024 pricing inflated by 5.75%.

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

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

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

The monthly service fees for the Independent Living Units are projected to increase 5.75% in 2025, 5.35% in 2026, and 5.25% annually thereafter for the remainder of the Projection Period. Assisted Living Units and Health Care Center Bed rates are projected to increase by 6.25% in 2025 and 5.50% annually thereafter throughout the remainder of the Projection Period.

Summary of Significant Projection Assumptions and Accounting Policies

Summary of Significant Projection Assumptions (Continued)

Table 14
Health Care Center Pricing – 2024

Level of Care	Number of Units	Lifecare Monthly Rates	Fee-for- Service Monthly Rates	Fee-for- Service Per Diem Rates
Traditional Assisted Living Units	12	\$4,979	\$6,795	\$223
Memory Support Units	12	\$4,979	\$8,793	\$289
Sheltered Nursing Beds	24	\$4,979	\$12,227	\$403

Source: Management

Ancillary revenues are projected to average approximately 1.00% of net patient service revenue throughout the Projection Period and is included as part of “Other Revenue”.

Resident Mix

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

Table 15
Health Care Center Resident Mix by Contract and Payor Type

Year Ending December 31,	Assisted Living		Sheltered Nursing		
	Life Care	Fee-for- Service	Life Care	Medicare	Private Pay
2024	30.0%	70.0%	29.0%	9.0%	62.0%
2025	30.0%	70.0%	29.0%	9.0%	62.0%
2026	30.0%	70.0%	29.0%	9.0%	62.0%
2027	30.0%	70.0%	29.0%	9.0%	62.0%
2028	30.0%	70.0%	29.0%	9.0%	62.0%

Source: Management

Amortization of Entrance Fees and Entrance Fees Receipts

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

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

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

Summary of Significant Projection Assumptions and Accounting Policies

Summary of Significant Projection Assumptions (Continued)

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

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

Table 16
Projected Entrance Fees, Net
Years Ending December 31,
(000s Omitted)

	2024	2025	2026	2027	2028
Initial Entrants - New Garden Homes - Phase 1	14.0	-	-	-	-
Initial Entrants - New Garden Homes - Phase 2	-	5.6	-	-	-
Independent Living Turnover	16.0	16.0	16.0	16.0	16.0
Entrance Fees Received from Initial Residents	\$ 3,499	\$ 1,989	\$ -	\$ -	\$ -
Entrance Fees from Turnover	4,929	5,494	5,808	6,082	6,394
Entrance Fees Refunded	(1,048)	(776)	(592)	(601)	(599)
Total Entrance Fees, Net	\$ 7,380	\$ 6,707	\$ 5,216	\$ 5,481	\$ 5,795

Source: Management

Summary of Significant Projection Assumptions and Accounting Policies

Summary of Significant Projection Assumptions (Continued)

Based upon historical experience, Management has projected that approximately 61.0% of the residents would select the Fee-For-Service Standard Plan and 39.0% would select the Lifecare – Traditional Plan. Entrance fees are projected to increase 4.0% annually throughout the Projection Period.

Management has assumed that the distribution of the Project's new entrants would be approximately 90.0% of the residents would select the Fee-For-Service Standard Plan and 10.0% would select the Lifecare – Traditional Plan.

The monthly and daily service fee revenues are based on the projected utilization and the fee schedules in the tables that follow.

Table 17
Independent Living Entrance Fees - 2024

Independent Living	Number of Units	Lifecare Plans		
		Traditional	Fee-for-Service Plan Standard	
<i>Apartments</i>				
Azalea	13	\$ 219,900	\$ 138,600	
Birch	27	270,200	175,700	
Camellia	30	287,100	201,000	
Dogwood	20	320,900	224,700	
Elm	20	355,800	249,100	
<i>Garden Homes</i>				
Holly	16	363,800	276,500	
Magnolia	23	391,200	297,400	
Oak	6	407,600	309,800	
<i>New Garden Homes ⁽¹⁾</i>				
Juniper	7	418,400	318,000	
Pine	8	468,800	356,300	
Total / Weighted Average	170	\$ 330,849	\$ 236,771	
<hr/>				
Second Person Fee Existing Independent Living Units		\$ 39,400	\$ 29,900	
Second Person Fee New Garden Homes		\$ 45,200	\$ 34,400	

Source: Management

Notes:

1) Management has projected the same entrance fee pricing for both New Garden Homes - Phase 1 and New Garden Homes - Phase 2 units.

Investment Income

Investment income included in the accompanying projected statements of operations and changes in net deficits is based on an assumed blended rate of return of 0.25% annually during the Projection Period on cash and cash equivalents and 2% on the statutory operating reserve. Management has also projected that amounts that are received on the statutory operating reserve will be transferred to an affiliate.

Summary of Significant Projection Assumptions and Accounting Policies

Summary of Significant Projection Assumptions (Continued)

Other Revenue

Other revenue includes income from additional resident meals and snacks, guest meals, guest apartment rentals, respite care revenue, barber and beauty fees, private duty nursing services, and other miscellaneous revenue. Other revenue based on historical experience and Management has projected at an average of 12% of net patient service revenue in 2024 and 9% annually thereafter during the Projection Period, according to Management.

Net Assets Released from Restrictions

Net assets released from restrictions reflects those resources that carry a donor-imposed restriction that permits the Village to use or expend the donated assets as specified, is satisfied by the passage of time or by actions of the Village, or that the assets be maintained in perpetuity. Changes to net assets with donor restrictions during the Projection Period are the results of any donor restricted activity as projected on the projected statement of operations and changes in net assets during the Projection Period. Management has projected the release of net assets in 2025 related to residence assistance.

Operating Expenses

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

Salaries and Benefits

Staffing of the Village is based on the Village's existing staffing levels and the experience of Management giving effect to the level of services offered at the Village. The Village is estimated to employ full-time equivalent ("FTE") employees throughout the Projection Period as noted below in Table 18. An FTE is based on 2,080 hours. Average salary and wage rates are based on current rates paid and are projected to increase approximately 4.50% in 2025 and 4.25% in 2026 and annually thereafter during the remainder of the Projection Period. Management projected additional FTEs as a result of the Project in 2024 and 2025.

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

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

Summary of Significant Projection Assumptions and Accounting Policies

Summary of Significant Projection Assumptions (Continued)

Table 18
Projected FTEs
Years Ending December 31,

Department:	2024	2025	2026	2027	2028
Health Care	40.2	40.2	40.2	40.2	40.2
Resident Services	15.0	15.0	15.0	15.0	15.0
Dietary	38.3	39.1	39.1	39.1	39.1
Plant Operations	7.2	7.2	7.2	7.2	7.2
Housekeeping	15.8	16.8	16.8	16.8	16.8
General and Administrative	8.6	8.6	8.6	8.6	8.6
Total	125.1	126.9	126.9	126.9	126.9

Source: Management

Health Care

Non-salary related Health Care Center costs are projected based upon Management's estimate of the costs of health care supplies, purchased services, consultants, and other miscellaneous costs associated with providing health care services. These costs are anticipated to increase approximately 4.50% in 2025 and 4.25% in 2026 and annually thereafter during the remainder of the Projection Period.

Summary of Significant Projection Assumptions and Accounting Policies

Summary of Significant Projection Assumptions (Continued)

Resident Services

Non-salary related resident service costs are projected based upon Management's estimate of providing resident service programs, security, activities supplies, and other miscellaneous costs associated with resident services. Management assumes that certain of these costs would vary incrementally due to the completion of the Project. These costs are anticipated to increase approximately 4.50% in 2025 and 4.25% in 2026 and annually thereafter during the remainder of the Projection Period and also to give effect to the impact of the Project.

Dietary

Non-salary related dietary costs are projected based upon Management's estimate of the costs of providing food services to residents of the Village including raw food, dietary supplies, and other miscellaneous costs associated with providing dietary services. Management assumes that certain of these costs would vary incrementally due to the completion of the Project. These costs are anticipated to increase approximately 4.50% in 2025 and 4.25% in 2026 and annually thereafter during the remainder of the Projection Period and also to give effect to the impact of the Project.

Plant Operations

Non-salary related plant operations costs are projected based upon Management's estimate of the costs of utilities, service contracts, repairs, general maintenance, supplies, and other miscellaneous costs associated with providing plant operations services. Management assumes that certain of these costs would vary incrementally due to the completion of the Project. These costs are anticipated to increase approximately 4.50% in 2025 and 4.25% in 2026 and annually thereafter during the remainder of the Projection Period and also to give effect to the impact of the Project.

Housekeeping

Non-salary related housekeeping and laundry costs are projected based upon Management's estimate of the costs of service contracts, housekeeping supplies, and other miscellaneous costs associated with providing housekeeping services. Management assumes that certain of these costs would vary incrementally due to the completion of the Project. These costs are anticipated to increase approximately 4.50% in 2025 and 4.25% in 2026 and annually thereafter during the remainder of the Projection Period and also to give effect to the impact of the Project.

General and Administrative

Non-salary related general and administrative costs are projected based upon Management's estimate of the costs of professional fees, Management Fees, insurance, supplies, and other miscellaneous costs. These costs are anticipated to increase approximately 4.50% in 2025 and 4.25% in 2026 and annually thereafter during the remainder of the Projection Period and also to give effect to the impact of the Project.

Summary of Significant Projection Assumptions and Accounting Policies

Summary of Significant Projection Assumptions (Continued)

Other Items

Assets Limited as to Use

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

Table 19
Statutory Operating Reserve
As of December 31,
(000s Omitted)

	As of December 31,				
	2024	2025	2026	2027	2028
Total Operating Expenses	\$ 17,898	\$ 19,016	\$ 19,315	\$ 19,595	\$ 20,335
Include:					
Principal Payments	581	3,452	2,584	549	568
Exclude:					
Amortization of Debt Issuance Costs	(32)	(32)	(32)	(32)	(32)
Depreciation	(3,147)	(3,454)	(3,307)	(3,001)	(3,116)
Principal Payment Paid with Initial Entrance Fees		(2,944)	(2,056)		
Total Operating Costs	\$ 15,300	\$ 16,038	\$ 16,504	\$ 17,111	\$ 17,755
Operating Reserve Percentage ⁽¹⁾	25%	25%	25%	25%	25%
Operating Reserve at December 31,	\$ 3,825	\$ 4,010	\$ 4,126	\$ 4,278	\$ 4,439

Notes:

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

Available Units:					
Independent Living Existing	155	155	155	155	155
New Garden Units	15	21	21	21	21
Assisted Living	24	24	24	24	24
Total Available Units	194	200	200	200	200
Occupied Units:					
Independent Living Existing	145	145	145	145	145
New Garden Units	14	20	20	20	20
Assisted Living	21	23	23	23	23
Total Occupied Units	180	188	188	188	188
Occupancy at December 31,	92.8%	94.0%	94.0%	94.0%	94.0%

Source: Management

Assets Under SWAP Agreement

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

Summary of Significant Projection Assumptions and Accounting Policies

Summary of Significant Projection Assumptions (Continued)

Property and Equipment and Depreciation Expense

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

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

Table 20
Projected Property and Equipment
Years Ending December 31,
(000s Omitted)

	2024	2025	2026	2027	2028
Land and Land Improvements	\$ 7,605	\$ 7,605	\$ 7,605	\$ 7,605	\$ 7,605
Building and Fixed Equipment	52,970	55,120	57,270	59,420	61,570
Movable Equipment	1,828	1,828	1,828	1,828	1,828
	62,403	64,553	66,703	68,853	71,003
Less: Accumulated Depreciation	(7,533)	(10,987)	(14,294)	(17,295)	(20,411)
Property and Equipment, Net	\$ 54,870	\$ 53,566	\$ 52,409	\$ 51,558	\$ 50,592

Source: Management

Long-Term Debt and Interest Expense

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

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

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

Summary of Significant Projection Assumptions and Accounting Policies

Summary of Significant Projection Assumptions (Continued)

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

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

Table 21
Projected Principal Payments
Years Ending December 31,
(000s Omitted)

Year Ending December 31,	Working Capital Term		Total
	2022 Acquisition Loan	Loan	
2024	\$ 581	\$ -	\$ 581
2025	508	2,944	3,452
2026	528	2,056	2,584
2027	549	-	549
2028	568	-	568
2029	594	-	594
2030	617	-	617
2031	641	-	641
2032	664	-	664
2033	692	-	692
Thereafter	18,915	-	18,915
Total	\$ 24,857	\$ 5,000	\$ 29,857

Source: Management

Deferred Revenue from Entrance Fees and Accreted Interest

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

A portion of the entrance fee may be refundable when the residency is terminated. Such refundable amounts are shown as refundable entrance fees in the accompanying statement of financial position. In accordance with the continuing care contract, the nonrefundable portion is reduced each month, commencing with the date of occupancy and recognized as income over the estimated life expectancy, annually, for each resident. Total contractual refund obligations in the event of move-out, death, or termination at December 31, 2023 were approximately \$10,907,000. Management's estimate of the portion of this amount that will actually be refunded in addition to the minimum amount is recorded as deferred revenue from entrance fees within current liabilities in the accompanying statement of financial position.

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

Summary of Significant Projection Assumptions and Accounting Policies

Summary of Significant Projection Assumptions (Continued)

and as of December 31, 2023, the remaining unamortized portion was approximately \$626,000. Management has projected the accreted interest upon amortization of these agreements on the projected statement of operations and changes in net deficits.

Refundable Entrance Fees

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

Related Party Transactions

As previously described, the Village is an affiliate of the Parent, who also is the sole member of Well Spring Management and Development. As of December 31, 2023, the Village had a Due to Parent obligation of approximately \$3,900,000. Management has projected the balances noted for Related Party – Term Payable would represent the funding of the Statutory Operating Reserve during each year of the Projection Period. Management has projected the funding of the Statutory Operating Reserve would occur through equity transfers from an affiliate, net of investment earnings on the Statutory Operating Reserve assumed to be transferred to an affiliate.

Current Assets and Current Liabilities

Cash and Cash Equivalents

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

Resident Accounts Receivable, Net

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

Related Party receivable

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

Other Receivables

Other receivables have been projected based on historical levels which approximate 6 days of operating revenue (excluding investment income).

Other Current Assets

Other current assets have been projected based on historical levels which approximate 3 days of operating expenses (excluding depreciation).

Accounts Payable and Other Accrued Expenses

Accounts payable and other accrued expenses have been projected based on historical levels which approximate 55 days of operating expenses (excluding depreciation).

Accrued Salaries and Wages

Accrued expenses have been projected based on historical levels which approximate 18 days of operating expenses (excluding depreciation).

Deferred Revenue from Entrance Fees

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



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAGlobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.

Attachment C
Un-audited Financial Statement

Alamance Extended Care, Inc.
Balance Sheet
As of April 30, 2024
Unaudited

	Year Ending 12/31/2023 <small>Actual</small>	Period Ending 04/30/2024 <small>Actual</small>	YTD Change <small>Summary</small>
Assets			
Current Assets			
Cash & Equivalents	1,194,222	1,530,551	336,329
Investments	515,739	142,249	(373,490)
Accounts Receivable	628,945	354,535	(274,410)
Other Current Assets	94,876	(32,388)	(127,263)
Total Current Assets	2,433,782	1,994,947	(438,834)
Assets Limited to Use			
Investments - Limited to Use	3,900,000	3,900,000	0
Total Assets Limited to Use	3,900,000	3,900,000	0
Non Current Assets			
Net Fixed Assets	46,461,247	47,871,792	1,410,545
Other Assets	1,181,586	1,630,179	448,593
Total Non Current Assets	47,642,833	49,501,971	1,859,138
Total Assets	53,976,614	55,396,918	1,420,304
Equity & Liabilities			
Liabilities			
Current Liabilities			
Accounts Payable	3,357,708	3,406,553	48,845
Accrued Expenses	1,069,314	1,063,686	(5,627)
Other Current Liability	15,500	15,500	0
Total Current Liabilities	4,442,522	4,485,739	43,218
Non Current Liabilities			
Refundable Resident Liabilities	5,872,676	4,633,414	(1,239,263)
Non Refundable Entrance Fees	18,485,046	21,414,836	2,929,790
Long Term Debt (net)	27,793,911	27,631,270	(162,641)
Total Non Current Liabilities	52,151,633	53,679,520	1,527,886
Total Liabilities	56,594,155	58,165,259	1,571,104
Equity			
Unrestricted Net Assets	(2,822,162)	(2,897,772)	(75,610)
Temp Restricted Net Assets	204,621	129,432	(75,190)
Total Equity	(2,617,541)	(2,768,341)	(150,800)
Total Equity & Liabilities	53,976,614	55,396,918	1,420,304

Confidential - For Management Use Only

Alamance Extended Care, Inc.
Summarized Income Statement by Department
As of April 30, 2024
Unaudited

	Month Ending 04/30/2024		01/01/2024 Through 04/30/2024	
	Actual MTD	Budget MTD	Actual YTD	Budget YTD
Operating Revenue				
MSF-Residential Living	664,248	672,585	2,643,279	2,690,341
MSF-Assisted Living	150,556	123,885	553,182	495,539
MSF-Skilled Nursing/Rehab	175,779	212,672	714,143	850,687
Service Rev & Other Rev	207,142	99,747	678,662	398,989
Total Operating Revenue	1,197,725	1,108,889	4,589,266	4,435,556
Operating Expenses By Department				
Assisted Living	41,675	54,139	186,798	213,882
Skilled Nursing/Rehab	117,429	140,090	518,629	554,434
HC Administration	52,237	53,676	229,905	214,707
Dining Services	196,594	202,590	804,649	804,651
Environmental	49,420	53,774	196,977	214,495
Maintenance	116,731	124,576	380,903	498,250
Security	22,258	21,781	95,183	85,844
Community Relations	32,877	46,796	139,074	187,009
Marketing	58,829	37,260	156,855	149,036
Administration	294,536	295,883	1,199,081	1,183,535
Community Benefit	0	693	0	2,772
Utilities	49,989	48,974	224,486	195,894
Insurance	33,000	31,666	132,000	126,666
Taxes	6,667	6,888	26,689	27,551
Total Operating Expenses By Dept	1,072,242	1,118,786	4,291,228	4,458,726
Total Operating Net Income By Dept	125,483	(9,897)	298,038	(23,170)
NonOperating Income				
Earned Entrance Fees	201,840	189,573	639,077	758,292
Contributions & Temp Restricted As-	(14,715)	0	(75,190)	0
Total NonOperating Income	187,125	189,573	563,887	758,292
Total Operating Net Income	312,608	(9,324)	861,925	(26,340)

	\$ Variance	% Variance	\$ Variance	% Variance
MSF-Residential Living	(8,338)	(1.23) %	(47,061)	(1.74)
MSF-Assisted Living	26,672	21.52 %	57,642	11.63
MSF-Skilled Nursing/Rehab	(36,893)	(17.34) %	(136,544)	(16.05)
Service Rev & Other Rev	107,395	107.66 %	279,672	70.09
Total Operating Revenue	88,836	8.01 %	153,709	3.46
Assisted Living	12,465	23.02 %	27,085	12.66
Skilled Nursing/Rehab	22,659	16.17 %	35,805	6.45
HC Administration	1,440	2.68 %	(15,198)	(7.07)
Dining Services	5,996	2.95 %	2	0.00
Environmental	4,354	8.09 %	17,518	8.16
Maintenance	7,845	6.29 %	117,346	23.55
Security	(476)	(2.18) %	(9,339)	(10.87)
Community Relations	13,919	29.74 %	47,936	25.63
Marketing	(21,570)	(57.89) %	(7,819)	(5.24)
Administration	1,347	0.45 %	(15,546)	(1.31)
Community Benefit	693	100.00 %	2,772	100.00
Utilities	(1,016)	(2.07) %	(28,592)	(14.59)
Insurance	(1,333)	(4.21) %	(5,333)	(4.21)
Taxes	221	3.20 %	862	3.13
Total Operating Expenses By Dept	46,544	4.16 %	167,499	3.75
Total Operating Net Income By Dept	135,380	1,367.86 %	321,208	1,386.29
NonOperating Income				
Earned Entrance Fees	12,267	6.47 %	(119,215)	(15.72)
Contributions & Temp Restricted As-	(14,715)	(100.00) %	(75,190)	(100.00)
Total NonOperating Income	(2,448)		(194,405)	

Confidential - For Management Use Only

Alamance Extended Care, Inc.
Summarized Income Statement by Department
As of April 30, 2024
Unaudited

	Month Ending 04/30/2024		01/01/2024 Through 04/30/2024					
	Actual MTD	Budget MTD	Actual YTD	Budget YTD				
set Activity (Net)		\$ Variance	% Variance	\$ Variance	% Variance			
Investment Earnings	158	3,055	(2,897)	(94.82) %	12,220	(8,451)	(69.15)	
Unrealized Gain/Loss on Investment	493,276	0	493,276	(100.00) %	448,593	0	(100.00)	
Total NonOperating Income	680,559	192,628	487,931	253.30 %	1,016,249	770,512	245,737	31.89
NonOperating Expenses								
Interest Expense	134,854	125,077	(9,777)	(7.81) %	439,080	500,308	61,229	12.23
Benevolence Assistance	12	7,752	7,739	99.84 %	12	31,006	30,994	99.96
Depreciation Expense	241,375	275,532	34,157	12.39 %	978,539	1,102,128	123,588	11.21
Amortization Expense	11,864	13,777	1,913	13.88 %	47,456	55,108	7,653	13.88
Total NonOperating Expenses	388,105	422,138	34,033	8.06 %	1,465,087	1,688,550	223,464	13.23
Total Net Income/(Loss) By Department	417,937	(239,407)	657,344	274.57 %	(150,800)	(941,208)	790,409	83.97

Statement of Cash Flow
The Village at Brookwood
1/1/24-4/30/24

Operating activities:

Change in Net Assets	(150,800)
Change in Net Assets from Operating Activities	
Depreciation	978,539
Amortization of deferred financing costs	6,333
Amortization of deferred revenues	(639,077)
Entrance fees received	4,077,044
Change in Refundable Resident Liabilities	(1,239,262)
Net unrealized and realized (gains) losses on investments	(448,593)
Loss (gain) on sale of fixed assets	-
Change in Accounts Receivable	274,410
Change in Current Assets	127,264
Change in Non Current Assets	(448,593)
Change in Accounts Payable	48,845
Change in Accrued Expenses	(5,628)
Change in Other Liabilities	-
Net cash provided/(used) by operating activities	<u>2,580,482</u>

Investing activities:

Change in investments and assets limited as to use	822,083
Proceeds from sale of fixed assets	-
Capital expenditures	<u>(2,389,085)</u>
Net cash provided/(used) in investing activities	<u>(1,567,002)</u>

Financing activities:

Change in Long Term Debt	(168,974)
Entrance fees refunded	<u>(508,177)</u>
Net cash provided/(used) in financing activities	<u>(677,151)</u>

Net increase (decrease) in cash 336,329

Cash and cash equivalents, beginning of period 1,194,222
Cash and cash equivalents, end of period 1,530,551

Cash and cash equivalents, end of period - from BS 1,530,551

Attachment D
Residence and Service Agreement
Life Care

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

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

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

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

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

Residence Number: _____

Residence Type: _____
(hereinafter referred to as “Residence”)

Resident Entrance Fee: _____

Co-Resident Entrance Fee: _____

Resident Monthly Fee: _____

Co-Resident Monthly Fee: _____

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

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

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

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

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

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

b. **Clinic Services:**

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

- c. **Medical Director.** The overall coordination and supervision of health care services by The Village is provided by a Medical Director who is a physician licensed by the State of North Carolina and selected by Provider.
- d. **Physician Services.** The Resident is responsible for the cost of all physician services. Residents are free to choose their personal physicians; however, The Village recommends that the Resident have at least one physician on record that has been approved for admitting privileges by the Alamance Regional Medical Center Medical Staff.

II. FINANCIAL ARRANGEMENTS

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

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

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

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

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

III. ADMISSION REQUIREMENTS AND PROCEDURES

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

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

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

IV. TERMS OF OCCUPANCY

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

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

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

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

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

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

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

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

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

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

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

VI. TERMINATION AND REFUND PROVISIONS

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

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

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

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

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

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

VII. RIGHT OF RESCISSION

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

VIII. FINANCIAL ASSISTANCE

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

IX. GENERAL

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

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

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

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

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

Witness

Resident

Witness

Co-Resident

Date

Address (Prior to Occupancy)

City, State, Zip Code

Telephone

THE VILLAGE AT BROOKWOOD

Signature (Executive Director)

Date

EXHIBIT A

TARGET OCCUPANCY DATE: _____

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

RESIDENCE NUMBER: _____

RESIDENCE TYPE: _____

ENTRANCE FEE FOR:
 Resident _____

Co-Resident _____

TOTAL ENTRANCE FEE: _____

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

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

ENTRANCE FEE BALANCE DUE AND PAYABLE: _____

MONTHLY FEE FOR:
 Resident _____

Co-Resident _____

TOTAL MONTHLY FEE: _____

ADDRESSES FOR REQUIRED NOTICE:

To The Village:

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

To You Prior to Occupancy:

Name: _____
Address: _____
City, State, Zip Code: _____

To You Following Occupancy:

Name: _____
Address: _____
City, State, Zip Code: _____

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

Applicant: _____
Co-Applicant: _____
Date: _____

Attachment E
Residence and Services Agreement
Fee for Service

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

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

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

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

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

Residence Number: _____

Residence Type: _____
(hereinafter referred to as “Residence”)

Resident Entrance Fee: _____

Co-Resident Entrance Fee: _____

Resident Monthly Fee: _____

Co-Resident Monthly Fee: _____

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

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

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

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

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

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

b. **Clinic Services**:

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

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

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

II. FINANCIAL ARRANGEMENTS

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

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

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

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

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

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

F. Fees and Charges for Health Care Services.

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

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

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

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

III. ADMISSION REQUIREMENTS AND PROCEDURES

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

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

IV. TERMS OF OCCUPANCY

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

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

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

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

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

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

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

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

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

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

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

V. TRANSFERS OR CHANGES IN LEVELS OF CARE

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

VI. TERMINATION AND REFUND PROVISIONS

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

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

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

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

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

VII. RIGHT OF RESCISSION

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

VIII. FINANCIAL ASSISTANCE

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

IX. GENERAL

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

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

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

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

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

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

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

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

Witness

Resident

Witness

Co-Resident

Date

Address (Prior to Occupancy)

City, State, Zip Code

Telephone

THE VILLAGE AT BROOKWOOD

Signature (Executive Director)

Date

EXHIBIT A

TARGET OCCUPANCY DATE: _____

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

RESIDENCE NUMBER: _____

RESIDENCE TYPE: _____

ENTRANCE FEE FOR:
 Resident _____

Co-Resident _____

TOTAL ENTRANCE FEE: _____

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

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

ENTRANCE FEE BALANCE DUE AND PAYABLE: _____

MONTHLY FEE FOR:
 Resident _____

Co-Resident _____

TOTAL MONTHLY FEE: _____

ADDRESSES FOR REQUIRED NOTICE:

To The Village:

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

To You Prior to Occupancy:

Name: _____
Address: _____
City, State, Zip Code: _____

To You Following Occupancy:

Name: _____
Address: _____
City, State, Zip Code: _____

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

Applicant: _____
Co-Applicant: _____
Date: _____

Attachment F
Reservation Agreement

RESERVATION AGREEMENT

The Village at Brookwood

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

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

TERM

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

THE RESERVED RESIDENCE

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

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

FEES

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

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

ACCEPTANCE TO THE VILLAGE

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

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

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

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

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

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

TERMINATION AND REFUNDS

This Agreement will terminate upon any of the following occurrences:

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

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

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

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

MISCELLANEOUS

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

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

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

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

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

Applicant's Signature

Date

Co-Applicant's Signature

Date

THE VILLAGE AT BROOKWOOD

Authorized Representative

Date

EXHIBIT A

TARGET OCCUPANCY DATE: _____

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

RESIDENCE NUMBER: _____

RESIDENCE TYPE: _____

ENTRANCE FEE FOR:
 Resident _____

Co-Resident _____

TOTAL ENTRANCE FEE: _____

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

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

ENTRANCE FEE BALANCE DUE AND PAYABLE: _____

MONTHLY FEE FOR:
 Resident _____

Co-Resident _____

TOTAL MONTHLY FEE: _____

CONTRACT OPTION SELECTED:
 Life Care

Fee For Service

ADDRESSES FOR REQUIRED NOTICE:

To The Village:

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

To You Prior to Occupancy:

Name: _____
Address: _____
City, State, Zip Code: _____

To You Following Occupancy:

Name: _____
Address: _____
City, State, Zip Code: _____

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

Applicant: _____
Co-Applicant: _____
Date: _____

Attachment G
Summary of Report of
Actuary



415 Main Street
Reisterstown, MD 21136-1905
410-833-4220
410-833-4229 (fax)
www.continuingcareactuaries.com

April 19, 2024

K. Alan Tutterow, NHA, CPA, CASP
CFO/COO/Director of Philanthropy
Well-Spring, A Life Plan Community
4100 Well Spring Drive
Greensboro, North Carolina 27410

Dear Alan:

Continuing Care Actuaries was retained by the management of The Village at Brookwood (“The Village” or “Community”), a nonprofit Life Plan continuing care retirement community (“CCRC”) located in Burlington, North Carolina, to conduct a comprehensive actuarial study. The purpose of the actuarial analysis was to: (1) review the resident demographic experience; (2) provide a population projection of current and prospective residents; (3) calculate the actuarial cash flow projection; (4) evaluate the actuarial balance sheet as of December 31, 2023; and (5) conduct an actuarial pricing analysis of the residence health care program contracts.

The Village at Brookwood opened its doors in 2003 on the site of what was once known as Memorial Hospital of Alamance. Following a merger of Alamance Regional and Cone Health in 2013, The Village at Brookwood became a member of the Cone Health family and was managed by The Well-Spring Group of Greensboro, NC, from 2017 to 2022. On July 1, 2022, The Village at Brookwood officially became part of the nonprofit Well-Spring Group family. This partnership brings to bear the expertise and services of one of the most highly respected retirement living organizations in the country.

The Village at Brookwood offers a wide range of services from independent living and assisted living, to short-term and long-term skilled nursing care, rehabilitation and memory support services. The Village at Brookwood currently has 175 independent living units, 12 assisted living units, 12 memory support units, and 24 skilled nursing beds.

The Village at Brookwood currently offers two types of refundable declining contracts for the Life Plan residents: Life Care (Type A) and Fee For Service (Type B-Modified Life Care). The basic cost of residence at The Village at Brookwood consists of the initial entrance fee and the monthly fee. Residents requiring permanent or temporary health care are able to transfer to the assisted living units, memory support units or skilled nursing beds as determined appropriate by The Village at Brookwood medical and management staff in conjunction with residents and their physicians and family.

Collectively, entrance fees and monthly service fees are intended to cover the cost of constructing and operating the facilities and providing health care and other services to continuing care residents, as well as a portion of all other costs related to the operation of the facility. Entrance fees are held by The Village at Brookwood subject to refund requirements of the residency agreement.

The scope of our study consisted of: (1) an evaluation of the actual resident demographic movements observed at The Village at Brookwood from July 21, 2003 to December 31, 2023; (2) development of population projections based on the current demographic characteristics of the resident population; (3) development of projected statements of actuarial cash flow and actuarial balance sheet; and (4) preparation of an actuarial pricing analysis. This comprehensive actuarial study and review was performed under the guidelines contained in the American Academy of Actuaries' Actuarial Standard of Practice Number 3, "Practices Relating to Continuing Care Retirement Communities."

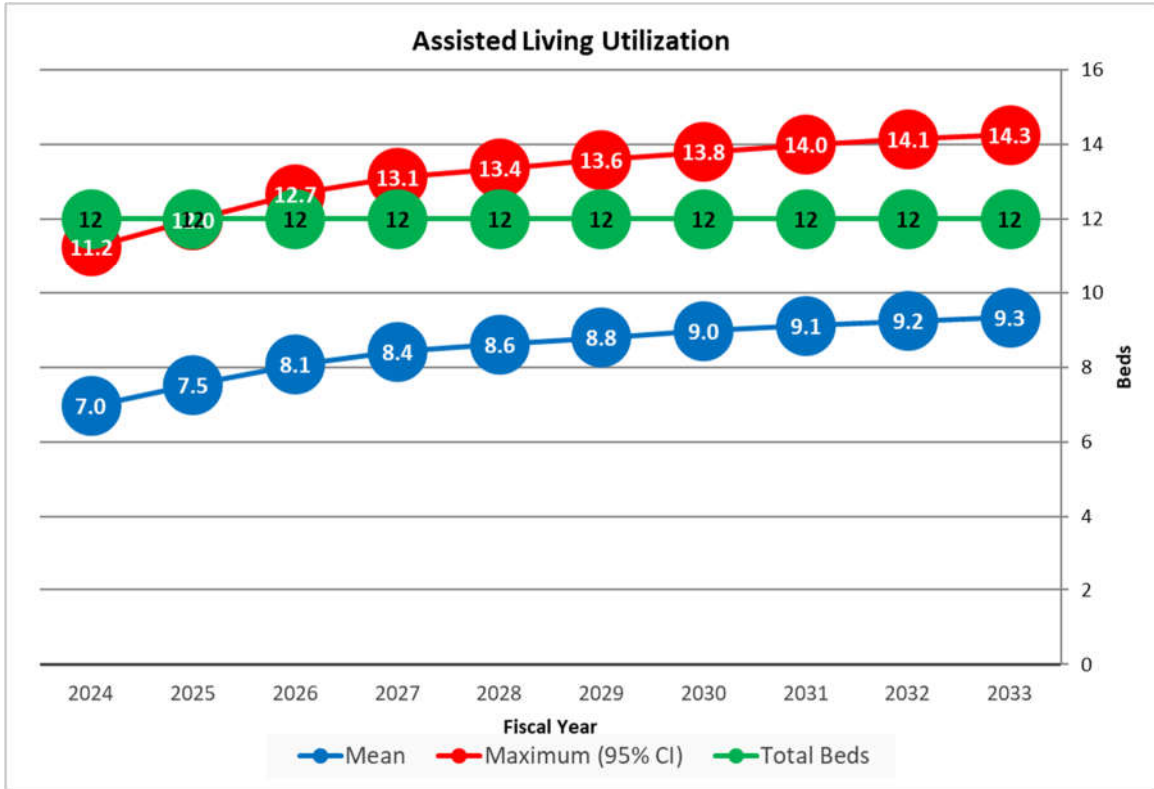
In order to perform the actuarial analysis, we projected initial residents and subsequent residents through various levels of care until move-out or death. The rates of permanent and temporary nursing transfers, deaths and withdrawals were developed using The Village at Brookwood's resident data and Continuing Care Actuaries' demographic database for CCRC residents. In addition to having performed analyses for over 450 CCRCs and At Home programs nationally, we possess one of the largest databases of CCRC residents with over 800,000 CCRC residential life-years of demographic experience. The database assumptions used in this analysis reflect the experience of communities with similar health care guarantees as The Village at Brookwood. The population projections were combined with expense and revenue assumptions to develop projected cash flows and contingent assets and liabilities. A by-product of these cash flow projections is the pricing analysis that examines the financial adequacy of the residential fee structures and the actuarially based balance sheet which is used as an indicator of the adequacy of historical residential fee structures as of December 31, 2023.

Management assumed that 30% of the new entrants will choose the Life Care (Type A) Declining Contract, and the remaining 70% of the new entrants will choose the Fee For Service (Type B-Modified Life Care) Declining Contract.

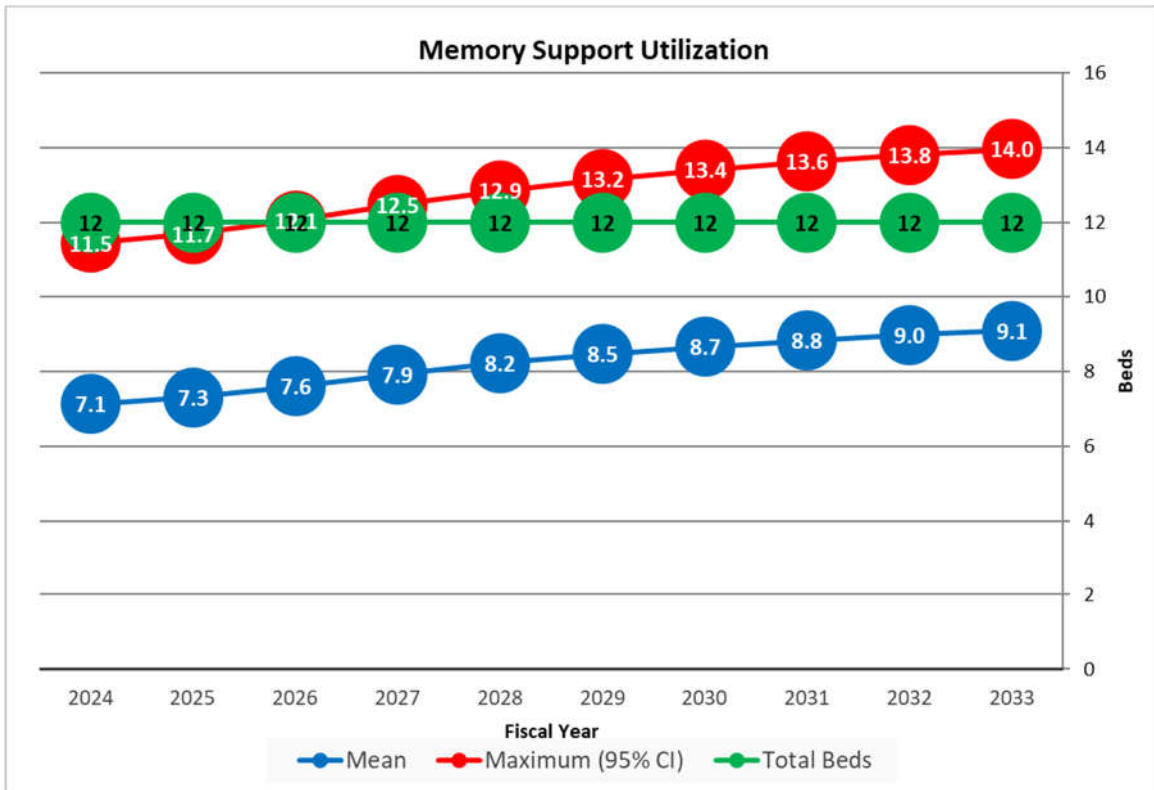
Summary Finding and Actuarial Opinion

- 1) The data and assumptions used for the population and financial projections in this report form a reasonable basis for the projections. The methods used to produce the projections are consistent with sound actuarial principles and practices as prescribed by the Society of Actuaries and the American Academy of Actuaries. Based on the actuarial balance sheet and current assumptions regarding future population and financial activity, the present value of The Village at Brookwood's current and future resources are adequate to cover future obligations under contracts for all current residents, and produce an adequate surplus.

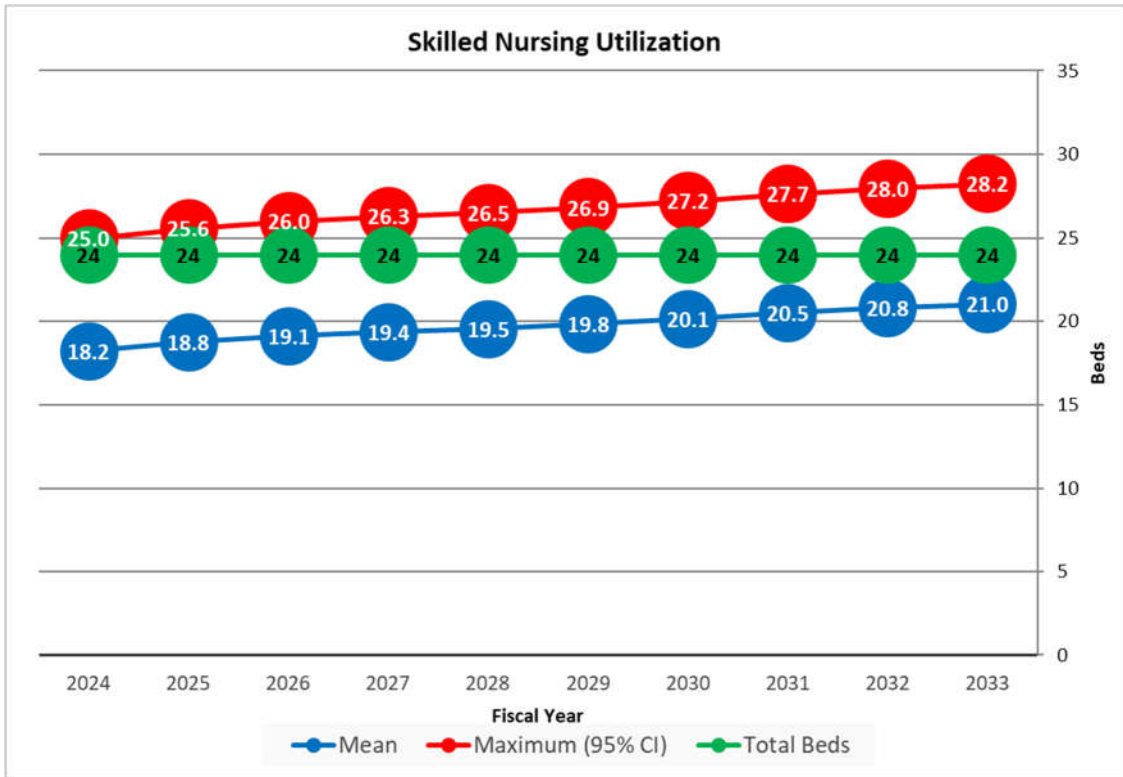
- 2) The projected Life Plan (Life Care and Fee For Service) contracts occupancy of assisted living units with the 95% confidence interval is displayed below.



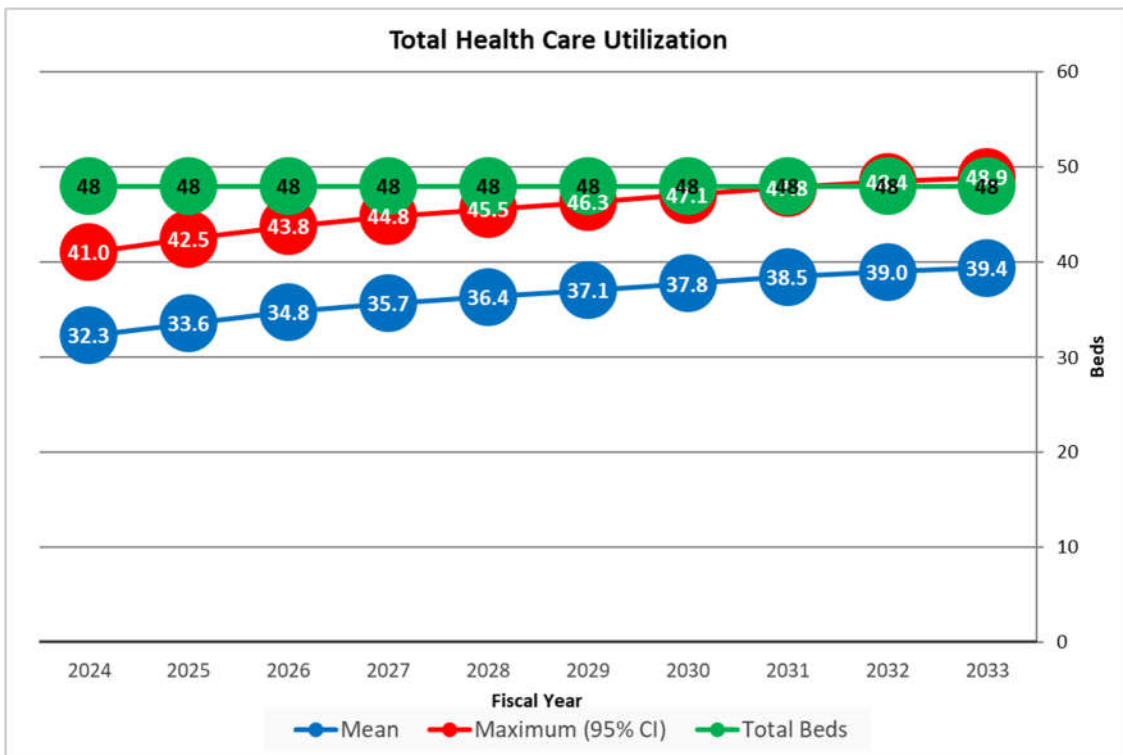
- 3) The projected Life Plan (Life Care and Fee For Service) contracts occupancy of memory support units with the 95% confidence interval is displayed below.



- 4) The projected Life Plan (Life Care and Fee For Service) contracts occupancy of skilled nursing facility with the 95% confidence interval is displayed below.



- 5) The projected Life Plan (Life Care and Fee For Service) contracts occupancy of the combined assisted living, memory support and skilled nursing with 95% confidence interval is detailed below.



- 6) The actuarial cash flow projection, under the assumption that The Village at Brookwood will maintain an ultimate occupancy level of 166.2 out of 175 ILU (95.0% occupancy), generates positive annual cash flow throughout the projection period, except in FY 2024 through FY 2029.
- 7) Based on the result of the actuarial balance sheet as of December 31, 2023, our analysis concluded that The Village at Brookwood will have an adequate funded status in excess of our targeted 110%. The funded status indicates that the combination of net actuarial assets and the present value of projected service fees for the residents as of December 31, 2023 over their lifetimes at The Village at Brookwood will be greater than the present value of the contractual liabilities of these residents.
- 8) The actuarial ratio determines the percent of future expenses that are expected to be covered by future revenues for current residents. This measure is important in that it represents The Village at Brookwood's ability to handle adverse experience since any shortfall must be covered by a combination of existing assets and future residents. This ratio was calculated at 99.2%. Generally, the actuarial ratio for a Life Plan community will vary between 65% and 85%. This result indicates that The Village at Brookwood has sufficient ability to deal with adverse experience by adjusting future monthly fees and daily fees.
- 9) The actuarial pricing analysis develops the expected contractual surplus (deficit) for each contract and for each type of new entrant at the time of entry to The Village at Brookwood. This analysis has parallels to insurance pricing. The present value of the entrance fee and future monthly service fees is calculated, and the present value of contractual liabilities is also calculated for the new entrant at each level of care. Contractual liabilities include future refunds and the cost of independent living and health care. A surplus indicates that the contracts are adequately priced, while a deficit indicates that a deficiency exists. In general, there are some subsidies of couple entrants by single entrants and the larger units subsidize the smaller units.

As a general rule, we recommend that management target contractual pricing to result in a surplus margin of approximately 10%. The surplus margin is defined as the difference in present values of revenues and expenses. This surplus is designed to offset adverse experience such as higher than expected transfers to health care center or higher than expected inflation. It does not represent a profit to The Village at Brookwood. By design, the larger units have a larger surplus to subsidize the smaller units, thereby providing a greater range of prices available to prospective residents and increasing the potential market.

The analysis for all currently sold contracts show an adequate pricing margin of our recommended 10% target. This margin is intended to provide adequate security for adverse experience.

10) In conclusion, The Village at Brookwood is in an ***adequate financial condition*** to meet its obligations as defined by Actuarial Standard of Practice No. 3 (ASOP 3). ASOP 3 defines adequacy based on the meeting of three required actuarial standards, which consist of the actuarial cash flow, the actuarial balance sheet and the actuarial pricing analysis. The Village at Brookwood meets the actuarial cash flow, actuarial balance sheet and actuarial pricing requirements.

The results of our study are based on estimates of the demographic and economic assumptions of the most likely outcome. Considerable uncertainty and variability are inherent in such estimates. Accordingly, the subsequent emergence of actual residential movements and of actual revenues and expenses may not conform to the assumptions used in our analysis. Consequently, the subsequent development of these items may vary considerably from expected results.

Management should scrutinize future developments that may cause the fund balance to deteriorate. These developments include higher apartment vacancy rates, higher expense inflation, higher nursing care utilization and longer life expectancies than assumed in the projection.

This report is intended to be used solely by the management of The Village at Brookwood in conformity to its State's regulations to submit the actuarial study. Any distribution of this report to a third party is prohibited without Continuing Care Actuaries' consent. Should you have any questions regarding the information contained in this report, please contact me at 410-833-4220.

Respectfully,



Dave Bond, F.S.A., M.A.A.A.

Managing Partner

dbond@continuingcareactuaries.com