



ALDERSGATE

3800 Shamrock Drive
Charlotte, North Carolina, 28215-3220
704-532-7000

DISCLOSURE STATEMENT

May 29, 2024

IN ACCORDANCE WITH CHAPTER 58, ARTICLE 64 OF THE NORTH CAROLINA GENERAL STATUTES:

- This Disclosure Statement may be delivered until revised, but not after May 30, 2025.
- Delivery of this Disclosure Statement to a contracting party before execution of a contract for continuing care is required.
- The Disclosure Statement has not been reviewed or approved by a government agency or representative to ensure accuracy or completeness of the information set out.

Dear Prospective Aldersgate Member,

I hope this letter finds you well. I am writing to extend a warm invitation for you to join the Aldersgate United Methodist Retirement Community, Inc. ("Aldersgate") family, where we have proudly served elders for over 75 years with exceptional care and dedication.

At Aldersgate, our mission is to provide our members with their best possible day, every day. We are committed to creating fulfilling and vibrant senior living experiences, prioritizing the well-being and happiness of each elder under our care.

However, it is important to acknowledge that we have faced various challenges in recent times, particularly in our financial operations, reporting, expense control, and managing operating losses. Factors such as strategic initiatives impacted by external economic conditions including the pandemic, rising interest rates, wage inflation, and construction cost escalations have all contributed to these challenges.

In response to concerns raised by the North Carolina Department of Insurance ("Department"), we have proactively developed and implemented a comprehensive Corrective Action Plan ("CAP"). This plan, developed in collaboration with our Board, leadership team, and third-party consultants, addressed a range of issues and was accepted by the Department. We are pleased to report that significant progress has already been made, with approximately eighty percent of the action steps completed within the first six months. The Board and leadership continue to focus on operational improvements that will positively impact the short-term liquidity of Aldersgate and turn the financial trajectory of the organization.

Transparency and accountability are central to our approach. We continue to work closely with key stakeholders and turn-around advisors to rectify all concerns, with progress regularly communicated to stakeholders including residents, directors, regulators, and bondholders.

For your convenience, we have made available copies of the CAP, monthly progress reports, the Consent Order of Amended Supervision, and our most recent unaudited financial statements through your sales counselor. Additionally, enclosed you will find our audited financial statements for the year ending December 31, 2022.

Should you have any questions or require further information, our Interim Chief Executive Officer, David Middleton, and Chief Financial Officer, Cherie Grisso, are available to assist you. Please don't hesitate to reach out to Sarah Crockford, at sarahc@aldersgateliving.org or 704-532-3170, who can facilitate communication with David or Cherie.

For inquiries directed to the Department, Jeffrey Trendel, Deputy Commissioner, can be reached at 919-807-6148 or via email at jeff.trendel@ncdoi.gov.

We are excited about the prospect of welcoming you to our community and continuing our mission of serving elders with compassion and excellence. We hope you will consider joining us on this journey.

Warm regards,

Billy Maddalon

Chair, Board of Directors, Aldersgate United Methodist Retirement Community, Inc.

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This Disclosure Statement is provided in compliance with the requirements of Chapter 58, Article 64 of the General Statutes of North Carolina. Its purpose is to give prospective residents, their families and their advisors, facts about Aldersgate United Methodist Retirement Community, Inc. and the people who operate it.

ORGANIZATION INTRODUCTION AND INFORMATION

Narrative Description of the Organization, Nonprofit Status and Affiliations

The name of this organization is Aldersgate United Methodist Retirement Community, Inc., herein generally referred to as “Aldersgate” or the “Community”. Aldersgate’s business address is 3800 Shamrock Drive, Charlotte, North Carolina 28215-3220. Aldersgate is a North Carolina nonprofit corporation, and it is exempt from the payment of federal income taxes under Section 501(c)(3) of the Internal Revenue Code, as amended (the “Code”). Aldersgate is a Continuing Care Retirement Community (CCRC). The term Life Plan Community, which may be used in our marketing materials, is interchangeable with CCRC.

Aldersgate is affiliated with the Western North Carolina Conference of the United Methodist Church (the “Conference”). The extent of the affiliation between Aldersgate and the Conference is set out in a Statement of Relationship executed by them, and a copy of that Statement is available, without charge, upon request to Aldersgate.

In addition, Aldersgate is affiliated with Aldersgate Life Plan Services, Inc. (“Parent”), the sole member of Aldersgate. Parent is a North Carolina nonprofit corporation and is recognized by Internal Revenue Service (the “IRS”) as exempt from the payment of federal income taxes under Section 501(c)(3) of the Code. Certain actions of the Board of Directors of Aldersgate require the consent of Parent, as more fully described in Aldersgate’s bylaws.

Parent is also the sole member of Aldersgate at Home, Inc. (“Home Services”), a North Carolina nonprofit corporation, Home Services has been recognized by the IRS as exempt from the payment of federal income taxes under Section 501(c)(3) of the Code. The Board of Directors of Home Services is elected by the Parent. Also, certain actions of the Board of Directors of Home Services require the consent of Parent, as more fully described in each of their bylaws.

None of the entities affiliated with Aldersgate, including the Conference, Parent, and Home Services, are responsible for the financial and contractual obligations of Aldersgate.

Accreditation

Aldersgate is licensed as a continuing care retirement facility by the North Carolina Department of Insurance. Aldersgate has achieved CARF and EAGLE accreditation. By achieving CARF and EAGLE accreditation, Aldersgate is held to higher standards than the state minimum. These accreditations allow Aldersgate to share and spotlight best practices in the industry. CARF is an independent, nonprofit organization focused on advancing the quality of services providers use to meet their needs for the best possible outcomes. Aldersgate continues to operate according to CARF standards and seeks to continually hold this certification.

The purpose of EAGLE is to provide a voluntary program utilizing principles and goals that promotes, pursues, and recognizes excellence in the holistic, Christian mission and ministry of an organization.

FACILITY INTRODUCTION AND INFORMATION

Aldersgate encompasses various facilities, including Epworth Place, Ray Hall Community Center, Francis Residential Building, Azalea View Cottages, Lake Ridge Cottages, Wesley Glen Executive Homes, Magnolia View Apartments, Lake View Villas, Park View Villas, Parker Terrace Assisted Living, Cuthbertson Village Memory Support Center, and Asbury Health & Rehabilitation. Aldersgate offers casual market café dining, a standalone coffee shop, and formal dining options. The Wellness Program features instructor-led exercise classes, yoga, Tai Chi, weight machines, free weights, bikes, ellipticals, and treadmills. Additionally, Aldersgate provides opportunities for spiritual and social gatherings, lifelong learning, volunteerism, arts and crafts, and outdoor activities, including walking paths, a lake, and a dock.

Epworth Place: An eight-story living facility with 122 residences, including 44 Parker Terrace Assisted Living suites, connected to the Wintergarden for easy access to dining venues.

Francis Residential Building: A three-story apartment building with 74 residences featuring early 1900s brick craftsmanship, projecting window bays, dormers, and shaded balconies.

Azalea View Cottages: A neighborhood of 33 individual cottages, each with unique character and charm.

Lake Ridge Cottages: Sixteen cottages on the east side of the lake, ranging from 1,598 to 1,867 square feet, with two bedrooms, two baths, living room, kitchen, den, and garages.

Wesley Glen Executive Homes: Located on the east side of the campus, these homes range from 1,546 to 2,340 square feet, with options like fireplaces, sunrooms, and vaulted ceilings. The community currently has 42 homes with plans for eight more.

Magnolia View Apartments: Near The Commons, these 38 apartments feature seven floor plans, balconies or patios, quartz countertops, stainless appliances, and range from one-bedroom, one-and-a-half bath to two-bedrooms, two baths. Residents have access to a sunroom and underground parking.

Lake View Villas and Park View Villas: Each with 12 residences across three floors and four floor plans, situated next to Magnolia Building and adjacent to The Commons.

The Commons: Serves the entire community with dining venues, salon and spa, activity and media rooms, outdoor terrace, bocce court, wellness facility, aquatic center, therapy suites, executive and marketing offices, a market café, coffee bar, trading post, Wintergarden gathering space, pub, card and billiard room, reading room, and pavilion bar.

Ray Hall Community Center: Includes a chapel/multi-purpose center, a two-story living room with a fireplace, balcony, courtyard with gardens, walking paths, and shaded seating areas.

Parker Terrace: A 44-bed assisted living community within Epworth Tower, offering private pay one-bedroom and studio apartments, private dining, patios, living rooms, and various enrichment activities.

Cuthbertson Village Memory Support Center: A 61-room facility for dementia and memory loss residents, divided into four neighborhoods with shared kitchens, living rooms, activity rooms, and a Town Center with amenities like a movie theater and outdoor garden courtyard.

Asbury Health & Rehabilitation Center: A 120-bed nursing care facility with private rooms, a chapel, kitchen, beauty/barber shop, therapy services, community living areas, and a dialysis wing operated by Fresenius Kidney Care. It also includes hospice care through Levine & Dickson House at Aldersgate, offering six resident rooms, a family room, chapel, garden, and kitchen.

Identification & Background of Board of Directors and Management Staff

The names and business addresses of the members of the Board of Directors of Aldersgate are listed below. Officers and Directors serve as volunteers and may have no professional experience in the operation and management of facilities like Aldersgate.

No officer or any member of the Board of Directors has an interest of ten percent or more in any professional service firm, association, trust, partnership, or corporation that may currently serve as a provider of goods or services to Aldersgate or its residents at an aggregate value of more than \$500 within any year. No professional service firm, association, trust or partnership, or

corporation has ten percent or greater interest in any officer or board member that will provide services of \$500 or more to Aldersgate or its residents. This would include a person employed by a company that provided services to Aldersgate or residents.

Board of Directors

Thomas R. Lawing, Jr., Aldersgate Life Plan Services Chair, 2609 Valencia Terrace, Charlotte NC 28226. Realtor, T. R. Lawing Realty.

Billy Maddalon, Aldersgate Chair, 2301 Belvedere Ave, Charlotte, NC 28205. Founder/ Owner, Unique Southern Estates.

Vincent DeBiase, Board Member, 2049 Bristol Lake Ct, Charlotte, NC, 28215. Resident.

Mike Giang, Board Member.

Amanda Grimes Board Member, 2120 Hastings Drive, Charlotte, NC 28207.

Residency, Carolinas Medical Center, Charlotte, NC.

James Howell, Board Member, 2032 Tippah Ave, Charlotte NC.

Bill Jones III, Board Member, 8201 Forest Shadow Circle, Charlotte, NC 28031. Retired.

Fred Longietti, Board Member, 6604 Marcella Drive, Charlotte, NC 28277. Owner, Carolinas Net Care.

Irene Vogelsong, Board Member, 1600 Gupton Court, Matthews, NC 28105. Director of Interior Design, Perkins+Will.

Stanley Watkins, Secretary, 11023 Tavernay Parkway, Charlotte, NC 28262. Principal of City Strata Consulting.

Judy Wiesner, Resident Director and Board Member, 3800 Shamrock Drive, Charlotte, NC 28215. Retired from the banking industry.

Denton Wilson, Board Member, 9427 White Hemlock Lane, Charlotte, NC, 28270. IC3 Integration/Collaboration/Leadership.

Mary Wilson, Board Member, 4912 Piper Glen Dr, Charlotte, NC, 28277.

**Residents, elected by the Resident Association, are represented on the Board of Directors and all operating committees of the Board.

Management Staff

David Middleton – Interim Chief Executive Officer (CEO) Mr. Middleton has been leading entrepreneurial and nonprofit organizations for over three decades. In recent years, he has served in interim executive assignments and nonprofit consulting and is noted for helping organizations who need clear vision, focus, and communication skills during transition; influencing growth and preservation of the nonprofit; and ingraining confidence and consistency during a period of significant change.

M. Kathlene Hendrick – Senior Director of Human Resources & Compliance has been on staff since 2000. Ms. Hendrick began her career in the Finance Department but recognized her desire to work with the employees of Aldersgate and subsequently transferred to the Human Resources department in 2003. Ms. Hendrick became the Director of Human Resources in 2010. Prior to joining Aldersgate and its related entities, Ms. Hendrick worked for five years with Sterling Capital Management as a customer service representative with the N.C. Capital Management Trust Fund. Ms. Hendrick's background includes more than thirteen years of experience in recruitment, human resource management, training and development, compensation, and labor and employee relations. Ms. Hendrick holds a bachelor's degree in Business Administration from Montreat College. Ms. Hendrick is a coach for the LeadingAge North Carolina Leadership Academy and serves on the Education Committee for LeadingAge North Carolina as well. She is a graduate of both the LeadingAge National and State Leadership Academies and is a graduate of the Leadership Development Initiative through Community Building Initiative of Charlotte.

Cherie Grisso - Chief Financial Officer joined Aldersgate July 2023. Ms. Grisso became a licensed Certified Public Accountant in 1993 while working as a KPMG auditor and began a career focused in healthcare and not-for-profit organizations. After working in healthcare education 14 years and completing graduate studies at UNC Kenan-Fleglar Business School, Ms. Grisso began consulting healthcare organizations in start-up or turnaround status. She found passion in the senior living industry the last 12 years serving several organizations as CFO or CEO and brings experience in building strong business services teams, organizational strategy and governance, financial strategies, internal controls, risk management, and affiliations. Ms. Grisso is a WV/ VA native and enjoys spending time outdoors and traveling with her four adult children.

Brooks Shelley – Senior Director of Marketing & Engagement joined our team in September 2017 after working as a director for a local health and wellness firm for fifteen years. Mr. Shelley was a licensed insurance claims manager earlier in his career prior to entering the health and wellness field. Mr. Shelley has served on various volunteer boards, including Plaza Midwood Neighborhood Association (treasurer, vice president, president), First United Methodist Church Board of Trustees, Eastland Area Strategy Team, City of Charlotte’s International Committee, The Charlotte Museum of History, Charlotte’s LGBTQ Elders steering committee, and the CPCC Hospitality Advisory Committee. Mr. Shelley is a therapeutic foster parent with 3 adopted boys and received an award for Adopted Parents of the Year from NC Foster and Adoptive Parents Association in 2011. Mr. Shelley is a graduate of University of North Carolina at Wilmington and enjoys spending time with family, friends and playing sand volleyball.

Boris Henderson - Chief Strategy Officer Boris Henderson is a graduate of Davidson College and earned a Master of Business Administration degree from Wake Forest University in 2006. Currently, Boris is the Chief Strategy Officer for Aldersgate Life Plan Service Inc. where he primarily focuses on growth initiatives, which include a master site plan (includes an affordable and mixed income housing component). Previously, Boris was the Vice President of Commercial Real Estate Development and Special Projects at Charlotte-Mecklenburg Housing Partnership (DreamKey Partners). His primary focus was mixed income housing, commercial development, and economic development initiatives. Upon graduating from Davidson College, Boris held various real estate credit risk management and underwriting roles at Wells Fargo, Wachovia Corporation and Wachovia Securities, which spanned a 13-year period. Boris has a deep financial, real estate development (all product types), multifamily housing and economic development background. Boris was born and raised in Charlotte, North Carolina, and he remains deeply involved within Charlotte and the broader community. He is a past Board Chair of Habitat for Humanity Charlotte Region, and he currently serves as a Board Director for Habitat for Humanity International. Additionally, Boris serves as a board member at the Johnston YMCA and as a member of the CharlotteEast board of directors.

Brooke Patterson Hodge, BSN, RN, LNHA, ALA – Executive Director has been on staff at Aldersgate for ten years. Mrs. Hodge has served in various roles at Aldersgate, such as Staff Development Coordinator, Assistant Director of Nursing, and Director of Nursing. She pursued her Nursing Home Administrator's license in 2018 and became the Director of Health Services in 2019. Mrs. Hodge became the Executive Director for the Shamrock community of Aldersgate in 2021. In addition to her Nursing Home Administrator licensure, she also holds an Assisted Living Administrator's license. In 2019, she received the LeadingAge NC Emerging Leader Award and has recently been accepted into the LeadingAge Larry Minnix Leadership Academy. She has participated in various vaccination and healthcare education programs in Belize and England, where she lived for several years. She has a Bachelor of Science in Healthcare Administration from St. Christopher's School of Medicine in England and a Bachelor of Science in Nursing from Queens University of Charlotte. She enjoys spending time with her family, including her dog, and loves to run and be at the beach.

Kourtney Carter-Foucha - Director of Sales became part of Aldersgate in December 2019, initially joining the Sales Department as an Options and Move-In Coordinator before progressing to the role of Life Plan Counselor. With a B.S. in Family & Consumer Sciences from N.C. A&T State University and an N.C. Real Estate License under her belt, she brings substantial expertise in Real Estate and Property Management, specializing in both multi-family and single-family housing. Throughout her career, Ms. Carter has adeptly managed diverse portfolios of properties across the Triad, Charlotte, and South Carolina regions, showcasing her dedication and proficiency in the industry. Her commitment to aiding individuals in navigating their housing and lifestyle requirements reflects her passion for service and enhancing others' lives. Raised as the proud daughter of two retired U.S. Air Force Veterans, she cherishes the value of family and considers home to be wherever her loved ones are. In her free time, she enjoys quality moments with family and friends, discovering new dining experiences and activities, and embarking on exciting travel adventures.

Elise Swanger Morren, BSW - Director of Assisted & Independent Living started as a Social Work

Intern in 2009 and later joined the Aldersgate team permanently in 2011. She has served in a couple of roles during her tenure at Aldersgate to include the Assisted Living Social Worker and Admissions Coordinator as well as the Interim Director of Assisted Living. Ms. Swanger is currently pursuing her Assisted Living Administrator's license. She is undergoing her Administrator In Training program and is in the Novare Leadership Development program. She also serves as a member of the Diversity, Inclusion, and Equity Council at Aldersgate. Ms. Swanger is a native of Charlotte, NC and graduated from the University of North Carolina at Charlotte with her bachelor's degree in Social Work. She enjoys traveling, swimming, photography, and spending time with her family.

Criminal Violation Statement

None of the officers, directors, trustees, managing or general partners, any person having a ten percent or greater equity or beneficial interest in the facility, or any person who will be managing the facility on a day-to-day basis has been convicted of a felony or pleaded nolo contendere to a felony charge, or been held liable or enjoined in a civil action by final judgment for any felony or civil action involving fraud, embezzlement, fraudulent conversion, or misappropriation of property. None of the officers, directors, trustees, managing or general partners, any person having

a ten percent or greater equity or beneficial interest in the facility, or any person who will be managing the facility on a day-to-day basis listed above is subject to a currently effective injunctive or restrictive court order. Within the past five years, none of the officers, directors, trustees, managing or general partners, any person having a ten percent or greater equity or beneficial interest in the facility, or any person who will be managing the facility on a day to-day basis has had any State or federal license or permit suspended or revoked as a result of an action brought about by a government agency or department, if the action arose out of or related to the business activity of health care, including actions affecting a license to operate a foster care facility, nursing home, retirement home, home for aged, or facility subject to Article 64 of Chapter 58 of the North Carolina General Statutes (Continuing Care Retirement Communities) or a similar law in another State.

Location and Description of Physical Property

Aldersgate is located on a beautifully expansive site at 3800 Shamrock Drive in Charlotte, North Carolina. The campus includes a lake available for fishing, beautiful azalea gardens and acres of land for walking, relaxing and enjoying nature. Among the many options offered on campus, residents may utilize the services of physicians who maintain regular office hours at Aldersgate. Resident membership affords gracious retirement living with the peace of mind that if health care is ever needed, it is available on the campus.

Estimated Number of Residents

As of December 31, 2023 the approximate number of continuing care retirement community residents of Aldersgate was 571. The mix of single and double occupancies will affect the total number of residents at any given time.

In addition to its members, Aldersgate serves residents admitted directly to Cuthbertson Village Memory Support, Parker Terrace Assisted Living, and to Asbury Health & Rehabilitation Center from the community. These persons do not necessarily have continuing care contracts as do the resident members but may simply pay on a monthly fee/per diem basis for services rendered.

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POLICIES AND ADMISSION

Contract Options

Prospective residents who desire to become Members will submit certain health and financial information, execute a Reservation Agreement, and pay a deposit to reserve a particular residence. See Attachment III for a sample of the Reservation Agreement. Upon acceptance as Members, residents will execute the Residence and Services Agreement and set an occupancy date.

Certain accommodations are also available for lease without admission to membership in the Community.

Health Requirements

Prior to entrance to Aldersgate, the prospective resident (“Applicant”) shall submit a report of a physical examination made by a physician selected by the Applicant within thirty (30) days prior to occupancy. Cost of the examination will be borne by the Applicant. The report will become an integral part of the Member’s record. It will serve as a baseline of information for Aldersgate staff and the Member’s physician as they begin to assist the Member in maintaining optimum health and enjoyment of the Aldersgate community experience. Aldersgate offers various levels of care and access to services to best meet the progressive needs of its Members.

Financial and Insurance Criteria

Financial

To be accepted as a Member and in order for residency to continue, the Applicant must agree to pay the Entrance Fee, monthly fees and charges associated with the accommodation and level of care required by the Applicant. Aldersgate requests the Applicant provide a financial statement. Applicants with inadequate financial resources to carry them through their projected life expectancy are considered for admission if family member(s) or other sponsors who do have adequate financial resources provide guaranties of payment or if the Applicant qualifies for financial assistance within the provisions of Aldersgate's financial assistance policy.

In consideration of admission to and continuing care in Aldersgate, the Member agrees as follows:

- a. To furnish to Aldersgate accurate information with regard to the nature and extent of his or her assets (now owned or hereafter acquired). The Member must have assets and income which will be sufficient under foreseeable circumstances to pay the financial obligations of the Member and to meet ordinary living expenses of the Member;
- b. To manage those assets to the best of his or her ability in such a way as to permit the payment of the fees set forth;
- c. To furnish, if requested, a financial statement to indicate current financial status. Such statement shall include all assets and guaranteed income;
- d. To pay an Entrance Fee;
- e. To pay the monthly or daily fees for the accommodations utilized from time to time;
- f. To abide by all other terms and provisions of the Residence and Services Agreement and the Resident Handbook.

Health Insurance

The Member agrees that he or she will enroll for Basic and Supplementary coverage under the federal Medicare program, if not so enrolled at the time of admission. If so enrolled, Member agrees to continue participation in these programs.

The following rules shall apply to payments made by the Medicare program on behalf of any Member at any time during which Aldersgate is eligible to receive Medicare reimbursement for services provided to Members:

- a. Any reimbursement received for Medicare Part A services provided to the Member by Aldersgate shall be accepted by Aldersgate as payment in lieu of daily service fees that otherwise would apply while living in the Health Care Facility, to the extent permitted under applicable Federal and State laws and regulations governing Medicare reimbursement.
- b. Any reimbursement received for Medicare Part B services provided to the Member by Aldersgate will be applied as a credit to Aldersgate's fees for those services to the extent permitted under applicable State and Federal laws and regulations governing Medicare reimbursement.

Should the Member or the Member's legally authorized representative apply for assistance under the Medicaid program, or any successor program of a similar nature, the Member's contract will be terminated.

Age Requirements

The Applicant must be at least sixty-two years of age or older; for couples, one Applicant must be at least sixty-two years of age.

Termination of Membership/Cancellation/Refund

The Residence and Services Agreement ("Agreement") included as Attachment III of this Disclosure Statement makes the following provisions for terminations, cancellations, and refunds:

A. Right to Rescind Agreement

The Member shall have the right to rescind the Agreement within thirty days after executing the Agreement or receipt of the Disclosure Statement, if later, as required by law. The Member shall not be required to occupy the chosen residence at the Community before expiration of the thirty-day period. Upon rescission, the Community shall refund to the Member, or the Member's legally authorized representative, any portion of Entrance Fees the Member paid to the Community less (i) per diem or monthly charges specified in the Agreement for the Member's residence applicable to the period the residence was actually occupied by the Member; (ii) those nonstandard costs specifically incurred by the Community at the request of Member which are not covered by the per diem or monthly charges applicable to Member; and not to exceed the greater of two percent of the Entrance Fee or \$1,000. Any such refund shall be paid by the Community within sixty days following receipt of written notification of such termination.

B. Termination by Member Prior to Occupancy Based on Change in Health Status

If the Member dies before occupying his or her residence or becomes incapable of meeting the physical, mental, or financial requirements for admission before such occupancy, the Agreement shall be automatically canceled. In such case, the Community shall refund to the resident, the resident's estate, or the resident's legally- authorized representative, any portion of Entrance Fees the Member paid to the Community less (i) those nonstandard costs specifically incurred by the Community at the request of Member which are not covered by the per diem or monthly charges applicable to Member; and (ii) the greater of two percent of the Entrance Fee or \$1,000.00. Any such refund shall be paid by the Community within sixty days following receipt of written notification of such termination.

C. Termination by Member Prior to Occupancy Based on Change in Health Status

Once the thirty- day rescission period described in "A", above, has expired, but before Member takes occupancy, the Member may terminate this Agreement for any reason not covered by "B", by giving written notice to the Community. For rescinded or canceled contracts under this section, the resident or the resident's legal representative shall receive a refund of all money or property transferred to the provider, less (i) those nonstandard costs specifically incurred by the provider or facility at the request of the resident and described in the contract or any contract amendment signed by the resident; (ii) nonrefundable fees, if set out in the contract; and (iii) a reasonable service charge, if set out in the contract, not to exceed the greater of two percent of the Entrance Fee or \$1,000. Any such refund shall be paid by the Community within sixty days following receipt of written notification of such termination.

D. Termination by Member After Occupancy

Once the thirty-day rescission period described above has expired, and after the Member takes occupancy, the Member may, at any time upon ninety days' notice in writing to the Community, terminate his or her membership. Upon termination, a portion of the Entrance Fee may be refunded to the withdrawing Member, as described in the Agreement Section VI, G.

E. The Community's Right to Terminate Agreement

The Community shall have the right at any time, upon thirty days' notice in writing to the Member, to terminate his or her membership because the Member has failed to meet his or her obligations under the Agreement, including but not limited to:

- a. Member has not paid monthly fees and other charges on a timely basis;
- b. Member engages in behavior that unreasonably interferes with the quiet enjoyment of other Members; or
- c. Member has failed to abide by the provisions of the Community's Resident Handbook.

The following may result in immediate termination of membership and discharge:

- a. Member engages in behavior that negatively impacts or threatens the health, safety or welfare of other Members, staff, or visitors.

Such notice shall specify the obligation which the Member has failed to perform. Upon such termination, the Member may be entitled to a refund of a portion of the Entrance Fee paid, as described in the Agreement Section VI, G.

F. Termination Upon Death

Death of a Member shall be treated as a termination of membership on the date of death.

The refund due, if any, shall be computed as described in the Agreement Section VI, G.

G. Refund Upon Termination

Upon contract termination, the Member may be entitled to a refund of a portion of the Entrance Fee paid, as follows:

- 1. 0% Refundable Entrance Fee Option** For Members who have chosen the 0% Refundable Entrance Fee Option, the refund due, if any, shall be the Entrance Fee paid, less: (i) ten percent for any termination occurring in months one through five after occupancy, (ii) two percent for each month that has elapsed between month six and the date of withdrawal up to month fifty; (iii) a fee of \$1,000; and (iv) any amount due to the Community for monthly care or other unpaid services. No part of the 0% Refundable Entrance Fee is refundable after a Member has resided at the Community for fifty months. Any refundable amount shall be paid to the withdrawing Member only when the Residence is reserved by a new Member and the new Member has paid his/her/their Entrance Fee.
- 2. 50% Refundable Entrance Fee Option** For Members who have chosen the 50% Refundable Entrance Fee Option, the refund due shall be the Entrance Fee paid less: (i) ten percent for any termination occurring in months one through ten after occupancy; (ii) one percent for each month that has elapsed between month eleven and the date of withdrawal up to month fifty; (iii) a fee of \$1,000; and (iv) any amount due to the Community for monthly care or other unpaid services. Any refundable amount shall be paid to the withdrawing Member only when the Residence is reserved by a new Member and the new Member has paid his/her/their Entrance Fee.
- 3. 90% Refundable Entrance Fee Option** For Members who have chosen the 90% Refundable Entrance Fee Option, the refund due shall be the Entrance Fee paid less: i. ten percent; ii. a fee of \$1,000; and iii. any amount due to the Community for monthly care or other unpaid services. Any refundable amount shall be paid to the withdrawing Member only when the Residence is reserved by a new Member and the new Member has paid his/her/their Entrance Fee.

If the Member is not alive when a refund becomes due, any refund shall be paid to the estate of the deceased Member or to a beneficiary identified in advance by the Member.

H. Condition of Residence

At the effective date of termination of the Agreement, the Member shall vacate the Residence and shall leave it in good condition except for normal wear and tear. The Member shall be liable to the Community for any cost incurred in restoring the Residence to good condition except for normal wear and tear. Such costs will be deducted from any refund due to the Member under the terms of the Agreement.

I. Use of Refundable Entrance Fee Option for Health Care Expenses at Aldersgate

1. Should a Member who has chosen the 90% or 50% Refundable Entrance Fee Option vacate his or her Residence by transferring permanently to a Health Care Facility at the Community, the Member may then draw against his or her refund to supplement payment of his or her health care costs at Aldersgate but if and only if the Member's other assets from all available sources are insufficient to cover the Member's health care costs at Aldersgate. The Community may require the Member to demonstrate the unavailability of other resources to cover health care costs at Aldersgate. The refundable portion of the Entrance Fee can be accessed exclusively for healthcare services at Aldersgate as a supplement to any income the Member receives from all available sources. The Member would still be entitled to receive any applicable Member discount on his or her health care.
2. The following conditions apply when "the Member" is used in the Agreement to apply to two married individuals in an Independent Living Residence who have chosen the 90% or 50% Refundable Entrance Fee Option:
 - a. The Entrance Fee relates to Member identified in the Agreement, not to either individual Member alone. As such, as long as one of the Members remains in the Community, no refund of the Entrance Fee is due to either Member, even if one member vacates the community for any reason.
 - b. Should both Members vacate their Residence by transferring permanently to a Health Care Facility at the Community, either or both Member(s) may then draw against the 90% or 50% Refundable Entrance Fee to supplement payment of their health care costs at Aldersgate but if and only if the Member's other assets from all available sources are insufficient to cover the Member's health care costs at Aldersgate. The Community may require the Member to demonstrate the unavailability of other resources to cover health care costs at Aldersgate. The 90% and 50% Refundable Entrance Fee option can be accessed exclusively for health care services at Aldersgate as a supplement to any income the Member receives from all available sources. The Member would still be entitled to receive any applicable Member discount on their health care. The Member may access the refund for health care purposes only when the vacated Residence is reserved by a new Member and the new Member has paid his/her/their Entrance Fee.

- c. Should one Member vacate their Residence by transferring to a Health Care Facility at the Community, and the other Member vacates the Residence by transferring to an independent accommodation that carries a lesser Entrance Fee, the Member who has transferred to the Health Care Facility may then draw against the 90% or 50% Refundable Entrance Fee to supplement payment of their health care costs at Aldersgate, up to the difference between the original Entrance Fee, and the then current Entrance Fee (Revised Entrance Fee) for the new independent accommodation, but if and only if the Member's other assets from all
- d. available sources are insufficient to cover the Member's health care costs at Aldersgate. The Community may require the Member to demonstrate the unavailability of other resources to cover health care costs at Aldersgate. The Member would still be entitled to receive any applicable Member discount on their health care. Should the Member residing in the independent living accommodation vacate said accommodation by transferring to Assisted Living or the Health Care Facility at the Community, that Member may then draw upon the refundable portion of the Revised Entrance Fee to supplement payment of their health care costs at Aldersgate, but if and only if the Member's other assets from all available sources are insufficient to cover the Member's health care costs at Aldersgate. The Community may require the Member to demonstrate the unavailability of other resources to cover health care costs at Aldersgate. The 90% or 50% Refundable Entrance Fee can be accessed exclusively for health care services at Aldersgate as a supplement to any income the Member receives from all available sources. The Member would still be entitled to receive any applicable Member discount on their health care. The Member may access the refund for health care purposes only when the vacated Residence is reserved by a new Member and the new Member has paid his/her/their Entrance Fee.
- e. Utilization of the 90% or 50% Refundable Entrance Fee option may be made to supplement payment of health care costs at Aldersgate only. Contingent upon a financial review of the Member's income and assets, Aldersgate reserves the right to determine the amount of the 90% or 50% Refundable Entrance Fee that may be used to supplement the Member's health care fees at Aldersgate.

Change of Accommodations

The Member may request a change in type of accommodation from time to time, subject to permission of Aldersgate and the availability of the type requested. If such change is made, the following rules apply:

- a. If the Entrance Fee for the new accommodation is higher than the Entrance Fee paid for the accommodation to be vacated, the Member will pay the difference between the Entrance Fee for the new accommodation and the Entrance Fee paid for the prior accommodation. In the event of termination, the amount of the refund, if any, will be based on the total Entrance Fees paid.

- b. Member will be responsible for any costs associated with the change of accommodation, including moving expenses. Aldersgate charges a \$15,000 transfer fee to change accommodations.

In the best interests of the entire Aldersgate community and in consultation with the Member and/or his or her responsible party, Aldersgate may request the Member change accommodations. If agreement cannot be reached, Aldersgate may initiate mediation or arbitration for resolution. Any such resultant accommodation shall be subject to the provisions set forth in the Agreement, except that no greater Entrance Fee may be required of the Member.

Transfer of the Member to any of the health care facilities of Aldersgate, which currently includes Asbury Health & Rehabilitation Center, Parker Terrace Assisted Living, and Cuthbertson Village Memory Support, does not constitute a change of accommodation for these purposes.

Marriages

If a Member marries while residing at Aldersgate, the spouse of the Member is expected to follow Aldersgate's normal admission procedure. Among the basic factors for approval are:

- a. Behavioral characteristics must be appropriate for group living at Aldersgate;
- b. There must be sufficient financial resources to enable the couple to meet financial obligations, or their circumstances must be such as to qualify for financial assistance within Aldersgate's policies and ability to provide;
- c. Such married Member will be required to enter into the then current Residence and Services Agreement which will supersede any and all previous contracts or agreements.

If the applying spouse is approved for residency at Aldersgate and is to live in the same residential accommodation with the Member, additional Entrance Fee is required. If the applying spouse is to live in a separate unit, a regular Entrance Fee is required. Regular monthly (daily in nursing care) fees and other charges would be in accordance with Aldersgate's regular schedule for double or individual occupancy, as appropriate.

If the applying spouse should not meet the requirements of residency, the applying spouse would not be able to reside at Aldersgate and the Member may terminate the Agreement in the same manner as provided in Section VI of the Agreement with respect to a voluntary termination. As of the date of this Disclosure Statement, no applying spouse has failed to meet the requirements.

If a Member while occupying a residence marries a person who is also a Member, the two Members may occupy the residence of either Member if it is a residence designed for occupancy of two persons. Such married Members will be required to enter into the then current Residence and Services Agreement which will terminate any and all previous contracts or agreements with Aldersgate. Such married Members will pay the Monthly Fee for double occupancy associated with the Residence occupied by them. In the event that a Member shall marry a person who is not a Member of the Community, the spouse may become a Member if such spouse meets all

the then current requirements to reside in the Community and both Members of the couple enter into a then current version of the Residence and Services Agreement with the Community. The Member and spouse shall then pay the Monthly Fee for double occupancy associated with the Residence occupied by them.

Cohabitation Policy

If a Member cohabitates with another Member while residing at Aldersgate, the Member who vacates his/her unit to move will be treated as a “related” non-married second occupant. The Member who is moving will be subject to his / her own Entrance Fee, the second person monthly fee with all rights and duties attendant to a “related” second person occupant. The Member who is moving will receive any applicable refundable Entrance Fee from the unit he/she/they are vacating. Any refundable amount shall be paid to the withdrawing Member only when the Residence is reserved by a new Member and the new Member has paid his/her/their Entrance Fee.

Inability To Pay

If a Member should encounter financial difficulty while residing at Aldersgate, the Member may apply for financial assistance. Aldersgate has limited financial assistance resources for this purpose. In a number of cases, there are guaranty agreements between Aldersgate and a Member's family or other sponsor that make possible the Member's continued residency at Aldersgate. Continued residency is contingent upon payment in some manner of all fees and charges associated with residency. Aldersgate is unable to guarantee initial or continuing allocations of financial assistance to a Member.

Lease Option

Aldersgate also offers a lease option through which an individual can enter the community by signing a thirteen-month lease agreement. The lease agreement does not require payment of an Entrance Fee but does require payment of a monthly fee at a higher rate than Members who have paid an Entrance Fee. This option provides lessees access to the same services and amenities as Members, except for health care services. Lessees shall be charged direct admit rates for any higher levels of care. This lease option is available only in specified residences.

SERVICES

Standard Services & Services Available At Extra Charge – Effective January 1, 2022

For the monthly fee paid by the Member, Aldersgate shall provide to the Member the use of the accommodation selected, board, utilities, meal options, housekeeping services, grounds keeping, maintenance and repairs, transportation services, security and activities in accord with the practices of Aldersgate as they may be in effect from time to time and the religious, social and creative life of Aldersgate. All Independent Living residents have a meal plan which is included within the Monthly Service Fee, equating to \$400 in value of the monthly service fee per month per resident. Meal credits operate on a declining balance over the course of the month, with any overages accounted for on resident's monthly statement. Each resident can have a maximum of \$100 carry over per month.

The current daily/monthly fee does not include items such as physicians' fees, outside hospitalization, therapies, drugs, medical supplies, dry cleaning, funeral or burial expenses, all of which remain the sole responsibility of the Member. Examples of other services currently available at an additional charge are those shown in the table below:

<u>Service</u>	<u>Fees</u>
Beauty and Barber	\$0 - \$160 per specific service
Cable TV	\$40 per month
Telephone	\$38 per month
Extra Housekeeping / Maintenance	\$25 per hour, per employee
Information Technology Services	\$40 per hour
Meal Delivery Service	\$5 per delivery
Extra Meals	Menu Pricing
Guest Rooms*	\$90 per day
Guest Meals	Menu Pricing
Group Outings	Per person – event specific
Event Catering	Per person – event specific
Independent Living Unit Transfer Fee	\$15,000 per transfer

*Family members of residents in Parker Terrace, Cuthbertson Village, and Asbury Health & Rehabilitation are entitled to a discounted Guest Room rate of \$90 per day.

Health Care Services

If it is determined that the Member requires assisted living services or nursing care, the Community will provide assisted living services in its assisted living or memory support centers as described in the Agreement and subject to changes in law. The Community will admit the Member on a temporary or permanent basis as needed. Use of these nursing services requires the certification of such need by the Member's attending physician and shall be subject to availability of an appropriate accommodation at the Community.

If an appropriate accommodation is not available upon determination that a permanent transfer is required, the Community will arrange and pay for Member's care in his/her Residence by a certified home care agency of the Community's choice, if reasonably possible, until an appropriate accommodation becomes available at Aldersgate. If home health care is not medically possible, the Community will arrange and pay for the member's care in another facility of the Community's choice that can provide the same care that would otherwise have been provided by the Community until space becomes available. The Community will pay for care in another facility to the same extent as if it were provided by the Community. The Member will pay monthly or daily service fees to Aldersgate as if the Member were living at Aldersgate.

Fees and Charges

The Community will provide assisted living services or nursing care in exchange for payment of the applicable monthly or daily service fee to the extent that it is not covered by Member's insurance, Medicare or any other governmental programs or entitlements which Member is required to maintain under the Agreement, subject to the following: Effect on Monthly Service Fee

- a. **Temporary Transfers** A transfer is considered temporary when the condition that requires the Member's transfer has the potential to be resolved in a manner which may allow the Member to return to the Residence. The Member's Residence will be held for the Member's return.
 - a. Single Occupancy Should the Member have a temporary need for Assisted Living or Health Care Facility services while still occupying a Residence, the Member will continue to pay both the then-current Monthly Service Fee for the Residence and the then-current applicable pro-rated monthly rate at Assisted Living or the then-current daily rate at the Health Care Facility.
 - b. Double Occupancy Should one or both Residents have a temporary need for Assisted Living or Health Care Facility services while still occupying the Residence, the Resident will continue to pay the then-current Monthly Service Fee less the then-current second person Monthly Service Fee for the Residence.
 - c. Additionally, each Resident requiring temporary care provided in Assisted Living or Health Care Facility, will be required to pay the then-current applicable pro-rated monthly rate at Assisted Living or the then-current daily rate at the Health Care Facility.

- d. Temporary utilization of Assisted Living or Health Care Facility services does not constitute a change of accommodations subject to the provisions of Section IV.M of the Agreement.
- b. **Permanent Transfers** A transfer is considered permanent when a condition requires a move to one of the levels of Healthcare and will not allow the Resident to return to their Residence and the Residence has been vacated. A move from Independent Living to another Independent Living residence due to health circumstances, upon approval, will be subject to a Transfer Fee of \$15,000. The exact amount may vary depending on the circumstances which will be evaluated at the time of transfer approval. Aldersgate reserves the right to waive or modify such transfer charges.
 - a. **Single Occupancy** Should the Member have a permanent need for Assisted Living or Health Care Facility services, the Resident will be required to release the Residence as provided in Section V of the Agreement. The monthly fee will be the current monthly fee for the accommodation the Member is moving to (See Exhibit A of Resident and Services Agreement).
 - b. **Double Occupancy** Should one Resident have a permanent need for Assisted Living or Health Care Facility services, the Monthly Service Fee will be equal to the then-current Monthly Service Fee for the Residence for one person plus the Member rate for the Assisted Living Facility or Health Care Facility referenced in Exhibit A. Should both Residents have a permanent need for Assisted Living or Health Care Facility services, Resident will be required to release the Residence as provided under Section V of the Agreement. The Monthly Service Fee will be initially adjusted to two times the Monthly Service rate for the Assisted Living Facility or Health Care rate listed in Exhibit A.
- c. **Additional Charges** Residents will be responsible for all costs and charges associated with Assisted Living or the Health Care Facility that are not covered by the monthly or daily rates for such care then in effect which may include drugs, supplies, ancillary charges and level of care fees, if applicable. In the event of a temporary or permanent transfer, the member will be responsible for all costs of relocation.

Should the Member require health care services, Member may utilize such services as provided at Aldersgate. Use of these health care services shall require the certification of such need by the Member's attending physician and shall be subject to availability of appropriate accommodation.

Should the Member or the Member's legally authorized representative apply for and receive assistance under the Medicaid program, or any successor program of a similar nature, the Member's contract will be terminated. Temporary utilization of the assisted living services and nursing services does not constitute a change of accommodations as referred to under "Change of Accommodations" in the Agreement.

FEES

Reservation Fee

\$1,000 refundable reservation fee followed by 10% of selected Entrance Fee.

Entrance Fee & Monthly Fee, Notification of Fee Increase

Members of Aldersgate pay:

1. A One-time Entrance Fee, which is based upon the accommodation chosen and is payable when a contract is signed, and provides lifetime access to the community as long as the conditions and terms of the Residence Services Agreement are met;
2. A Monthly Services Fee, which covers costs associated with living at Aldersgate.

Rates are subject to change by approval of the Board of Directors, with a thirty-day notification prior to implementation.

Residents may request Living Accommodation customizations or renovations. Such customizations or renovations must be approved by Aldersgate. The costs and maintenance of such features are the responsibility of the resident.

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Refundable Entrance Fee Schedule Existing Independent Living Residences

- Effective January 1, 2024

Residence Type	Approx. Sq. Ft	0% Refundable Plan	50% and 90% Refundable Plan
Apartments			
Epworth			
1 Bedroom (Rose)	585	\$123,200 - \$137,400	\$244,500 - \$258,700
1 Bedroom (Knock-Out Rose)	585	\$123,200 - \$137,400	\$244,500 - \$258,700
1 Bedroom/Kitchen (Iris)	585	\$145,500 - \$159,700	\$297,000 - \$311,200
2 Bedroom (Tulip)	782	\$168,300 - \$182,500	\$337,200 - \$351,400
2 Bedroom/Kitchen (Lotus)	1,060	\$205,000	\$389,500
2 Bedroom/Kitchen (Lily)	1,067	\$185,000 - \$199,200	\$365,200 - \$379,400
2 Bedroom/Kitchen (Lilac)	1,130	\$218,000 - \$220,500	\$414,200 - 416,700
2 Bedroom/Kitchen (Gardenia)	1,170	\$218,000 - \$232,200	\$462,000 - \$446,200
Francis			
1 Bedroom/1 Bath (Cherry)	750	\$179,000 - \$201,365	\$340,100 - \$361,400
1 Bedroom/1.5 Bath (Mimosa)	955	\$219,200 - \$247,600	\$425,000 - \$453,400
2 Bedroom/2 Bath/Balcony (Dogwood)	1,050	\$245,000 - \$273,400	\$465,500 - \$493,900
2 Bedroom/2 Bath/Balcony (Holly)	1,075	\$245,000 - \$273,400	\$465,500 - \$493,900
2 Bedroom/2 Bath/Dining (Magnolia)	1,150	\$270,100 - \$287,850	\$506,800 - \$524,550
2 Bedroom/2 Bath/Dining (Willow)	1,180	\$270,100 - \$287,850	\$506,800 - \$524,550
2 Bedroom/2 Bath/Dining/Balcony (Sycamore)	1,250	\$288,550 - \$307,010	\$552,550 - \$571,010
2 Bedroom/2 Bath/Den/Dining/Balcony (Birch)	1,400	\$295,000	\$560,500
2 Bedroom/2 Bath/Den/Dining/Balcony (Chestnut)	1,500	\$345,000	\$649,110
2 Bedroom/2.5 Bath/Den/Dining/Balcony (White Oak)	1,660	\$381,100 - \$398,850	\$728,100 - \$745,850
Cottages/Executive Homes			
Azalea View			
2 Bedroom	1,362	\$176,000 - \$307,000	\$334,400 - \$583,300
3 Bedroom	1,754	\$220,850 - \$294,800	\$380,550 - \$581,800
Lake Ridge			
2 bedroom/2 Bath/Garage (Maple)	1,598	\$362,000 - \$397,500	\$691,800 - \$727,300
2 Bedroom/2 Bath/Den/Garage (Walnut)	1,740	\$395,000	\$751,260
2 Bedroom/2 Bath/Den/Garage (Hickory)	1,867	\$405,000 - \$441,400	\$811,000 - \$846,500
Wesley Glen			
2 Bedroom/2 Bath (Cedar)	1,548	\$375,500 - \$389,700	\$713,450 - \$727,650
2 Bedroom/2 Bath (Myrtle)	1,650	\$394,250 - \$408,450	\$771,000 - \$785,200
2 Bedroom/2.5 Bath/Den (Poplar)	1,880	\$429,200 - \$436,700	\$818,800 - \$826,300
2 Bedroom/2.5 Bath/Den (Redwood)	2,035	\$432,800 - \$447,000	\$839,800 - \$854,000
2 Bedroom/2.5 Bath/Den (Laurel)	2,340	\$390,700	\$765,200

Second Person Fee: \$46,500

Fees shown above apply to single occupancy. The rates for double-occupancy include an additional entrance fee of \$46,500 regardless of residence type.

If a member is 85 years of age or older at the time of the full payment of the entrance fee, a 10% premium is added to the entrance fee up to the age of 90. If a resident is 90 years of age or older at the time of full payment of the entrance fee, a 10% premium is added to the entrance fee, and they are limited to the 0% refundable entrance fee option.

Refundable Entrance Fee Schedule Existing Independent Living Residences - Effective January 1, 2024

Residence Type	Approx. Sq. Ft	0% Refundable Plan	90% and 50% Refundable Plan
Apartments			
Magnolia View			
1 Bedroom/1.5 bath (Catawba)	851	\$285,850	\$543,115
1 Bedroom/1.5 bath (Elk)	950	\$295,900	\$562,210
1 Bedroom/1.5 bath (Linville)	1002	\$295,900	\$582,350
1 Bedroom/1.5 bath (Elk Deluxe)	1034	\$309,200	\$587,480
2 Bedroom/2.5 bath (Mitchell)	1,192	\$359,250	\$682,575
2 Bedroom/2.5 bath (Pamlico)	1,280	\$374,950	\$712,310
2 Bedroom/2.5 bath (South Fork)	1,376	\$385,000 - \$395,000	\$750,000 - \$760,000
2 Bedroom/2.5 bath/Fireplace (Uwhaarie)	1376	\$430,000 - \$435,000	\$818,200 - \$823,200
2 Bedroom/2.5 bath/Fireplace (Yadkin)	1456	\$396,000 - \$401,000	\$759,800 - \$764,800
Lake View and Park View			
1 Bedroom/1.5 Bath (Badin)	985	\$312,000	\$592,800
2 Bedroom/2.5 Bath (James)	1,285	\$390,600	\$742,140
2 Bedroom/2.5 Bath (Jordan)	1,352	\$390,000 - \$400,000	\$732,000 - 742,000
2 Bedroom/2.5 Bath /Fireplace (Norman)	1,352	\$421,000 - \$431,000	\$790,900 - \$800,900
2 Bedroom/2.5 Bath (Tillery)	1,475	\$408,500 - \$418,500	\$811,400 - \$821,400
2 Bedroom/2.5 Bath/Fireplace (Wylie)	1,475	\$428,600 - \$438,600	\$824,800 - \$834,800

Second Person Fee: \$46,500

Rates shown above apply to single occupancy. The rates for double occupancy include an additional \$1,514 per month regardless of residence type.

\$400 dining points per month are included in rates for Independent Living Residents with an option for additional dining points to the plan at an additional charge or a credit for those residents who want less than \$400 dining points.

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Monthly Service Fee Schedule Existing Independent Living Residences - Effective January 1, 2024

Residence Type	Approx. Sq. Ft	0% and 90% Refundable Plan	50% Refundable Plan
Apartments			
Epworth			
1 Bedroom (Rose)	585	\$3,423.98	\$2,755.30
1 Bedroom (Knock-Out Rose)	585	\$3,423.98	\$2,755.30
1 Bedroom/Kitchen (Iris)	585	\$3,502.06	\$2,803.16
2 Bedroom (Tulip)	782	\$3,578.87	\$2,860.70
2 Bedroom/Kitchen (Lotus)	1,060	\$3,524.80	\$2,817.94
2 Bedroom/Kitchen (Lily)	1,067	\$3,705.37	\$2,965.25
2 Bedroom/Kitchen (Lilac)	1,130	\$3,757.64	\$3,004.45
2 Bedroom/Kitchen (Gardenia)	1,170	\$3,865.75	\$3,092.36
Francis			
1 Bedroom/1 Bath (Cherry)	750	\$4,009.55	\$3,206.13
1 Bedroom/1.5 Bath (Mimosa)	955	\$4,491.85	\$3,592.51
2 Bedroom/2 Bath/Balcony (Dogwood)	1,050	\$4,973.40	\$3,978.61
2 Bedroom/2 Bath/Balcony (Holly)	1,075	\$5,134.08	\$4,108.10
2 Bedroom/2 Bath/Dining (Magnolia)	1,150	\$5,294.16	\$5,453.95
2 Bedroom/2 Bath/Dining (Willow)	1,180	\$5,294.16	\$5,453.95
2 Bedroom/2 Bath/Dining/Balcony (Sycamore)	1,250	\$5,453.95	\$6,968.24
2 Bedroom/2 Bath/Den/Dining/Balcony (Birch)	1,400	\$6,259.88	\$5,006.23
2 Bedroom/2 Bath/Den/Dining/Balcony (Chestnut)	1,500	\$6,580.33	\$5,263.79
2 Bedroom/2.5 Bath/Den/Dining/Balcony (White Oak)	1,660	\$7,054.52	\$5,649.13
Cottages/Executive Homes			
Azalea View			
2 Bedroom	1,362	\$4,728.24	\$3,787.91
3 Bedroom	1,754	\$4,980.10	\$3,981.84
Lake Ridge			
2 bedroom/2 Bath/Garage (Maple)	1,598	\$5,925.74	\$4,741.31
2 Bedroom/2 Bath/Den/Garage (Walnut)	1,740	\$6,036.23	\$4,828.03
2 Bedroom/2 Bath/Den/Garage (Hickory)	1,867	\$6,265.51	\$5,009.42
Wesley Glen			
2 Bedroom/2 Bath (Cedar)	1,548	\$5,721.41	\$4,577.36
2 Bedroom/2 Bath (Myrtle)	1,650	\$6,101.57	\$4,881.49
2 Bedroom/2.5 Bath/Den (Poplar)	1,880	\$6,461.37	\$5,171.36
2 Bedroom/2.5 Bath/Den (Redwood)	2,035	\$6,773.67	\$5,416.16
2 Bedroom/2.5 Bath/Den (Laurel)	2,340	\$6,847.63	\$5,479.06

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Residence Type	Approx. Sq. Ft	0% and 90% Refundable Plan	50% Refundable Plan
Apartments			
Magnolia View			
1 Bedroom/1.5 bath (Catawba)	851	\$4,324.32	\$3,465.40
1 Bedroom/1.5 bath (Elk)	950	\$4,791.20	\$3,828.92
1 Bedroom/1.5 bath (Linville)	1002	\$4,864.86	\$3,888.82
1 Bedroom/1.5 bath (Elk Deluxe)	1034	\$5,016.92	\$4,020.19
2 Bedroom/2.5 bath (Mitchell)	1,192	\$5,795.06	\$4,643.89
2 Bedroom/2.5 bath (Pamlico)	1,280	\$6,020.62	\$4,819.72
2 Bedroom/2.5 bath (South Fork)	1,376	\$6,262.40	\$5,008.61
2 Bedroom/2.5 bath/Fireplace (Uwhaarie)	1376	\$6,262.40	\$5,008.61
2 Bedroom/2.5 bath/Fireplace (Yadkin)	1456	\$6,641.44	\$5,315.11
Lake View and Park View			
1 Bedroom/1.5 Bath (Badin)	985	\$4,944.46	\$3,961.98
2 Bedroom/2.5 Bath (James)	1,285	\$6,064.74	\$4,849.49
2 Bedroom/2.5 Bath (Jordan)	1,352	\$6,335.44	5,067.40
2 Bedroom/2.5 Bath /Fireplace (Norman)	1,352	\$6,335.44	5,067.41
2 Bedroom/2.5 Bath (Tillery)	1,475	\$6,641.44	\$5,315.11
2 Bedroom/2.5 Bath/Fireplace (Wylie)	1,475	\$6,641.44	\$5,315.11

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Monthly Service Fee Schedule Existing and New Health Care Beds– Effective January 1, 2024

Residence Type	Direct Admit	Member- With Health Care Benefit	Member
Parker Terrace (Assisted Living)			
Studio			
- Tier 1	\$6,694/month		\$6,278/month
- Tier 2	\$8,034/month		\$7,051/month
- Life Care Rate		\$5,894/month	
One Bedroom Apartment			
- Tier 1	\$6,954/month		\$6,537/month
- Tier 2	\$8,298/month		\$7,879/month
- Life Care Rate		\$5,894/month	
Cuthbertson Village Memory Support (Assisted Living)			
One Bedroom Apartment			
- Tier 1	\$8,189/month		\$7,771/month
- Tier 2	\$9,459/month		\$9,040/month
- Life Care Rate		\$5,894/month	
Asbury Health and Rehabilitation (Health Care Facility)			
- Tier 1	\$405/day		\$405/day
- Tier 2	\$457/day	\$5,894/month	\$457/day
- Life Care Rate			
Asbury Health and Rehabilitation (Health Care Facility)			
- Home for the Aged - Tier 1	\$309/day		\$309/day
- Home for the Aged - Tier 2	\$349/day	\$5,894/month	\$349/day
- Life Care Rate			

Rates for residents of Asbury Health & Rehabilitation Center, Cuthberston Village, and Parker Terrace Assisted Living include three meals per day.

Temporary absence of the resident from Aldersgate for vacation, travel, business, medical care, or otherwise, does not change the resident’s obligation to pay the full monthly fee.

The per diem/monthly fee does not include items such as physicians’ fees, outside hospitalization, therapies, drugs, medical supplies, dry cleaning, funeral, or burial expenses, all of which remain the sole responsibility of the resident. For those residents covered under Medicare Part A and/or Medicaid, services will be provided consistent with those of Medicare and/or Medicaid billing program. There may be services for which the resident is billed that are not covered by these programs.

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Changes in Fees for the Previous Five Years

Independent Living		
Effective Date	% Per Month (Average)	\$ Per Month (Average)
1/1/2019	3.0%	\$ 95.00
1/1/2020	3.0%	\$ 102.00
1/1/2021	3.0%	\$ 108.00
1/1/2022	6.0%	\$ 336.00
1/1/2023	10.0%	\$ 395.00

Assisted Living		
Effective Date	% Per Month (Average)	\$ Per Month (Average)
1/1/2019	3.5%	\$ 162.00
1/1/2020	4.0%	\$ 205.00
1/1/2021	4.0%	\$ 213.00
1/1/2022	5.0%	\$ 260.00
1/1/2023	6.5%	\$ 407.00

Memory Support		
Effective Date	% Per Month (Average)	\$ Per Month (Average)
1/1/2019	4.0%	\$ 187.00
1/1/2020	4.0%	\$ 242.00
1/1/2021	4.0%	\$ 263.00
1/1/2022	5.0%	\$ 324.00
1/1/2023	6.5%	\$ 490.00

Skilled Nursing		
Effective Date	% Per Day (Average)	\$ Per Day (Average)
1/1/2019	5.0%	\$ 8.00
1/1/2020	4.5%	\$ 9.00
1/1/2021	3.0%	\$ 4.00
1/1/2022	5.0%	\$ 17.00
1/1/2023	6.5%	\$ 23.00

Rates for residents of Asbury Health & Rehabilitation Center, Cuthberston Village, and Parker Terrace Assisted Living include three meals per day.

Temporary absence of the resident from Aldersgate for vacation, travel, business, medical care, or otherwise, does not change the resident's obligation to pay the full monthly fee.

The per diem/monthly fee does not include items such as physicians' fees, outside hospitalization, therapies, drugs, medical supplies, dry cleaning, funeral, or burial expenses, all of which remain the sole responsibility of the resident. For those residents covered under Medicare Part A and/or Medicaid, services will be provided consistent with those of Medicare and/or Medicaid billing program. There may be services for which the resident is billed that are not covered by these programs.

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FINANCIAL INFORMATION

Financial Overview Statement

Aldersgate has relied upon gifts, pledges, bequests, and funds received from trust balances to cover a portion of the cost of construction, equipment, landscaping, other extraordinary expenses, and debt service. Aldersgate has long term debt arising from tax-exempt bond issuance in July 2021, the proceeds of which were used to refund the Series 2013 and 2010 bonds and in October 2015, the proceeds of which were used for project related cost for the New Memory Care Suites, the Town Center, and the New Nursing Center. In 2017, Aldersgate issued tax-exempt bonds and two bank loans to construct a new Commons (community center) and sixty-two new independent living units.

General Statutes Chapter 58, Article 64 requires Aldersgate to establish and maintain an operating reserve equal to twenty-five percent of the total operating costs projected for the twelve-month period ending December 31, 2024, or fifty percent of such total operating costs if occupancy at Aldersgate is less than ninety percent (the "Operating Reserve Requirement"). Aldersgate expects to maintain an occupancy rate more than ninety percent and have sufficient funds available to meet the Operating Reserve Requirement. The projected amount of the Operating Reserve Requirement is \$10,144,250 as defined by statute for the forecasted year ending December 31, 2024.

Aldersgate's operating reserve consists of cash, cash equivalents and marketable securities, principally mutual funds. A more detailed discussion of long-term debt is contained in Note 7 to the Audited Financial Statements in Attachment I. The Finance and Investment Committee of the Board of Directors determines the way funds of Aldersgate are invested. The funds of Aldersgate are invested in a diversified portfolio of marketable securities, including cash, cash equivalents, bonds, stocks, mutual funds and other permitted instruments.

Aldersgate operates on a fiscal year that ends on the last day of December. The financial records of the facility are audited annually by an independent certified public accountant. Audited Financial Statements for the years ended December 31, 2023 and December 31, 2022 are included in Attachment I. Forecasted Financial Statements for the fiscal years 2023 through 2027 are included as Attachment II but has been updated by Forecasted Financial Statements for the Three Years Ending December 31, 2026 in Attachment V. Management's Variance Report for 2023 Forecast compared to Actual is included in Attachment III. Management's Interim, unaudited Financial Package for the quarter ending March 31, 2024 is included as Attachment IV.

Attachment I
Audited Financial Statements for the
Years ended December 31, 2023
& December 31, 2022

**ALDRSGATE UNITED METHODIST
RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF ALDRSGATE LIFE PLAN SERVICES, INC.)**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2023 AND 2022



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ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF ALDRSGATE LIFE PLAN SERVICES, INC.)
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Aldersgate United Methodist Retirement Community, Inc.
(An Affiliate of Aldersgate Life Plan Services, Inc.)
Charlotte, North Carolina

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Aldersgate United Methodist Retirement Community, Inc. (an affiliate of Aldersgate Life Plan Services, Inc.) (a nonprofit corporation), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations, changes in its net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Aldersgate United Methodist Retirement Community, Inc. as of December 31, 2023 and 2022, and the results of its operations, changes in net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 consolidated 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 consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Aldersgate United Methodist Retirement Community, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Aldersgate United Methodist Retirement Community, Inc.'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.

Board of Directors
Aldersgate United Methodist Retirement Community, Inc.
(An Affiliate of Aldersgate Life Plan Services, Inc.)

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 37-39 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



CliftonLarsonAllen LLP

Charlotte, North Carolina
May 23, 2024

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF ALDRSGATE LIFE PLAN SERVICES, INC.)
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

ASSETS	2023	2022
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 3,037,983	\$ 1,767,548
Investments	5,689,305	4,822,935
Accounts Receivable	5,768,166	6,550,346
Allowance for Credit Losses	(1,849,989)	(3,397,177)
Accounts Receivable, Net	3,918,177	3,153,169
Due From Related Party, Current	-	1,011,137
Entrance Fees Receivable	377,156	-
Prepaid Expenses and Other Current Assets	758,591	492,033
Total Current Assets	13,781,212	11,246,822
DUE FROM RELATED PARTY, NET OF CURRENT PORTION	845,845	17,471
PROPERTY, PLANT, AND EQUIPMENT, NET	108,126,888	113,597,916
ASSETS LIMITED AS TO USE		
Designated for Statutory Operating Reserve	9,232,000	8,606,000
Held Under Bond Agreements	8,581,627	8,283,409
Board Designated	1,009,901	884,115
Donor Restricted	1,635,073	909,480
Total Assets Limited as to Use	20,458,601	18,683,004
ASSETS UNDER INTEREST RATE SWAP AGREEMENTS	3,412,479	4,196,173
OTHER ASSETS		
Deferred Marketing Costs, Net	408,137	439,304
Total Other Assets	408,137	439,304
Total Assets	\$ 147,033,162	\$ 148,180,690

See accompanying Notes to Consolidated Financial Statements.

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF ALDRSGATE LIFE PLAN SERVICES, INC.)
CONSOLIDATED BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2023 AND 2022

	2023	2022
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 6,654,522	\$ 8,746,773
Entrance Fee Deposits on Unoccupied Units	747,248	501,709
Current Portion of Long-Term Debt	3,356,250	3,322,500
Current Portion of Refundable Entrance Fees	1,326,885	1,920,813
Total Current Liabilities	12,084,905	14,491,795
 LONG-TERM DEBT, NET	 100,064,238	 103,296,109
 OTHER LONG-TERM LIABILITIES	 103,680	 103,680
 DEFERRED ENTRANCE FEES, NET	 27,318,869	 27,512,701
 REFUNDABLE ENTRANCE FEES, NET	 49,953,710	 47,778,027
Total Liabilities	189,525,402	193,182,312
 NET ASSETS		
Without Donor Restrictions:		
Undesignated	(45,137,214)	(46,795,217)
Designated by the Board for Endowment Fund	1,009,901	884,115
Total Without Donor Restrictions	(44,127,313)	(45,911,102)
With Donor Restrictions	1,635,073	909,480
Total Net Assets	(42,492,240)	(45,001,622)
Total Liabilities and Net Assets	\$ 147,033,162	\$ 148,180,690

See accompanying Notes to Consolidated Financial Statements.

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF ALDRSGATE LIFE PLAN SERVICES, INC.)
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
REVENUE, GAINS, AND OTHER SUPPORT		
Resident Service Revenue	\$ 40,356,351	\$ 37,141,177
Amortization of Deferred Entrance Fees	4,531,777	3,810,084
Investment Income, Net	583,657	1,671,820
Other Support	1,061,843	1,535,564
Other Revenue - Employee Retention Credit	2,099,018	-
Contributions	193,194	134,022
Total Revenue, Gains, and Other Support	48,825,840	44,292,667
EXPENSES		
Nursing and Related Services	14,789,559	13,733,386
Dietary	5,790,353	6,089,777
Housekeeping and Laundry	1,426,246	1,961,261
Plant Operations	4,894,550	5,170,303
Administration	9,688,794	17,091,789
Interest Expense	4,262,420	4,372,777
Amortization	37,446	37,446
Depreciation	7,091,997	7,032,296
Total Expenses	47,981,365	55,489,035
OPERATING INCOME (LOSS)	844,475	(11,196,368)
NONOPERATING INCOME (LOSS)		
Change in Net Unrealized Gains (Losses) on Investments	1,448,618	(5,632,066)
Write-Off of Related Party Receivable	(1,032,758)	(3,810,099)
Write-Off of Related Party Receivable - Capital	-	(3,491,914)
Gain (Loss) on Disposal of Fixed Assets	1,307,148	(374,826)
Change in Value of Interest Rate Swap Agreements	(783,694)	4,177,452
Total Nonoperating Income (Loss)	939,314	(9,131,453)
EXCESS (DEFICIT) OF REVENUES, GAINS, AND OTHER SUPPORT OVER (UNDER) EXPENSES AND INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	\$ 1,783,789	\$ (20,327,821)

See accompanying Notes to Consolidated Financial Statements.

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF ALDRSGATE LIFE PLAN SERVICES, INC.)
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Excess (Deficit) of Revenues, Gains, and Other Support Over (Under) Expenses	\$ 1,783,789	\$ (20,327,821)
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	254,303	180,405
Change in Value of Beneficial Interest With Donor Restrictions	471,290	-
INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS	725,593	180,405
INCREASE (DECREASE) IN NET ASSETS	2,509,382	(20,147,416)
Net Assets - Beginning of Year	(45,001,622)	(24,854,206)
NET ASSETS - END OF YEAR	\$ (42,492,240)	\$ (45,001,622)

See accompanying Notes to Consolidated Financial Statements.

(7)

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF ALDRSGATE LIFE PLAN SERVICES, INC.)
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023

	Program Services	Management and General	Fundraising and Development	Total
Salaries and Wages	\$ 16,964,478	\$ 520,717	\$ 121,998	\$ 17,607,193
Employee Benefits	1,176,007	571,281	-	1,747,288
Payroll Taxes	1,407,008	159,280	11,971	1,578,259
Professional Services	1,028,581	1,041,422	-	2,070,003
Advertising and Promotion	-	267,481	25,241	292,722
Office Expenses	86,492	636,931	62,821	786,244
Travel	31,161	124,152	11,676	166,989
Conferences and Meetings	2,109	13,387	909	16,405
Interest	4,244,050	16,762	-	4,260,812
Insurance	240,903	363,356	-	604,259
Supplies	3,341,316	-	-	3,341,316
Management Fees	-	2,028,233	-	2,028,233
General and Administrative	3,442,620	580,303	-	4,022,923
Depreciation and Amortization	6,701,676	427,767	-	7,129,443
Equipment Expenses	740,272	740,272	-	1,480,544
Dues and Subscriptions	96,779	96,779	-	193,558
Other	547,036	104,890	3,248	655,174
	<u>\$ 40,050,488</u>	<u>\$ 7,693,013</u>	<u>\$ 237,864</u>	<u>\$ 47,981,365</u>
Total Expenses				

See accompanying Notes to Consolidated Financial Statements.

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF ALDRSGATE LIFE PLAN SERVICES, INC.)
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Program Services	Management and General	Fundraising and Development	Total
Salaries and Wages	\$ 17,010,330	\$ 522,124	\$ 122,328	\$ 17,654,782
Employee Benefits	1,817,704	883,005	-	2,700,709
Payroll Taxes	1,335,993	151,241	11,367	1,498,601
Professional Services	2,988,483	1,875,605	-	4,864,088
Advertising and Promotion	-	157,803	14,891	172,694
Office Expenses	73,943	544,523	53,707	672,173
Travel	19,411	77,339	7,274	104,024
Conferences and Meetings	6,000	38,085	2,585	46,670
Interest	4,344,478	17,159	-	4,361,637
Insurance	161,391	243,428	-	404,819
Supplies	3,132,735	-	-	3,132,735
Management Fees	-	1,895,195	-	1,895,195
General and Administrative	4,688,154	790,256	-	5,478,410
Depreciation and Amortization	6,645,558	424,184	-	7,069,742
Equipment Expenses	681,123	681,123	-	1,362,246
Dues and Subscriptions	138,776	138,776	-	277,552
Other	3,167,503	606,670	18,785	3,792,958
	<u>\$ 46,211,582</u>	<u>\$ 9,046,516</u>	<u>\$ 230,937</u>	<u>\$ 55,489,035</u>
Total Expenses				

See accompanying Notes to Consolidated Financial Statements.

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF ALDRSGATE LIFE PLAN SERVICES, INC.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ 2,509,382	\$ (20,147,416)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Proceeds from Non-refundable Entrance Fees	5,212,893	7,247,882
Depreciation	7,091,997	7,032,296
Amortization of Deferred Marketing Costs	31,167	31,167
Amortization of Bond Discount	6,279	6,279
Amortization of Debt Issuance Costs	110,600	88,226
Provision for Credit Loss	92,419	3,981,920
Write-Off of Related Party Receivable	1,032,758	3,810,099
Write-Off of Related Party Receivable- Capital	-	3,491,914
(Gain) Loss on the Disposal of Assets	(1,307,148)	374,826
Change in Value of Interest Rate Swap Agreements	783,694	(4,177,452)
Amortization of Deferred Entrance Fees	(4,531,777)	(3,810,084)
Net Unrealized (Gains) Losses on Investments	(1,448,618)	5,632,066
Net Realized Gains on Investments	(523,272)	(1,716,173)
Changes in Operating Assets and Liabilities:		
Accounts Receivable, Net	(857,427)	(1,871,786)
Due (to)/From Related Party	(849,995)	(1,337,012)
Prepaid Expenses and Other Current Assets	(266,558)	278,897
Entrance Fee Deposits on Unoccupied Units	753,914	(3,588,849)
Accounts Payable and Accrued Expenses	(2,092,251)	4,244,173
Net Cash Provided (Used) by Operating Activities	5,748,057	(429,027)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property, Plant, and Equipment	(1,813,821)	(2,679,106)
Proceeds from Sale of Property, Plant, and Equipment	1,500,000	-
Net (Purchases) Sales of Investments and Assets Limited as to Use	(1,744,433)	4,209,897
Net Cash Provided (Used) by Investing Activities	(2,058,254)	1,530,791
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Long-Term Debt	(3,315,000)	(3,364,061)
Proceeds from Refundable Entrance Fees	3,961,458	6,020,778
Entrance Fees Refunded	(4,140,182)	(2,800,275)
Net Cash Used by Financing Activities	(3,493,724)	(143,558)

See accompanying Notes to Consolidated Financial Statements.

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF ALDRSGATE LIFE PLAN SERVICES, INC.)
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	\$ 196,079	\$ 958,206
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	3,615,787	2,657,581
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	\$ 3,811,866	\$ 3,615,787
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH TO THE BALANCE SHEETS		
Cash and Cash Equivalents	\$ 3,037,983	\$ 1,767,548
Restricted Cash included in Assets Limited as to Use	773,883	1,848,239
Total Cash, Cash Equivalents, and Restricted Cash	\$ 3,811,866	\$ 3,615,787
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 4,173,821	\$ 4,285,375
Property, Plant, and Equipment Additions in Accounts Payable	\$ 28,040	\$ -

See accompanying Notes to Consolidated Financial Statements.

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF ALDRSGATE LIFE PLAN SERVICES, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Aldersgate United Methodist Retirement Community, Inc. (Aldersgate at Shamrock) is a North Carolina nonprofit corporation operated in cooperation with the Western North Carolina Conference of The United Methodist Church (the Conference). Aldersgate at Shamrock is a continuing care retirement community located in Charlotte, North Carolina. Its campus includes independent living apartments and cottages, assisted living apartments including memory-support, and a skilled nursing facility offering long-term care and Medicare and Medicaid certified skilled nursing and rehabilitation services.

Aldersgate Holdings, Inc. (Holdings), a nonprofit corporation, is consolidated with Aldersgate at Shamrock as Aldersgate at Shamrock has an economic interest in Holdings and common control exists. Holdings holds land for the sole support of Aldersgate at Shamrock.

Aldersgate at Shamrock is an affiliate of Aldersgate Life Plan Services, Inc. (ALPS), the sole member of Aldersgate at Shamrock. ALPS was incorporated in 2016 as a North Carolina nonprofit corporation. The purpose of ALPS is to create, maintain, and operate continuing care retirement communities and to provide related services as a nonprofit corporation. ALPS also functions as the sole member of Aldersgate at Home, Inc. (Aldersgate at Home), Aldersgate at Sharon, Inc. (Aldersgate at Sharon), Aldersgate at Shalom Park, Inc. dba: Generations at Shalom Park (Generations at Shalom Park), Aldersgate Home Health, Inc. (Aldersgate Home Health), Aldersgate Foundation, Inc. (Foundation), ALPS MGP, LLC, (ALPS MGP), ALPS Real Estate Holdings A, LLC, (Holdings A), and ALPS Real Estate Holdings B, LLC (Holdings B). These entities are related organizations to Aldersgate at Shamrock. During 2023, Aldersgate Home Health and Aldersgate at Sharon were dissolved.

Principles of Consolidation

The consolidated financial statements include the accounts of Aldersgate at Shamrock and Holdings (collectively, Aldersgate). Significant intercompany balances and transactions between the consolidated organizations have been eliminated.

Basis of Presentation

Aldersgate reports in accordance with the industry audit and accounting guide for Health Care Entities issued by the American Institute of Certified Public Accountants. These consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America to present balances and transactions according to the existence or absence of donor-imposed restrictions. This is accomplished by classification of net assets and transactions into two classes which are with donor restrictions and without donor restrictions.

Net Assets With Donor Restrictions – Net assets with donor restrictions are net assets subject to donor-imposed stipulations that are either restricted in perpetuity, time restricted, or restricted for certain purposes. Generally, the donor of these assets will permit Aldersgate to use all or part of the income earned on related investments for general or specific purposes.

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF ALDRSGATE LIFE PLAN SERVICES, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Net Assets Without Donor Restrictions – Net assets without donor restrictions are net assets which represent resources generated from operations, contributions received without donor-imposed restrictions, and contributions with donor-imposed restrictions that have been met by actions of Aldersgate and/or the passage of time.

Use of Estimates

The preparation of consolidated 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 in the consolidated financial statements and accompanying notes. Estimates made by Aldersgate relate primarily to the life expectancies used to amortize deferred revenue from entrance fees, the collectability of accounts receivable and the economic lives of depreciating assets. Actual results could differ from those estimates.

Cash and Cash Equivalents

Aldersgate considers all cash, money market funds, and highly liquid investments with a stated maturity of three months or less when purchased to be cash and cash equivalents unless classified as assets limited as to use.

Allowance for Credit Losses

The carrying amount of accounts receivable has been reduced by an allowance using management's estimate of the amounts that will not be collected. Payment for services is required upon receipt of invoice or claim submitted. The allowance for credit losses is based on historical experience, management's estimate of the likelihood of collectability of resident accounts considering payor source and the age of the account, and future economic conditions and market trends. Accounts past due are also individually analyzed for collectability. Management believes the composition of receivables and roll-forward of allowance at year-end is consistent with historical conditions as credit terms and practices and the customer base has not changed significantly. Aldersgate believes all receivables net of the allowance for credit losses of approximately \$1,850,000 and \$3,397,000, respectively, are collectible as of December 31, 2023 and 2022.

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

	<u>2023</u>	<u>2022</u>
Balance, Beginning of the Year	(3,397,177)	(409,278)
Provisions and Adjustments	(560,444)	(3,981,920)
Write-offs, Net of Recoveries	2,107,632	994,021
Balance, End of Period	<u>\$ (1,849,989)</u>	<u>\$ (3,397,177)</u>

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NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are held as available for sale and are stated at fair value in the consolidated balance sheets. Investment income (including realized gains and losses on investments, interest, and dividends) is included in the excess (deficit) of revenues, gains, and other support over (under) expenses unless restricted by donors or law. Unrealized gains and losses on investments are excluded from investment income and included as nonoperating income, as appropriate.

Beneficial Interest in Assets Held by Others

Aldersgate holds a beneficial interest in assets held by the Foundation for the Carolinas. These funds are administered by an independent trustee and are carried at fair value. During the year ended December 31, 2023, the assets held were perpetual and the funds were reported as perpetually restricted net assets with donor restrictions.

Assets Limited as to Use

Assets limited as to use are stated at fair value in the consolidated balance sheets and include assets required by statute, held under bond agreements, held under donor restrictions, or designated by the board of directors for financial assistance to residents. The board may, at its discretion, subsequently use assets it has designated for other purposes.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost, net of accumulated depreciation. Assets contributed to Aldersgate are recorded at fair market value at the date of contribution. Aldersgate capitalizes all assets over \$1,000 with a useful life greater than two years.

Expenditures which materially increase values, change capacities, or extend useful lives are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 40 years.

Debt Issuance Costs

Debt issuance costs have been incurred in connection with the issuance of Aldersgate's long-term debt. These costs are amortized using the straight-line method over the term of the related indebtedness, which approximates the effective interest method. During the year ended December 31, 2021, Aldersgate wrote off approximately \$515,000 of bond issuance costs associated with its refinanced debt and recorded approximately \$491,000 of new bond issuance costs associated with its 2021 financing. Debt issuance costs, net of accumulated amortization, were approximately \$1,232,000 and \$1,343,000 at December 31, 2023 and 2022, respectively.

In accordance with generally accepted accounting principles (GAAP), Aldersgate presents debt issuance costs as a direct deduction from the face amount of the related borrowings, amortizes debt issuance costs over the life of the debt, and records the amortization as a component of interest expense.

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NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Refundable Advance – Paycheck Protection Program

In April 2020, Aldersgate received loan proceeds in the amount of \$3,636,800 to fund payroll, rent, utilities and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The PPP loan may be forgiven by the U.S. Small Business Administration (SBA) subject to certain performance barriers, as outlined in the loan agreement and the Coronavirus Aid, Relief, and Economic Security (CARES) Act. In 2021, the SBA granted forgiveness on the balance of the loan, with the exception of approximately \$133,000. The remaining unpaid balance was due by May 2022 and was included within the Current Portion of Long-Term Debt on the consolidated balance sheet as of December 31, 2021. The amount forgiven was shown as Contributions – Paycheck Protection Program in the accompanying statements of operations in 2021. During the year ended December 31, 2022, Aldersgate paid back the remaining balance of the loan.

The SBA may review funding eligibility and usage of funds in compliance with the program based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Organization's financial position.

Employee Retention Credit

The CARES Act allows a credit (Employee Retention Credit or ERC) against applicable employment taxes for eligible employers. Employers, including tax-exempt organizations, are eligible for the ERC, if they operate a trade or business during calendar year 2020 and 2021 and experience either the full or partial suspension of the operations of their business during any calendar quarter due to a significant decline in gross receipts or because of governmental orders limiting commerce, travel or group meetings due to COVID-19. The credit applies to qualified wages (including certain health plan expenses) paid during this period or any calendar quarter in which eligibility requirements were met.

Grants from the government are recognized when all conditions of such grants are fulfilled or there is reasonable assurance that they will be fulfilled. During the year ended December 31, 2023, Aldersgate claimed a credit and received funding in the amount of \$2,099,018. Aldersgate believes it meets the eligibility requirements and conditions to claim the credit.

ERC is subject to eligibility review for up to five years from the date of the claim. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on Aldersgate's financial position.

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NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Entrance Fees

Entrance fees represent initial payments made by residents in exchange for membership at Aldersgate. Membership includes the use and privileges of amenities at the community and discounted fees for certain residents when using health care accommodations. Entrance fees are based upon the accommodation chosen by the member. Aldersgate offers four types of lifecare residency agreements distinguished by the extent to which the entrance fee is refundable:

Standard Contract – Entrance fees are refundable less a processing fee and less 2% per month for each of the first 50 months of residency, unless refunded within the first five months, in which case the refund is the entrance fee paid less a processing fee and 10% of the entrance fee paid.

95% Refundable Contract – Entrance fees are refundable less a processing fee and less 5%. This contract option was available only for certain new charter members.

90% Refundable Contract – Entrance fees are refundable less a processing fee and less 10%.

50% Refundable Contract – Entrance fees are refundable less a processing fee and less 1% per month for each of the first 50 months of occupancy, unless refunded within the first 11 months, in which case the refund is the entrance fee paid less a processing fee and 10% of the entrance fee paid. After 50 months of occupancy, the refund is 50% of the entrance fee paid.

The defined health care benefit for these contracts is an equalized rate that residents would pay while in either assisted living or nursing, regardless of the type of independent unit they occupy.

The refundable portion of entrance fees is recorded as Refundable Entrance Fees until such time as the agreement is terminated. The nonrefundable portion of entrance fees is recorded as Deferred Entrance Fees and amortized into income using the straight-line method over the remaining life of the member, actuarially adjusted annually, beginning with the date of each member's occupancy.

Financial Assistance

Aldersgate has a financial assistance policy to identify residents who are unable to pay and use certain funds designated for financial assistance to subsidize the entrance fees and services provided to those residents. A resident who enters Aldersgate and later becomes unable to pay some or all of their charges after receiving care, through no fault of their own, may apply for financial assistance from Aldersgate's Financial Assistance Program. The policy governing this program has established a committee consisting of management and members of the board of directors to accept and consider applications for assistance.

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NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Assistance (Continued)

Aldersgate has estimated its direct and indirect costs of providing financial assistance under its Financial Assistance Program. 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 amounts charged to residents. The cost-to-charge ratio is applied to the charges foregone to calculate the estimated direct and indirect cost of providing financial assistance. Using this methodology, Aldersgate has estimated the costs for services under Aldersgate's financial assistance policy to be approximately \$146,000 and \$174,000 for the years ended December 31, 2023 and 2022, respectively.

Aldersgate received approximately \$126,000 and \$157,000 to subsidize the costs of providing financial assistance under its policy for the years ended December 31, 2023 and 2022, respectively.

Donor-Restricted Contributions

Conditional promises to give and indications of intentions to give cash and other assets to Aldersgate are reported at fair value at the date the contribution is received. The contributions are reported as support 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 as net assets without donor restrictions and are reported in the consolidated statements of operations as net assets released from restrictions if used for services, and are reported as changes in net assets without donor restrictions if used for purchase of property and equipment. Donor-restricted contributions, whose restrictions are met within the same year as received, are reported as other income in the accompanying consolidated statements of operations.

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

The consolidated statements of operations include excess (deficit) of revenues, gains, and other support over (under) expenses. Changes in net assets without donor restrictions which are excluded from excess (deficit) of revenues, gains, and other support over (under) expenses, consistent with industry practice, would include permanent transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

Income Taxes

Aldersgate at Shamrock and Holdings are exempt from federal income taxes under Section 501(c)(3) and 501(c)(2), respectively, of the Internal Revenue Code (IRC). Accordingly, Aldersgate at Shamrock and Holdings have made no provision for income taxes in the consolidated financial statements.

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NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

Aldersgate at Shamrock and Holdings are not aware of any activities that would jeopardize their tax-exempt status. Aldersgate at Shamrock and Holdings follow accounting guidance regarding recognition and measurement of uncertain tax positions. As of December 31, 2023 and 2022, management is not aware of any uncertain tax positions.

Fair Value of Financial Instruments

Aldersgate uses fair value measurements to record certain assets and liabilities. Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under the Fair Value Measurements and Disclosures standard. Aldersgate 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 Aldersgate 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 may be 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.

The Fair Value Option Standard for Financial Assets and Financial Liabilities allows entities the irrevocable option to elect fair value for the initial and subsequent measurement for eligible financial assets and liabilities on an instrument-by-instrument basis. Aldersgate has not elected to measure any existing financial assets or financial liabilities at fair value under this option.

Deferred Marketing Costs

Deferred marketing costs of approximately \$533,000 are being amortized using the straight-line method. Total accumulated amortization was approximately \$125,000 and \$93,501 as of December 31, 2023 and 2022, respectively.

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NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of programs and supporting services activities have been summarized on a functional basis in the consolidated statements of operations. The consolidated statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The consolidated 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.

New Accounting Pronouncements

Aldersgate has adopted 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. Aldersgate adopted this new guidance utilizing the modified retrospective transition method. The adoption of this Standard did not have a material impact on Aldersgate's financial statements but did change how the allowance for credit losses is determined.

Reclassifications

Certain amounts in the 2022 financial statements have been reclassified to conform to the 2023 presentation, with no effect on the previously reported net assets or change in net assets.

Subsequent Events

In preparing these consolidated financial statements, Aldersgate has evaluated events and transactions for potential recognition or disclosure through May 23, 2024, the date the consolidated financial statements were available to be issued.

NOTE 2 STATUTORY OPERATING RESERVE

Assets limited as to use designated for the statutory operating reserve represent an amount set aside to meet the requirements of North Carolina General Statute Chapter 58, Article 64. Under this legislation, Aldersgate is required to maintain an operating reserve at least equal to 25% (50% if occupancy is less than 90%) of projected operating costs as defined by the statute. Aldersgate has designated approximately \$9,232,000 and \$8,606,000 at December 31, 2023 and 2022, respectively, as the statutory operating reserve required by state statute.

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NOTE 3 RISKS AND UNCERTAINTIES

Concentrations of Credit Risks

Financial instruments, which potentially subject Aldersgate to concentration of credit risk, consist principally of cash equivalents, investments, assets limited as to use, and receivables. Aldersgate limits the amount of credit exposure to each individual financial institution and places its temporary cash and investments with high credit quality financial institutions. At times, such cash and investments may be in excess of Federal Deposit Insurance Corporation limits. Management believes these financial institutions have strong credit ratings and that credit risk related to these deposits is minimal.

Regulatory Matters

Aldersgate is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, Medicare and Medicaid program participation requirements and reimbursement for patient services, and Medicare and Medicaid fraud and abuse.

Since August 2023, Aldersgate has operated under consent orders of administrative supervision with the North Carolina Department of Insurance. This supervision requires additional reporting and approval from the North Carolina Department of Insurance for certain spending and business transactions. Aldersgate management is not aware of any noncompliance with the consent orders. Aldersgate is expected to be under these orders until a determination is made by the North Carolina Department of Insurance that Aldersgate is in the appropriate financial condition.

Insurance

Aldersgate purchases commercial insurance policies for general and professional liability, director and officer, workers' compensation, property, and other general business coverage with minimal deductibles. Adequate provision has been made for amounts expected to be paid under each policy's deductible limits for unasserted claims not covered by the policy and any other uninsured liability.

On July 1, 2016, Aldersgate changed from a fully insured health insurance plan for its employees to a self-insured arrangement. From the employee perspective, the elements of the self-insured plan are identical to what had been in place under the fully insured plan, but the risk for payment of all claims is now borne by Aldersgate rather than an insurance company. Effective October 1 2023, Aldersgate joined the Heritage Captive to remain self-funded, but under the risk sharing model of the captive. Aldersgate has engaged Cigna as third-party administrator, giving employees access to the Cigna network and negotiated fees. Aldersgate also has purchased specific stop loss protection from BCBSNC for all claims over \$100,000, and aggregate stop loss protection for aggregated claims which exceed \$1,000,000 over the policy period of 12 months.

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NOTE 4 INVESTMENTS

Investments consist of the following as of December 31:

	<u>2023</u>	<u>2022</u>
Commonfund Contingent Asset Portfolio	\$ 215,612	\$ 196,002
Commonfund Institutional High Quality Bond Fund, LLC	2,309,836	2,073,040
Commonfund SSgA Russell 3000 Index	-	2,078,364
Commonfund SSgA MSCI ACWI	-	475,529
Commonfund Vanguard Russell 3000 Index Fund	2,574,313	-
Commonfund City National Rochdale Government MM Fund	2,001	-
Commonfund Fidelity Global ex U.S. Index Fund	587,543	-
Total	<u>\$ 5,689,305</u>	<u>\$ 4,822,935</u>

Realized gains and losses on sales of investments and assets limited as to use are calculated using the specific identification method. Investment income included in net assets is comprised of the following:

	<u>2023</u>	<u>2022</u>
Revenues, Gains, and Other Support:		
Interest and Dividends	\$ 84,728	\$ 58,191
Realized Net Gains on Investments	523,272	1,716,173
Total	<u>608,000</u>	<u>1,774,364</u>
Less: Investment Fees	<u>(24,343)</u>	<u>(102,544)</u>
Investment Income, Net	583,657	1,671,820
Nonoperating Income (Loss):		
Unrealized Net Gains (Losses) on Investments	<u>1,448,618</u>	<u>(5,632,066)</u>
Total Investment Income (Loss)	<u>\$ 2,032,275</u>	<u>\$ (3,960,246)</u>

NOTE 5 PROPERTY, PLANT, AND EQUIPMENT

The components of property, plant, and equipment at December 31 were as follows:

	<u>2023</u>	<u>2022</u>
Land and Improvements	\$ 13,508,850	\$ 12,711,941
Buildings and Improvements	172,242,951	168,916,187
Furniture, Fixtures, and Equipment	20,182,886	19,978,352
Vehicles	546,074	482,285
Subtotal	<u>206,480,761</u>	<u>202,088,765</u>
Less: Accumulated Depreciation	<u>(100,111,300)</u>	<u>(93,023,302)</u>
Subtotal	106,369,461	109,065,463
Construction in Progress	<u>1,757,427</u>	<u>4,532,453</u>
Property and Equipment, Net	<u>\$ 108,126,888</u>	<u>\$ 113,597,916</u>

Depreciation expense for the years ended December 31, 2023 and 2022 totaled approximately \$7,092,000 and \$7,033,000, respectively. The majority of the construction in progress at December 31, 2023 and 2022, relates to campus upgrades and unit renovations in assisted living.

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NOTE 6 ASSETS LIMITED AS TO USE

Assets limited as to use are comprised of the following at December 31, 2023 and 2022.

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 773,883	\$ 1,848,239
Mutual Funds	10,395,784	9,515,480
Money Market Funds	7,807,744	6,435,170
Beneficial Interests in Assets Held by Others	1,481,190	884,115
Total	<u>\$ 20,458,601</u>	<u>\$ 18,683,004</u>

NOTE 7 LONG-TERM DEBT

Long-term debt consists of the following at December 31:

	<u>2023</u>	<u>2022</u>
North Carolina Medical Care Commission:		
Retirement Facilities Revenue Bonds, Series 2015	\$ 49,240,000	\$ 49,240,000
Retirement Facilities Revenue Refunding Bonds, Series 2017A	17,455,000	17,880,000
Retirement Facilities Revenue Refunding Bonds, Series 2021A	-	26,250,000
Retirement Facilities Revenue Refunding Bonds, Series 2021B	14,160,000	14,695,000
Retirement Facilities Revenue Refunding Bonds, Series 2023	23,895,000	-
Subtotal	<u>104,750,000</u>	<u>108,065,000</u>
Less: Current Portion	(3,356,250)	(3,322,500)
Less: Unamortized Bond Discount	(97,138)	(103,417)
Less: Unamortized Debt Issuance Costs	(1,232,374)	(1,342,974)
Total	<u>\$ 100,064,238</u>	<u>\$ 103,296,109</u>

In October 2013, the North Carolina Medical Care Commission issued its \$38,025,000 Retirement Facilities First Mortgage Revenue Refunding Bonds Series 2013 (the 2013 Bonds). The proceeds of the 2013 Bonds were used to refund the then outstanding 2009 and 2010 Bonds, to fund a debt service reserve fund, and to pay certain costs incurred in connection with the authorization and issuance of the 2013 Bonds. Principal payments on the 2013 Bonds began in July 2014 and were to extend through July 2035. Interest on the 2013 Bonds was paid semi-annually with interest rates ranging from 2% to 6.25%. The 2013 Bonds were refinanced in 2021 with the proceeds of the North Carolina Medical Care Commission Taxable Retirement Facilities Revenue Refunding Bonds, Series 2021A.

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NOTE 7 LONG-TERM DEBT (CONTINUED)

In November 2015, the North Carolina Medical Care Commission issued its \$49,240,000 Retirement Facilities First Mortgage Revenue Bonds Series 2015 (the 2015 Bonds). The proceeds of the 2015 Bonds were for the purpose of providing funds to Aldersgate at Shamrock to be used to finance the cost of an approximately 140,000 square-foot replacement 125-bed nursing home, to refinance the cost of the completion of, and the additions and improvements to, the existing memory care support facility, renovation and reconfiguration of the existing memory support town center, and to pay certain expenses incurred in connection with the issuance of the Series 2015 Bonds. Principal payments on the 2015 Bonds begin in July 2032 and extend through July 2045. Interest on the 2015 Bonds is paid semi-annually with interest rates ranging from 4.7% to 5%.

In September 2016, Aldersgate at Shamrock entered into a loan agreement with a financial institution for an amount not to exceed \$16,400,000. An initial advance of approximately \$2,878,000 was provided at closing to refund outstanding debt. Additional advances on the loan were made by the financial institution at the request of Aldersgate at Shamrock as needed for construction. Interest was payable monthly beginning October 2016 at a rate of LIBOR plus a credit spread (ranging from 2.2% to 2.9%) depending on Aldersgate at Shamrock's debt to capitalization ratio. The outstanding balance was paid from the proceeds related to the issuance of the North Carolina Medical Care Commission Retirement Facilities First Mortgage Revenue Refunding Bonds, Series 2017A.

In May 2017, the North Carolina Medical Care Commission issued its \$19,080,000 Retirement Facilities First Mortgage Revenue Refunding Bonds Series 2017A (the 2017A Bonds). The proceeds of the 2017A Bonds were to refund the outstanding 2016 bank loan, finance the costs of constructing, renovating, equipping, and furnishing an approximately 43,000 square foot community center, to acquire a parcel of land, to fund a debt service reserve fund, and to pay certain expenses incurred in connection with the issuance of the Series 2017A Bonds. Principal payments on the 2017A Bonds began in July 2020 and extend through July 2047. Interest on the 2017A Bonds is paid semi-annually with interest rates ranging from 2.5% to 4.5%.

In May 2017, the North Carolina Medical Care Commission issued its \$15,712,645 Retirement Facilities First Mortgage Revenue Bonds Series 2017B (the 2017B Bonds). The proceeds of the 2017B Bonds were used to construct, equip, furnish, and market 62 new independent living units, fund routine capital improvements to buildings throughout Aldersgate at Shamrock's campus and to pay certain expenses incurred in connection with the issuance of the Series 2017B Bonds. Principal payments on the 2017B Bonds began in July 2019 and were to extend through June 2044. The 2017B Bonds were a draw down loan. Monthly interest payments began July 2017 at a variable rate based upon 67% of the sum of the 30-day LIBOR, calculated on the basis of an actual 360-day year, plus a credit spread. The 2017B Bonds were refinanced in 2021 with the proceeds of the North Carolina Medical Care Commission Tax- Exempt Retirement Facilities Revenue Refunding Bonds, Series 2021B.

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NOTE 7 LONG-TERM DEBT (CONTINUED)

In July 2021, the North Carolina Medical Care Commission issued its \$28,685,000 Taxable Retirement Facilities Revenue Refunding Bonds (the 2021A Bonds). The proceeds of the 2021A Bonds were to refund the outstanding 2013 Bonds, fund interest due on the 2013 Bonds through the bond call date, and pay certain expenses incurred in connection with the issuance of the 2021A Bonds. Interest funded through the call date of \$2,990,978 was recognized as part of the loss on the early extinguishment of debt in 2021. Principal payments on the 2017A Bonds begin in July 2022 and extend through June 2035. Monthly interest payments began September 2021 and are paid semi-annually with interest rates ranging from 2.2% to 2.7%. In March 2023, the 2021A Bonds were converted to tax- exempt bonds and reissued at the remaining principal balance of \$25,665,000 (the 2023 Bonds).

In July 2021, the North Carolina Medical Care Commission issued its \$15,340,000 Retirement Facilities Revenue Refunding Bonds (the 2021B Bonds). The proceeds of the 2021B Bonds were to refund the outstanding 2017B Bonds, terminate the interest rate swap agreement used to hedge the 2017B Bonds and pay certain expenses incurred in connection with the issuance of the 2021B Bonds. Principal payments on the 2017B Bonds began in December 2021 and extend through June 2044. Monthly interest payments began September 2021 and is paid semi-annually with interest rate of 2.6%

In July 2021, Aldersgate entered into an interest rate swap agreement related to a portion of the outstanding Series 2021A Bonds. The swap agreement is with a financial institution and has an original notional amount of \$28,685,000, with a trade date and effective date of July 28, 2021, and a termination date of April 3, 2023. Under the swap agreement, the interest on the Aldersgate 2021A Bonds variable rate borrowings are effectively converted to 1.95%. Aldersgate recognized the fair value of the of its interest rate swap on the consolidated balance sheets, representing an asset of approximately \$364,000 at December 31, 2022.

In July 2021, Aldersgate entered into an interest rate swap agreement related to a portion of the outstanding Series 2021A Bonds. The swap agreement is with a financial institution and has an original notional amount of \$25,470,000, with a trade date of July 28, 2021, and a forward effective date of April 2, 2023, and a termination date of July 1, 2033. Under the swap agreement, the interest on the Aldersgate 2021A Bonds variable rate borrowings are effectively converted to 2.66%. Aldersgate recognized the fair value of the of its interest rate swap on the consolidated balance sheets, representing an asset of approximately \$1,758,000 and \$1,970,000 at December 31, 2023 and 2022, respectively.

In July 2021, Aldersgate entered into an interest rate swap agreement related to a portion of the outstanding Series 2021B Bonds. The swap agreement is with a financial institution and has an original notional amount of \$15,340,000, with a trade date and effective date of July 28, 2021, and a termination date of July 1, 2033. Under the swap agreement, the interest on the Aldersgate 2021B Bonds variable rate borrowings are effectively converted to 1.58%. Aldersgate recognized the fair value of the of its interest rate swap on the consolidated balance sheets, representing an asset of approximately \$1,654,000 and \$1,861,000 at December 31, 2023 and 2022, respectively.

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NOTE 7 LONG-TERM DEBT (CONTINUED)

Aldersgate at Shamrock has certain requirements as well as other financial covenants contained in its bond agreements. Management is not aware of any noncompliance with these covenants as of December 31, 2023. The series 2015, 2017A, 2021A, and 2021B Bonds are collateralized by certain property of Aldersgate.

Scheduled annual principal maturities of long-term debt are as follows:

<u>Maturity Date</u>	<u>Principal Amount</u>
2024	\$ 3,356,250
2025	3,455,000
2026	3,550,000
2027	3,645,000
2028	3,750,000
Thereafter	<u>86,993,750</u>
Total	<u>\$ 104,750,000</u>

NOTE 8 ENTRANCE FEES

Deferred entrance fee revenue by contract type as of December 31 was as follows:

	<u>2023</u>	<u>2022</u>
Standard	\$ 13,997,247	\$ 14,151,777
95% Refundable	119,588	133,319
90% Refundable	1,458,433	1,646,229
50% Refundable	11,743,601	11,581,376
Total	<u>\$ 27,318,869</u>	<u>\$ 27,512,701</u>

Refundable entrance fees by contract type as of December 31 were as follows:

	<u>2023</u>	<u>2022</u>
Standard	\$ 405,601	\$ 271,969
95% Refundable	4,498,924	4,149,529
90% Refundable	28,179,630	28,375,979
50% Refundable	18,196,440	16,901,363
Total	<u>\$ 51,280,595</u>	<u>\$ 49,698,840</u>

As of December 31, 2023 and 2022, approximately \$1,327,000 and \$1,921,000 of refundable entrance fees were contractually past due.

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NOTE 9 NET ASSETS

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31:

	2023	2022
Subject to Expenditure for Specific Purpose:		
Financial Assistance to Residents	\$ 362,168	\$ 235,991
Woodshop	5,255	5,255
Suzanne H. Pugh Leadership Development Scholarship for Women	2,000	2,000
Art	29,424	5,119
LEAF	32,600	7,600
Chapel Fund	11,226	-
Other	76,494	8,899
Subtotal	519,167	264,864
Subject to Aldersgate's Spending Policy and Appropriation:		
Endowment Funds	1,115,906	644,616
Total Net Assets With Donor Restrictions	\$ 1,635,073	\$ 909,480

There were no releases from restrictions for the years ended December 31, 2023 and 2022.

Aldersgate's net assets with donor restrictions include individual endowments established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

Aldersgate complies with the North Carolina Uniform Prudent Management of Institutional Funds Act (the Act). Aldersgate has interpreted the Act as requiring the preservation of the fair value of the original gift as of the gift date absent explicit donor stipulations to the contrary. Aldersgate classifies as net assets with donor restrictions the original value of gifts with donor-imposed restrictions and the portion of income derived from the gift, if any, that the donor requires to be kept in perpetuity. The portion of income derived from the gift, if any, that the donor does not require to be kept in perpetuity is classified in the consolidated balance sheets as net assets with donor restrictions until those amounts are appropriated for expenditure by Aldersgate in a manner consistent with the donor's stipulation and the standard of prudence prescribed in the Act. Unless a donor explicitly stipulates otherwise, unrealized net appreciation in market value of the original gift is maintained as net assets with donor restrictions until those amounts are appropriated for expenditure by Aldersgate in a manner consistent with the donor's stipulation and the standard of prudence prescribed in the Act. Any unrealized net depreciation that causes total market value to decline below the amount of the original gift is reported in net assets without donor restrictions.

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NOTE 9 NET ASSETS (CONTINUED)

Endowment net asset composition by type and fund was as follows as of December 31, 2023 and 2022:

December 31, 2023	Without Donor Restrictions	With Donor Restrictions	Total
Board-Designated Endowment Funds	\$ 1,009,901	\$ -	\$ 1,009,901
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	-	1,115,906	1,115,906
Total	<u>\$ 1,009,901</u>	<u>\$ 1,115,906</u>	<u>\$ 2,125,807</u>
<u>December 31, 2022</u>			
Board-Designated Endowment Funds	\$ 884,115	\$ -	\$ 884,115
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	-	644,616	644,616
Total	<u>\$ 884,115</u>	<u>\$ 644,616</u>	<u>\$ 1,528,731</u>

The following are the changes in endowment net assets managed by Aldersgate for the years ended December 31, 2023 and 2022:

December 31, 2023	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 884,115	\$ 644,616	\$ 1,528,731
Realized Gains/Losses and Change in Unrealized Gains/Losses on Investments	<u>125,786</u>	<u>471,290</u>	<u>597,076</u>
Endowment Net Assets -End of Year	<u>\$ 1,009,901</u>	<u>\$ 1,115,906</u>	<u>\$ 2,125,807</u>
<u>December 31, 2022</u>			
Endowment Net Assets - Beginning of Year	\$ 1,389,918	\$ 644,616	\$ 2,034,534
Realized Gains/Losses and Change in Unrealized Gains/Losses on Investments	<u>(505,803)</u>	<u>-</u>	<u>(505,803)</u>
Endowment Net Assets -End of Year	<u>\$ 884,115</u>	<u>\$ 644,616</u>	<u>\$ 1,528,731</u>

Aldersgate had board designated endowment funds of \$1,009,901 and \$884,115 for the years ended December 31, 2023 and 2022, respectively. These board designated endowment funds are included as a component of net assets without donor restrictions.

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NOTE 9 NET ASSETS (CONTINUED)

Return Objectives and Risk Parameters

Aldersgate has adopted an investment policy for donor-restricted gifts that attempts to provide a predictable stream of funding. Such assets are invested in a manner that is intended to maximize income while preserving capital, strive for consistent absolute returns, and preserve purchasing power by striving for returns which exceed fees and inflation without putting the principal value at imprudent risk. Management targets an asset allocation that diversifies investments consistent with commonly accepted industry standards to minimize the risk of large losses and meet Aldersgate's return objectives. Imprudent concentrations in any single asset class or investment vehicle are prohibited.

Spending Policy

Aldersgate spends income generated from endowment assets according to stipulations of the donors. Aldersgate's spending policy preserves the value of the original gift of the endowment assets held in perpetuity.

NOTE 10 RESIDENT SERVICE REVENUE

Resident service revenue is reported at the amount that reflects the consideration to which Aldersgate 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, Aldersgate bills the residents and third-party payors several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by Aldersgate. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. Aldersgate 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 services in the facilities. Aldersgate measures the performance obligation from admission into the facility, or the commencement of an outpatient service, to the point when it is no longer required to provide services to that resident, which is generally at the time of discharge or completion of the outpatient services. Aldersgate considers 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 our residents and customers in a retail setting (for example, gift shop and cafeteria meals) and Aldersgate does not believe it is required to provide additional goods or services related to that sale.

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NOTE 10 RESIDENT SERVICE REVENUE (CONTINUED)

Because all of its performance obligations relate to contracts with a duration of less than one year, Aldersgate 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.

Aldersgate 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 Aldersgate's policy, and/or implicit price concessions provided to residents. Aldersgate determines its estimates of contractual adjustments based on contractual agreements, its policies, and historical experience. Aldersgate 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 established charges. A summary of the payment arrangements with major third-party payors follows:

Medicare and Medicaid

Aldersgate'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 facility was 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 PDPM, the underlying complexity and clinical needs of a patient are used as a basis for reimbursement. In addition, PDPM introduced variable 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.

Aldersgate's licensed nursing facility participates in the Medicaid program which is administered by the North Carolina Division of Health Benefits. Services rendered to Medicaid program beneficiaries are reimbursed using predetermined per diem rate as defined for each Medicaid provider in North Carolina. Annual cost report filings are required for Medicaid providers, which include the completion of the North Carolina Division of Health Benefit's supplemental schedules. For Continuing Care Retirement Facilities, the Supplemental Schedules do not contain a cost settlement.

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NOTE 10 RESIDENT SERVICE REVENUE (CONTINUED)

Other

Payment agreements with certain commercial insurance carriers provide for payment using prospectively determined daily rates.

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 Aldersgate'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. Adjustments arising from a change in an implicit price concession impacting transaction price, were not significant in 2023 or 2022.

Generally residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. Aldersgate 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 changes to the estimate of the transaction price are generally recorded as adjustments to resident services revenue in the period of the change. In 2022, Aldersgate recorded adjustments of approximately \$784,000 to reserve for amounts included within accounts receivable that were aged and considered at risk to be collected. The transaction price changes were recorded as adjustments to resident service revenue in 2022. Additional revenue recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments were not considered material for the years ended December 31, 2023 and 2022. 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.

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

The composition of resident service revenue by primary payor for the years ended December 31 is as follows:

	2023	2022
Medicare	\$ 9,170,292	\$ 9,267,517
Medicaid	1,134,232	662,238
Private	30,051,827	27,211,422
Total	<u>\$ 40,356,351</u>	<u>\$ 37,141,177</u>

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NOTE 10 RESIDENT SERVICE REVENUE (CONTINUED)

Other (Continued)

Revenue from resident's deductibles and coinsurance are included in the categories presented above based on primary payor.

The composition of resident service revenue based on Aldersgate's lines of business, method of reimbursement, and timing of revenue recognition for the years ended December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Service Lines:		
Independent Living	\$ 15,500,622	\$ 13,616,144
Assisted Living	3,024,505	3,031,103
Skilled Nursing Facility	14,793,915	14,412,746
Memory Support	4,816,534	4,009,976
Other	2,220,775	2,071,208
Total	<u>\$ 40,356,351</u>	<u>\$ 37,141,177</u>
Method of Reimbursement:		
Monthly Service Fees	\$ 30,286,382	\$ 26,701,306
Fee for Service	10,069,969	10,439,871
Total	<u>\$ 40,356,351</u>	<u>\$ 37,141,177</u>
Timing of Revenue and Recognition:		
Health Care Services Transferred Over Time	<u>\$ 40,356,351</u>	<u>\$ 37,141,177</u>

Financing Component

Aldersgate has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from residents and third-party payors for the effects of a significant financing component due to Aldersgate's expectation that the period between the time the service is provided to a resident and the time that the resident or a third-party payor pays for that service will be one year or less. However, Aldersgate 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.

The opening and closing contract balances were as follows:

	<u>Accounts Receivable, Net</u>	<u>Deferred Entrance Fees, Net</u>
Balance as of January 1, 2022	\$ 5,263,303	\$ 26,166,870
Balance as of December 31, 2022	3,153,169	27,512,701
Balance as of December 31, 2023	3,918,177	27,318,869

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NOTE 10 RESIDENT SERVICE REVENUE (CONTINUED)

Contract Costs

Aldersgate 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 Organization otherwise would have recognized is one year or less in duration.

NOTE 11 BENEFIT PLAN

Aldersgate has a defined contribution retirement plan that covers all employees of Aldersgate who have completed 30 days of employment and who are regularly scheduled to work a minimum of 20 hours per week. Employees whose annual compensation hours exceed 1,000 shall be eligible to receive a discretionary annual contribution of a percentage of annual gross compensation subject to approval by the board of directors, depending on the financial performance of Aldersgate. Aldersgate matches 50% of the voluntary contribution of each employee up to a maximum of 4% of annual compensation. Employees vest in employer contributions on a graded scale over a six-year period.

There were no discretionary contributions made to the plan by Aldersgate during the years ended December 31, 2023 and 2022.

NOTE 12 FAIR VALUE MEASUREMENTS

Aldersgate uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

All assets have been valued using a market approach, except for funds which are valued based on a net asset value per share (or its equivalent). Alternative funds held by Aldersgate seek long-term capital appreciation and reduction of overall portfolio risk through investing in Commonfund contingent asset, multi-strategy equity, and multi-strategy bond investor portfolios, and directional and nondirectional hedge fund of funds. Aldersgate has an alternative investment valuation procedure in which management validates the fair value reported by the third-party investment manager.

For additional information on how Aldersgate measures fair value refer to Note 1 – Organization and Summary of Significant Accounting Policies.

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NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table presents the fair value hierarchy for the balances of the assets and liabilities of Aldersgate measured at fair value on a recurring basis, except those measured by using net asset value (NAV) per share as a practical expedient, as of December 31, 2023 and 2022:

<u>December 31, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Assets Limited as to Use:				
Money Market Funds	\$ 7,807,744	\$ -	\$ -	\$ 7,807,744
Interest Rate Swap Agreements	-	3,412,479	-	3,412,479
Total Assets Measured at Fair Value	<u>\$ 7,807,744</u>	<u>\$ 3,412,479</u>	<u>\$ -</u>	<u>\$ 11,220,223</u>
<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Assets Limited as to Use:				
Money Market Funds	\$ 6,435,170	\$ -	\$ -	\$ 6,435,170
Interest Rate Swap Agreements	-	4,196,173	-	4,196,173
Total Assets Measured at Fair Value	<u>\$ 6,435,170</u>	<u>\$ 4,196,173</u>	<u>\$ -</u>	<u>\$ 10,631,343</u>

Certain alternative investments held by Aldersgate calculate net asset value per share (or its equivalent). The following tables set forth additional disclosures for the fair value measurement of funds that calculate net asset value per share (or its equivalent) for the years ended December 31, 2023 and 2022:

	<u>Net Asset Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
<u>December 31, 2023</u>				
CF Institutional High Quality Bond Fund, LLC	\$ 6,527,671	\$ -	Weekly	5 Days
CF Contingent Asset Portfolio, LLC	609,330	-	Weekly	5 Days
Vanguard Russell 3000 Index Fund	7,275,090	-	Monthly	5 Days
Fidelity Global ex U.S. Index Fund	1,657,340	-	Monthly	5 Days
City National Rochdale Government MM Fund	6,742	-	Monthly	5 Days
Endowment Fund	1,490,106	-	N/A	N/A
Total Alternative Funds	<u>\$ 17,566,279</u>	<u>\$ -</u>		
<u>December 31, 2022</u>				
CF Institutional High Quality Bond Fund, LLC	\$ 6,166,410	\$ -	Monthly	5 Days
SSgA Russell 3000 Index	6,182,245	-	Monthly	5 Days
SSgA MSCI ACWI	1,402,809	-	Monthly	5 Days
CF Contingent Asset Portfolio, LLC	583,023	-	Weekly	5 Days
Endowment Fund	884,115	-	N/A	N/A
Total Alternative Funds	<u>\$ 15,218,602</u>	<u>\$ -</u>		

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NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)

The alternative investment funds are valued at the net asset value (NAV) of units, which are based on market prices of the underlying investments, held by Aldersgate at year-end.

NOTE 13 RELATED PARTY TRANSACTIONS

Effective January 1, 2019, Aldersgate entered into a management service agreement with ALPS to manage, operate and maintain Aldersgate at Shamrock. During 2022, due to the termination of the Generations at Shalom Park project in combination with other factors impacting the operations of ALPS, management of Aldersgate at Shamrock determined that certain amounts due from ALPS were not considered collectible. During 2022, Aldersgate at Shamrock wrote off approximately \$3,810,000 of the net related party receivable due from ALPS, which was recognized as a nonoperating loss on the consolidated statement of operations. After this write off, the net amount due from ALPS for expenses paid by Aldersgate on behalf of ALPS was approximately \$175,000 as of December 31, 2022. Subsequent to the year ended December 31, 2023, the Board voted to terminate the management services agreement with ALPS, effective January 2024, resulting in the write off of approximately \$1,033,000 of the net related party receivable due from ALPS as it was not considered collectible. This write off was recognized as a nonoperating loss on the consolidated statement of operations for the year ended December 31, 2023.

Beginning in 2018, Aldersgate financed certain start up and construction costs on behalf of Generations at Shalom Park. During the year ended December 31, 2022, the Board approved the termination of the Generations at Shalom Park project and approximately \$3,492,000 of project related costs paid for by Aldersgate at Shamrock were written off and recognized as a nonoperating loss on the consolidated statement of operations. Amounts due from Generations at Shalom Park for expenses paid by Aldersgate was approximately \$17,000 as of December 31, 2022.

Beginning in 2018, Aldersgate financed certain start up and construction costs on behalf of Aldersgate at Sharon. During 2022 and 2023, Aldersgate at Sharon was non-operational. In September 2023, Aldersgate at Sharon was dissolved. There were no amounts due from Aldersgate at Sharon for expenses paid by Aldersgate as of December 31, 2023 and 2022.

The net amount due from Aldersgate at Home for expenses paid by Aldersgate on behalf of Aldersgate at Home was approximately \$853,000 and \$836,000 as of December 31, 2023 and 2022, respectively.

During the year ended December 31, 2023, Aldersgate sold land to Holdings A and Holdings B for \$1,500,000. The resulting gain of approximately \$1,307,000 was recognized as a nonoperating gain on the consolidated statement of operations.

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NOTE 13 RELATED PARTY TRANSACTIONS (CONTINUED)

During the year ended December 31, 2023, Aldersgate entered into a promissory note with ALPS for approximately \$5,470,000. The note is for reimbursement of previous expenses paid by Aldersgate on behalf of ALPS. The note is based upon specific triggering events that could occur in the future and therefore this receivable has been fully allowed for as of December 31, 2023.

NOTE 14 COMMITMENTS AND CONTINGENCIES

Aldersgate is subject to potential litigation arising in the ordinary course of business. The ultimate resolution of these matters is not ascertainable at this time; however, management is of the opinion that any liability or loss in excess of insurance coverage resulting from such litigation will not have a material effect on the financial position of Aldersgate.

NOTE 15 LIQUIDITY AND AVAILABILITY

Aldersgate invests cash in excess of short-term requirements in short-term investments, which include asset, equity, and bond portfolios, which are liquid within one week. Certain alternative investments are liquid within one year or less.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, compromise the following:

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 3,037,983	\$ 1,767,548
Investments and Assets Limited as to Use:		
Operating Investments	5,689,305	4,822,935
Designated for Statutory Operating Reserve	9,232,000	8,606,000
Board Designated	<u>1,009,901</u>	<u>884,115</u>
Total Investments and Assets Limited as to Use	15,931,206	14,313,050
Accounts Receivable, Net	3,918,177	3,153,169
Due from Related Party	-	1,011,137
Entrance Fees Receivable	<u>377,156</u>	<u>-</u>
Total Financial Assets Available to Meet Liquidity Needs	<u>\$ 23,264,522</u>	<u>\$ 20,244,904</u>

Aldersgate has included amounts designated for the statutory operating reserve as financial assets available in the table above. These amounts are classified as assets limited to use on the balance sheet under the requirements of North Carolina General Statute Chapter 58, Article 64, as noted in Note 2. Under the statute, these amounts would require approval from the state prior to use.

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NOTE 15 LIQUIDITY AND AVAILABILITY (CONTINUED)

As shown in the accompanying consolidated financial statements, Aldersgate incurred an operating loss of approximately \$11,196,000 and an overall decrease in its net assets without restrictions of \$20,328,000 during the year ended December 31, 2022. As of that date, Aldersgate's current assets were below its current liabilities by approximately \$1,324,000. Those factors, as well as conditions that Aldersgate has faced related to meeting certain financial debt covenant requirements in the prior year, created uncertainty about Aldersgate's ability to continue as a going concern. Management of Aldersgate evaluated these conditions and contracted with an industry consultant to perform an operations assessment and outlined a corrective action plan with detailed action steps to address the following:

- Address and correct finance function deficiencies.
- Address and correct accounts payable and accounts receivable deficiencies.
- Address and correct corporate governance deficiencies.
- Review the current corporate structure of the Aldersgate group of related entities and amend as deemed appropriate.
- Review Aldersgate's current mission statement and strategic vision and amend as deemed appropriate and necessary.
- Review current and potential growth initiatives and decide whether such initiatives should continue, be initiated, be postponed, or be abandoned.

The full plan was submitted to certain stakeholders, including the North Carolina Department of Insurance and certain debt holders. During 2023, Aldersgate has worked closely with the North Carolina Department of Insurance through the plan and has kept residents and other stakeholders of Aldersgate fully apprised of all developments affecting Aldersgate's financial condition and operations. Management has implemented operational improvement plans and certain growth initiatives to increase revenues including a cottage expansion. In addition, the plan includes addressing staffing levels in all departments and reviewing contracts and vendor arrangements for expense savings, among several other initiatives. With items in the correction plan still being worked through by Aldersgate, during 2023, the North Carolina Department of Insurance increased its level of oversight and supervision over the organization, which is likely to continue throughout 2024.

During the year ended December 31, 2023, Aldersgate had operating income of approximately \$844,000 and an overall increase in its net assets without restrictions of \$1,784,000. As of that date, Aldersgate's current assets exceed its current liabilities by approximately \$2,542,000. Aldersgate continues to work through the initiatives noted above as were outlined within its corrective action plan.

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CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

ASSETS	Aldersgate United Methodist Retirement Community, Inc.	Aldersgate Holdings, Inc.	Eliminating Entries	Consolidated
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 3,037,983	\$ -	\$ -	\$ 3,037,983
Investments	5,689,305	-	-	5,689,305
Accounts Receivable	5,768,166	-	-	5,768,166
Allowance for Credit Losses	(1,849,989)	-	-	(1,849,989)
Accounts Receivable, Net	3,918,177	-	-	3,918,177
Entrance Fee Receivable	377,156	-	-	377,156
Prepaid Expenses and Other Current Assets	758,591	-	-	758,591
Total Current Assets	13,781,212	-	-	13,781,212
DUE FROM RELATED PARTY	845,845	-	-	845,845
PROPERTY, PLANT, AND EQUIPMENT, NET	107,776,888	350,000	-	108,126,888
ASSETS LIMITED AS TO USE				
Designated for Statutory Operating Reserve	9,232,000	-	-	9,232,000
Held Under Bond Agreements	8,581,627	-	-	8,581,627
Board Designated	1,009,901	-	-	1,009,901
Donor Restricted	1,635,073	-	-	1,635,073
Total Assets Limited as to Use	20,458,601	-	-	20,458,601
ASSETS UNDER INTEREST RATE SWAP AGREEMENTS	3,412,479	-	-	3,412,479
OTHER ASSETS				
Deferred Marketing Costs, Net	408,137	-	-	408,137
Total Other Assets	408,137	-	-	408,137
Total Assets	\$ 146,683,162	\$ 350,000	\$ -	\$ 147,033,162

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF ALDRSGATE LIFE PLAN SERVICES, INC.)
CONSOLIDATING BALANCE SHEET (CONTINUED)
DECEMBER 31, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

LIABILITIES AND NET ASSETS	Aldersgate United Methodist Retirement Community, Inc.	Aldersgate Holdings, Inc.	Eliminating Entries	Consolidated
CURRENT LIABILITIES				
Accounts Payable and Accrued Expenses	\$ 6,654,522	\$ -	\$ -	\$ 6,654,522
Entrance Fee Deposits on Unoccupied Units	747,248	-	-	747,248
Current Portion of Long-Term Debt	3,356,250	-	-	3,356,250
Current Portion of Refundable Entrance Fees	1,326,885	-	-	1,326,885
Total Current Liabilities	<u>12,084,905</u>	<u>-</u>	<u>-</u>	<u>12,084,905</u>
LONG-TERM DEBT, NET	100,064,238	-	-	100,064,238
OTHER LONG-TERM LIABILITIES	103,680	-	-	103,680
DEFERRED ENTRANCE FEES, NET	27,318,869	-	-	27,318,869
REFUNDABLE ENTRANCE FEES, NET	<u>49,953,710</u>	<u>-</u>	<u>-</u>	<u>49,953,710</u>
Total Liabilities	189,525,402	-	-	189,525,402
NET ASSETS				
Without Donor Restrictions:				
Undesignated	(45,487,214)	350,000	-	(45,137,214)
Designated by the Board for Endowment Fund	1,009,901	-	-	1,009,901
Total Without Donor Restrictions	<u>(44,477,313)</u>	<u>350,000</u>	<u>-</u>	<u>(44,127,313)</u>
With Donor Restrictions	1,635,073	-	-	1,635,073
Total Net Assets	<u>(42,842,240)</u>	<u>350,000</u>	<u>-</u>	<u>(42,492,240)</u>
Total Liabilities and Net Assets	<u>\$ 146,683,162</u>	<u>\$ 350,000</u>	<u>\$ -</u>	<u>\$ 147,033,162</u>

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF ALDRSGATE LIFE PLAN SERVICES, INC.)
CONSOLIDATING STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

	Aldersgate United Methodist Retirement Community, Inc.	Aldersgate Holdings, Inc.	Eliminating Entries	Consolidated
REVENUE, GAINS, AND OTHER SUPPORT				
Resident Service Revenue	\$ 40,356,351	\$ -	\$ -	\$ 40,356,351
Amortization of Deferred Entrance Fees	4,531,777	-	-	4,531,777
Investment Income, Net	583,657	-	-	583,657
Other Support	1,061,843	-	-	1,061,843
Other Revenue - Employee Retention Credit	2,099,018	-	-	2,099,018
Contributions	193,194	-	-	193,194
Total Revenue, Gains, and Other Support	<u>48,825,840</u>	<u>-</u>	<u>-</u>	<u>48,825,840</u>
EXPENSES				
Nursing and Related Services	14,789,559	-	-	14,789,559
Dietary	5,790,353	-	-	5,790,353
Housekeeping and Laundry	1,426,246	-	-	1,426,246
Plant Operations	4,894,550	-	-	4,894,550
Administration	9,688,794	-	-	9,688,794
Interest Expense	4,262,420	-	-	4,262,420
Amortization	37,446	-	-	37,446
Depreciation	7,091,997	-	-	7,091,997
Total Expenses	<u>47,981,365</u>	<u>-</u>	<u>-</u>	<u>47,981,365</u>
OPERATING INCOME	844,475	-	-	844,475
NONOPERATING INCOME (LOSS)				
Change in Net Unrealized Gains on Investments	1,448,618	-	-	1,448,618
Write-Off of Related Party Receivable	(1,032,758)	-	-	(1,032,758)
Gain on Sale of Fixed Assets	1,307,148	-	-	1,307,148
Change in Value of Interest Rate Swap Agreements	(783,694)	-	-	(783,694)
Total Nonoperating Income	<u>939,314</u>	<u>-</u>	<u>-</u>	<u>939,314</u>
EXCESS OF REVENUES, GAINS, AND OTHER SUPPORT OVER EXPENSES AND INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>\$ 1,783,789</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,783,789</u>



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 II
Forecasted Financial Statements
for Years 2023 - 2027

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.

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Years Ending December 31, 2023 Through 2027

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ACCOUNTANT'S COMPILATION REPORT

To the Board of Directors
Aldersgate United Methodist Retirement Community, Inc.
Charlotte, North Carolina

Management is responsible for the accompanying financial forecast of Aldersgate United Methodist Retirement Community, Inc., which comprises the forecasted balance sheets as of December 31, 2023 through 2027, and the related forecasted statements of operations and changes in net deficit, and cash flows for the years then ending, and the related summaries of significant assumptions and accounting policies in accordance with guidelines for presentation of a financial forecast established by the American Institute of Certified Public Accountants (AICPA). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the financial forecast nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on this financial forecast.

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

Sanders, Walsh & Eaton, CPAs, LLC

Osterville, Massachusetts
June 14, 2023

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.

Forecasted Balance Sheets
At December 31, 2023 through 2027
(Dollars in Thousands)

	ASSETS				
	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Current Assets:					
Cash and cash equivalents	\$ 1,830	\$ 1,894	\$ 1,960	\$ 2,029	\$ 2,100
Investments	8,051	9,871	12,875	15,292	16,954
Accounts receivable	3,263	3,377	3,495	3,617	3,743
Due from related party	1,029	1,029	1,029	1,029	1,029
Prepaid expenses and other current assets	509	527	546	566	587
Total current assets	<u>14,682</u>	<u>16,698</u>	<u>19,905</u>	<u>22,533</u>	<u>24,413</u>
Assets limited as to use:					
Held under bond agreement	8,284	8,284	8,284	8,284	8,284
Designated for statutory operating reserve	9,495	9,917	10,341	10,760	11,196
Board designated	884	884	884	884	884
Donor restricted	909	909	909	909	909
Total assets limited as to use	<u>19,572</u>	<u>19,994</u>	<u>20,418</u>	<u>20,837</u>	<u>21,273</u>
Property, plant and equipment:	207,743	212,035	216,499	221,141	226,969
Less accumulated depreciation	<u>(99,631)</u>	<u>(106,595)</u>	<u>(113,848)</u>	<u>(121,420)</u>	<u>(129,097)</u>
Net property and equipment	<u>108,112</u>	<u>105,440</u>	<u>102,651</u>	<u>99,721</u>	<u>97,872</u>
Assets under interest rate swap agreement	4,197	4,197	4,197	4,197	4,197
Other assets					
Deferred marketing costs, net	408	377	346	315	284
Total other assets	<u>408</u>	<u>377</u>	<u>346</u>	<u>315</u>	<u>284</u>
Total assets	<u>\$ 146,971</u>	<u>\$ 146,706</u>	<u>\$ 147,517</u>	<u>\$ 147,603</u>	<u>\$ 148,039</u>
	LIABILITIES AND NET DEFICIT				
Current Liabilities:					
Current maturities of long-term debt	\$ 3,360	\$ 3,455	\$ 3,550	\$ 3,645	\$ 3,750
Accounts payable and accrued expenses	9,053	9,370	9,698	10,037	10,388
Entrance fee deposits on unoccupied units	502	502	502	502	502
Total current liabilities	<u>12,915</u>	<u>13,327</u>	<u>13,750</u>	<u>14,184</u>	<u>14,640</u>
Long-term debt, net of current portion	100,014	96,637	93,165	89,598	85,926
Deferred Revenue and Other Liabilities:					
Other long-term liabilities	104	104	104	104	104
Deferred entrance fee, net, on campus	29,625	31,854	34,053	36,154	38,257
Deferred entrance fee, net, Lifegevity	-	672	1,633	1,810	1,806
Refundable entrance fees	51,715	53,839	55,899	57,909	60,022
Total deferred revenue and other liabilities	<u>81,444</u>	<u>86,469</u>	<u>91,689</u>	<u>95,977</u>	<u>100,189</u>
Total liabilities	<u>194,373</u>	<u>196,433</u>	<u>198,604</u>	<u>199,759</u>	<u>200,755</u>
Net deficit:					
Without donor restrictions:					
Undesignated	(49,195)	(51,520)	(52,880)	(53,949)	(54,509)
Designated by the board for endowment fund	884	884	884	884	884
Total without donor restrictions	<u>(48,311)</u>	<u>(50,636)</u>	<u>(51,996)</u>	<u>(53,065)</u>	<u>(53,625)</u>
With donor restrictions	909	909	909	909	909
Total net deficit	<u>(47,402)</u>	<u>(49,727)</u>	<u>(51,087)</u>	<u>(52,156)</u>	<u>(52,716)</u>
Total liabilities and net deficit	<u>\$ 146,971</u>	<u>\$ 146,706</u>	<u>\$ 147,517</u>	<u>\$ 147,603</u>	<u>\$ 148,039</u>

See summaries of significant forecast assumptions and accounting policies and accountants' report

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.

Forecasted Statements of Operations and Changes in Net Deficit

For the Years Ending December 31, 2023 through 2027

(Dollars in Thousands)

	2023	2024	2025	2026	2027
Revenue, gains and other support without donor restrictions:					
Resident service revenue, on campus	\$ 24,172	\$ 25,052	\$ 25,986	\$ 26,987	\$ 28,049
Resident service revenue, Lifegevity	-	137	1,150	1,305	1,308
Health care revenue	16,141	16,728	17,388	18,113	18,857
Amortization of deferred entrance fees, on campus	4,002	4,003	4,119	4,308	4,554
Amortization of entrance fees, thrive	-	39	89	154	221
Investment income, net	925	1,020	1,072	1,125	1,169
Other support	507	527	548	570	593
Unrestricted contributions	60	62	65	67	70
Total revenue, gains and other support	<u>45,807</u>	<u>47,568</u>	<u>50,417</u>	<u>52,629</u>	<u>54,821</u>
Expenses:					
Nursing and related services	14,445	15,022	15,623	16,248	16,898
Dietary	5,547	5,769	6,000	6,240	6,489
Housekeeping and laundry	1,887	1,962	2,041	2,122	2,207
Plant operations and maintenance	4,369	4,543	4,725	4,914	5,111
Administration	10,678	11,105	11,549	12,011	12,492
Lifegevity expense	-	250	400	500	515
Interest expense	4,214	4,169	4,077	3,982	3,883
Depreciation and amortization	6,717	7,073	7,362	7,681	7,786
Total expenses	<u>47,857</u>	<u>49,893</u>	<u>51,777</u>	<u>53,698</u>	<u>55,381</u>
Net operating loss	<u>(2,050)</u>	<u>(2,325)</u>	<u>(1,360)</u>	<u>(1,069)</u>	<u>(560)</u>
Excess of expenses over revenues and change in net deficit without donor restrictions	(2,050)	(2,325)	(1,360)	(1,069)	(560)
Net deficit without donor restrictions:					
Beginning of year	<u>(47,145)</u>	<u>(49,195)</u>	<u>(51,520)</u>	<u>(52,880)</u>	<u>(53,949)</u>
End of year	<u>\$ (49,195)</u>	<u>\$ (51,520)</u>	<u>\$ (52,880)</u>	<u>\$ (53,949)</u>	<u>\$ (54,509)</u>

See summaries of significant forecast assumptions and accounting policies and accountants' report

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.

Forecasted Statements of Cash Flows

For the Years Ending December 31, 2023 through 2027

(Dollars in Thousands)

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Cash flows from operating activities:					
Change in net deficit without donor restrictions	\$ (2,050)	\$ (2,325)	\$ (1,360)	\$ (1,069)	\$ (560)
Adjustments to reconcile change in net deficit to net cash provided by operating activities:					
Proceeds from non-refundable entrance fees	6,114	6,232	6,318	6,409	6,657
Proceeds from non-refundable entrance fees - Lifegevity	-	747	1,222	627	551
Depreciation and amortization	6,717	7,073	7,362	7,681	7,786
Amortization of deferred entrance fees - on campus	(4,002)	(4,003)	(4,119)	(4,308)	(4,554)
Amortization of deferred entrance fees - thrive	-	(39)	(89)	(154)	(221)
Net Unrealized Gains on Investment	-	-	-	-	-
Net change in:					
Accounts receivable	(110)	(114)	(118)	(122)	(126)
Due (to)/from related party	-	-	-	-	-
Prepaid expenses and other current assets	(17)	(18)	(19)	(20)	(21)
Accounts payable and accrued expenses	306	317	328	339	351
Net cash provided by operating activities	<u>6,958</u>	<u>7,870</u>	<u>9,525</u>	<u>9,383</u>	<u>9,863</u>
Cash flows from investing activities:					
Assets limited as to use	(4,117)	(2,242)	(3,428)	(2,836)	(2,098)
Acquisition of property and equipment	<u>(1,472)</u>	<u>(4,292)</u>	<u>(4,464)</u>	<u>(4,642)</u>	<u>(5,828)</u>
Net cash provided by (used by) investing activities	<u>(5,589)</u>	<u>(6,534)</u>	<u>(7,892)</u>	<u>(7,478)</u>	<u>(7,926)</u>
Cash flows from financing activities:					
Repayment of long-term debt	(3,323)	(3,360)	(3,455)	(3,550)	(3,645)
Entrance fees refunded - on campus	(5,118)	(5,146)	(5,311)	(5,468)	(5,653)
Entrance fees refunded - Lifegevity	-	(36)	(172)	(296)	(334)
Proceeds from refundable entrance fees	7,134	7,270	7,371	7,478	7,766
Net cash provided by (used by) financing activities	<u>(1,307)</u>	<u>(1,272)</u>	<u>(1,567)</u>	<u>(1,836)</u>	<u>(1,866)</u>
Net change in cash and cash equivalents	62	64	66	69	71
Cash and cash equivalents, beginning of year	<u>1,768</u>	<u>1,830</u>	<u>1,894</u>	<u>1,960</u>	<u>2,029</u>
Cash and cash equivalents, end of year	<u>\$ 1,830</u>	<u>\$ 1,894</u>	<u>\$ 1,960</u>	<u>\$ 2,029</u>	<u>\$ 2,100</u>
Supplemental disclosure of cash flow information:					
Cash paid for interest	<u>\$ 4,214</u>	<u>\$ 4,169</u>	<u>\$ 4,077</u>	<u>\$ 3,982</u>	<u>\$ 3,883</u>

See summaries of significant forecast assumptions and accounting policies and accountants' report

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.

Summary of Significant Forecast Assumptions and Accounting Policies For the Years Ending December 31, 2023 through 2027

NOTE A - INTRODUCTION AND BACKGROUND INFORMATION:

Basis of Presentation

This financial forecast presents, to the best of the management's knowledge and belief, the expected financial position, results of operations, and cash flows of Aldersgate United Methodist Retirement Community, Inc. for the forecast period. Accordingly, the forecast reflects management's judgment as of June 14, 2023, the date of this forecast, of the expected conditions and its expected course of action. This report was prepared for Aldersgate United Methodist Retirement Community, Inc.'s management to comply with the requirements of North Carolina General Statutes, Chapter 58, Article 64, and should not be used for any other purpose. The assumptions disclosed herein are those that management believes are significant to the forecast. There will usually be differences between forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. Management does not intend to revise this forecast to reflect the changes in present circumstances or the occurrence of unanticipated events.

Organization

Aldersgate United Methodist Retirement Community, Inc. ("Aldersgate") is North Carolina nonprofit corporation operated in cooperation with the Western North Carolina Conference of The United Methodist Church (the Conference). Aldersgate is a continuing care retirement community located in Charlotte, North Carolina. Its campus includes independent living apartments and cottages, assisted living apartments including memory-support, and a skilled nursing facility offering long-term care and Medicare and Medicaid certified skilled nursing and rehabilitation services.

Aldersgate is an affiliate of Aldersgate Life Plan Services, Inc. (ALPS), the sole member of Aldersgate. ALPS was incorporated in 2016 as a North Carolina nonprofit corporation. The purpose of ALPS is to create, maintain, and operate continuing care retirement communities and to provide related services as a nonprofit corporation. ALPS also functions as the sole member of Aldersgate at Home, Inc. (Aldersgate at Home), Aldersgate Home Health, Inc. (Aldersgate Home Health), Aldersgate at Sharon, Inc. (Aldersgate at Sharon), Aldersgate at Shalom Park, Inc. d/b/a Generations at Shalom Park (Generations at Shalom Park), and Aldersgate Foundation, Inc. (Foundation). These entities are related organizations to Aldersgate.

Description of the Community

The Community is located on a 231-acre site at 3800 Shamrock Drive in Charlotte, North Carolina. The site includes a lake available for fishing, azalea gardens, a three-hole golf course and acres of land for walking, relaxing and enjoying nature.

The Community currently consists of multiple stand-alone buildings, which total approximately 782,000 square- feet of space and which currently consists of 217 independent living apartments in three (3) residential buildings ("Epworth Place", "Francis Residential Building", and "Gateway"), and ninety-one (91) cottages, which consist of thirty-three (33) "Azalea View Cottages," sixteen (16) "Lake Ridge Cottages," and forty-two (42) "Wesley Glen Cottages." Also included within the Community is a forty-four (44) unit assisted living area, a sixty-one (61) unit memory support assisted living facility (known as the "Cuthbertson Village"), and the "Asbury Health and Rehabilitation Center," which currently consists of 120 nursing units, and five (5) home for the aged units.

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.

Summary of Significant Forecast Assumptions and Accounting Policies For the Years Ending December 31, 2023 through 2027

NOTE A - INTRODUCTION AND BACKGROUND INFORMATION (continued):

Description of the Community (continued)

Currently, Ray Hall Community Center is a two-story, approximately 43,000 square-foot, building containing a chapel/multi-purpose center, wellness facility with aquatic center and exercise room, administrative spaces and a two (2) story living room with a fireplace and balcony overlook. The overall plan is designed around a courtyard. Renovations on the Ray Hall Community Center were completed in 2017 with proceeds from the issuance of the 2017 A Bonds (defined hereafter). The Ray Hall Community Center serves the entire Community and includes a new dining room, beauty and spa salon, activity and media rooms, lounge and bar, outdoor terrace, executive and marketing office, and a winter garden.

The Community provides services through its independent living, assisted living, memory care and nursing facilities. The following descriptive categories are utilized throughout the Projection Period:

Independent Living Units

- The Epworth Place Independent Living Apartments (81), the Francis Residential Building (74), and the Gateway (62) total 217 independent living units, are collectively referred to as the "Independent Living Apartments."

- Azalea View Cottages (33), Lake Ridge Cottages (16) and Wesley Glen Cottages (42) total 91 independent living units, are collectively referred to as the "Independent Living Cottages."

- Collectively, the Independent Living Apartments and the Independent Living Cottages are referred to as the "Independent Living Units."

Assisted Living Units

- Cuthbertson Village consists of 61 memory care units, also referred to as the "Memory Support Suites." During June 2016, Management completed a 16-unit expansion of the Memory Support Suites (the "Recent Expansion"), increasing the total from 45 to 61 units.

- Parker Terrace Assisted Living consists of 44 assisted living units, also referred to as the "Standard Assisted Living Units."

Nursing

- Asbury Health and Rehabilitation Center (the "Nursing Beds"), which opened in 2017 and replace Asbury Care Center ("Prior Nursing Beds"), currently consists of 120 nursing beds (the "Existing Nursing Beds"), as well as 5 homes for the aged beds. A portion of the Series 2015 Bonds, as defined hereinafter, was used to construct the Nursing Beds and five home for the aged beds (the "Home for the Aged Beds"), in an approximately 140,000 square feet building. Of the total nursing beds, 120 nursing beds are operated under an open Certificate of Need allowing for direct admissions from the greater community as well as members of the Community and are Medicare certified. In addition, 20 of the nursing beds are duly certified by Medicare and Medicaid. All rooms are private rooms with European showers. It contains support facilities such as a chapel, kitchen, beauty/barber shop, and special medical offices for dentist, podiatrist, and a full range of therapy services. It also offers community living areas, activity rooms and craft facilities.

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.

Summary of Significant Forecast Assumptions and Accounting Policies For the Years Ending December 31, 2023 through 2027

NOTE A - INTRODUCTION AND BACKGROUND INFORMATION (continued):

Description of the Community (continued)

In furtherance of Aldersgate's mission to provide a benefit to the greater community of Charlotte, Aldersgate leases certain of its real property to organizations serving the greater community. Under a majority of these leases, with the exception of the leases to Truist Bank, SPRINTCOM, Inc., BMA of North Carolina, Inc. and Hospice & Palliative Care Charlotte Region, the organizations remit a nominal rent payment of \$1.00 per year to Aldersgate. Additionally, Aldersgate provides utilities pursuant to the lease between Aldersgate and Our BRIDGE, Inc. during the Summer Camp Period, as defined in the lease.

The following is a list of the leases between Aldersgate and the various organizations that lease real property on the campus. As indicated below, certain of these leases are located on real property which is encumbered by the Deed of Trust (the "Included Property Leases"), and certain of these leases are located on real property which is unencumbered by the Deed of Trust (the "Excluded Property Leases").

Included Property Leases:

- Truist Bank. This company utilizes space on Aldersgate's property to provide general banking services to both residents of the Community as well as the greater community of Charlotte.
- SPRINTCOM, Inc. This corporation leases approximately 3,600 square-feet of property from Aldersgate on which constructed an equipment base station and antenna structure.
- Hospice & Palliative Care Charlotte Region ("HPCCR"). This company will utilize space within the new Skilled Nursing Facility as a six (6) bed hospice and general inpatient unit.

Excluded Property Leases:

- Charlotte-Mecklenburg Parks and Recreation. A portion of The Methodist Home Park came from land designated for that use by Aldersgate and became an important part of the development of the Eastway/Shamrock community recreation area.
- The Hezekiah Alexander Homesite. The historic home and related period buildings are managed by the Charlotte Museum of History. Built in 1774, the two (2) story stone house is the oldest surviving structure in Mecklenburg County and is listed on the National Register of Historic Places. The museum collects, preserves, researches and interprets regional artifacts in order to capture and share the stories of the Charlotte region from settlement forward.
- United Methodist Agency for the Retarded ("UMAR"). This agency and ministry of the Conference operates three (3) group homes for developmentally challenged female residents of UMAR.
- BMA of North Carolina, Inc. d/b/a Fresenius Medical Center ("BMA"). This entity leases space for the use of a ten (10) station hemodialysis facility.
- Carolina Farm Trust, Inc. This entity leases land from Aldersgate for the purpose of creating and running an urban farm.

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.

Summary of Significant Forecast Assumptions and Accounting Policies For the Years Ending December 31, 2023 through 2027

NOTE A - INTRODUCTION AND BACKGROUND INFORMATION (continued):

Residency Agreements

In order to reserve an independent living unit, a prospective resident must execute a residence and services agreement (the "Residency Agreement") and provide payment of an initial entrance fee deposit equal to 10 percent of the applicable entrance fee pricing (the "Deposit") for the selected independent living unit (the "Depositor") within 10 days of signing the Residency Agreement. The Depositor must also provide a self-disclosure of his or her health and finances.

The Residency Agreement is a contract under which the Company is obligated, upon payment by the resident of an entrance fee and ongoing payments of the monthly fee to the Community, to provide certain services for life to the resident.

To be accepted for admission to the independent living units, a prospective resident must be at least 62 years of age (or if a couple, one spouse is at least 62 years of age) at the time residency is established, have financial assets adequate to pay the entrance fee, and have sufficient income to meet the anticipated monthly fee and other personal expenses not provided under the Residency Agreement (the "Resident"). The remaining 90 percent of the entrance fee is due on or before the date of occupancy (the "Occupancy Date").

The Residency Agreement may be terminated by the Resident for any reason prior to occupancy by giving written notice. In the event of such termination, the Resident shall receive a refund of the entrance fee according to the reason for termination. However, if the Resident dies before occupying his or her residence or becomes incapable of meeting the physical, mental or financial requirements of admission, the Residency Agreement shall be cancelled and the entire entrance fee amount shall be refunded.

Services and Amenities

Under the Residency Agreement, payment of the entrance fee and monthly fee entitles all Residents to occupy the selected independent living unit and receive the following services and amenities at no additional cost:

- Utilities (except telephone, internet services, and cable television);
- \$601 dining dollars per month; additional dining dollars are available for purchase;
- Routine maintenance;
- 24-hour emergency response service;
- 24-hour security;
- Planned social and recreational activities;
- Scheduled local transportation;
- Weekly housekeeping;
- Priority admission to assisted living, memory support, and skilled nursing services;
- Weekly laundry for flat linens;
- Uncovered parking; and
- Use of grounds and common facilities.

Additional services that are available to Residents for an extra charge include, but are not limited to, additional dining dollars, telephone service and cable television, high-speed internet access, guest accommodations, additional housekeeping or maintenance services, medicine and medical supplies, tray service, and catering.

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.

Summary of Significant Forecast

Assumptions and Accounting Policies

For the Years Ending December 31, 2023 through 2027

NOTE A - INTRODUCTION AND BACKGROUND INFORMATION (continued):

Health Care Benefit

The Residency Agreement offers a defined lifecare benefit (the "Health Care Benefit") that is based on an equalized rate that Residents would pay while in the Standard Assisted Living Units, Memory Support Suites, or Nursing Beds (collectively defined as "Health Care"), regardless of the type of independent living unit they occupy. The lifecare benefit that is offered is as follows:

- Temporary Transfers to Health Care - If a Resident temporarily transfers to Health Care, the resident is required to pay both the monthly fee for their independent living unit and the applicable current private daily fee for the Health Care unit/bed.
- Permanent Transfers to Health Care - If a single Resident is permanently transferred to Health Care, the monthly fee adjusts to the monthly rate under a 90% refundable contract for a particular two (2) bedroom, two (2) bathroom independent living residence plus the cost of additional meals such that the Resident receives \$1,581 dining dollars per person (the "Health Care Benefit Rate"). The Health Care Benefit Rate is, therefore, a fixed amount payable by all Residents without regard to the type of independent living residence being released. In the case of a couple, if one resident remains in the independent living unit and the other is transferred to Health Care, the resident continues to pay the associated monthly fee for their independent living unit for a single occupant, plus the Health Care Benefit Rate. Should both residents enter Health Care, the Resident would release their independent living unit and each pay the Health Care Benefit Rate mentioned above.

Residents qualifying for the Health Care Benefit pay a one-time entrance fee and an ongoing monthly services fee. Should a Health Care Benefit Resident need additional services in Health Care on a permanent basis, the base monthly services fee will be changed to the then current Health Care Benefit Rate.

Residents not qualifying for the Health Care Benefit may be admitted to the Community at the discretion of Aldersgate, but the Health Care Benefit will not be applicable to them. These Residents will pay a one-time reduced entrance fee and an ongoing monthly services fee. Should a non-Health Care Benefit Resident need additional services in Health Care on a permanent basis, the base monthly fee will be changed to the then current market rate per day for the appropriate level of care.

If it is determined that the Resident requires assisted living services or nursing care, the Community will provide assisted living services in its assisted living or memory support centers as described in the Residency Agreements and subject to changes in law. The Community will admit the Resident on a temporary or permanent basis as needed. Use of these nursing services requires the certification of such need by the Resident's attending physician and shall be subject to availability of an appropriate accommodation at the Community.

In the event that an appropriate accommodation is not available upon determination that a permanent transfer is required, the Community will arrange and pay for Resident's care in his/her residence by a certified home health care agency of the Community's choice, if reasonably possible, until an appropriate accommodation becomes available at Aldersgate. If home health care is not medically possible, the Community will arrange and pay for the Resident's care in another facility of the Community's choice that can provide the same care that would otherwise have been provided by the Community until space becomes available. The Community will pay for care in another facility to the same extent as if it were provided by the Community. The Resident will pay monthly or daily service fees to Aldersgate as if the Resident were living at the Community.

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.

Summary of Significant Forecast Assumptions and Accounting Policies For the Years Ending December 31, 2023 through 2027

NOTE A - INTRODUCTION AND BACKGROUND INFORMATION (continued):

Health Care Benefit (continued)

Residents are also responsible for any charges that are not covered by the Health Care Benefit Rate which may include drugs, supplies, ancillary services and level-of-care fees, if applicable.

Prior Residency Agreements

Prior to spring 2013, the Company offered a resident contract under which a Resident agreed to pay an initial entrance fee and a monthly fee, which entitles the resident to lifetime occupancy of a residential unit, subject to contractual conditions, with a modified discount for services in Health Care (the "Prior Residency Agreements"). Entrance fees paid under the Prior Residency Agreements were either non-refundable or 90 percent refundable upon termination.

Under the Prior Residency Agreements, Residents pay for services in the Health Care units as follows:

- **Temporary Transfers** - If a Resident temporarily transfers to Health Care, the resident is projected to pay both the monthly fee for their independent living unit and the applicable current private daily fee for the Health Care unit.
- **Permanent Transfers** - If a single Resident is permanently transferred to Health Care, the Resident is required to pay the then current private pay monthly fee less a percentage discount for Assisted Living Units, Memory Support Suites and Nursing Beds. In the case of a couple, if one Resident remains in the independent living unit and the other enters Health Care, they will continue to pay the associated monthly fee for their independent living unit, plus the corresponding discounted private pay rate mentioned above. Should both Residents require Health Care services, upon release of their independent living unit, the Residents pay the appropriate discounted private pay rate.

Refund Upon Termination

Aldersgate offers three (3) refund plans under the current Residency Agreement, as described below. As previously noted, under the Prior Residency Agreements, only the non-refundable and 90% refundable plan was offered to residents.

The below describes refund provisions for both the current Residency Agreement and Prior Residency Agreement refund options.

90% Refundable Plan - For Residents who have chosen the 90% Refundable Entrance Fee option, the refund due shall be the entrance fee paid less: (i) ten percent (10%); (ii) a fee of one thousand dollars (\$1,000); and (iii) any amount due to the Company for monthly care or other unpaid services.

50% Refundable Plan - For Residents who have chosen the 50% Refundable Entrance Fee option, the refund due shall be the entrance fee paid less: (i) ten percent (10%) for any termination occurring in months one (1) through ten (10) after occupancy; (ii) one percent (1%) for each month that has elapsed between month eleven (11) and the date of withdrawal up to month fifty (50); (iii) a fee of one thousand dollars (\$1,000); and (iv) any amount due to the Company for monthly care or other unpaid services.

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.

Summary of Significant Forecast Assumptions and Accounting Policies For the Years Ending December 31, 2023 through 2027

NOTE A - INTRODUCTION AND BACKGROUND INFORMATION (continued):

Refund Upon Termination (continued)

0% Refundable Plan - For Residents who have chosen the 0% Refundable Entrance Fee option, the refund due, if any, shall be the Entrance Fee paid, less: (i) ten percent (10%) for any termination occurring in months one through five (5) after occupancy, (ii) two percent (2%) for each month that has elapsed between month six (6) and the date of withdrawal up to month fifty (50); (iii) a fee of one thousand dollars (\$1,000); and (iv) any amount due to the Company for monthly care or other unpaid services. No part of the 0% Refundable Entrance Fee is Refundable after a Resident has resided at the Company for fifty (50) months.

Residents who put down deposits on Gateway before March 31, 2018 had the option of a 95% Refundable Plan which has the same amortization schedule as the 90% Refundable Plan.

Under all entrance fee options, upon termination of the Residency Agreement either by the Resident, by the Company or as the result of the death of the Resident, the balance of the refundable portion of the entrance fee will be refunded to the Resident or the Resident's estate after the Community has received a new entrance fee for the vacated unit. Based on its review of its Residency Agreements, Management has indicated that from January 1, 2002 through December 31, 2016, it offered a refund policy such that refunds would be paid the earlier of unit reoccupancy or 2 years from when the refund obligation arose.

Lease Agreements

For a limited number of specified residences at the Community, the Company offers a lease option. The lease option provides access to the same services and amenities as other residents. Health Care services are available at market rates (no discounts). The total number of available independent living units referenced in Table 1 above includes the Leased Units. For the Leased Units, Aldersgate offers a thirteen (13) month lease agreement (the "Lease Agreement"). As of December 31, 2020, there are four (4) individuals living at the Community under the Lease Agreement (the "Limited Residents"). While the Lease Agreement does not require payment of an entrance fee, it does require payment of a monthly fee at a higher rate than Residents who have executed the Residency Agreement and paid the entrance fee. The Lease Agreement provides the Limited Residents access to the same services provided to Residents, with exception of services provided in Health Care. Further, the Limited Residents receive limited access to the wellness clinic in Ray Hall Community Center. Should the Limited Resident require admission into Aldersgate's Health Care, the Limited Resident agrees to pay for the services provided therein at the then current monthly or daily rate for non-Residents. At the expiration of the initial thirteen (13) month term, the Limited Resident may extend the Lease Agreement on a month-to-month term or the Limited Resident has the option of becoming a Resident by executing the Residency Agreement. Management has indicated that it would limit the number of Lease Agreements to 12 during the Projection Period.

ALDERSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.

Summary of Significant Forecast Assumptions and Accounting Policies For the Years Ending December 31, 2023 through 2027

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting and Presentation

The Company maintains its accounting and financial records according to the accrual basis of accounting. Management's financial projection has been presented in conformity with guidelines for presentation of a projection established by the American Institute of Certified Public Accountants.

Use of Estimates

The preparation of prospective financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires Management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates made by the Company relate primarily to the life expectancy used to amortize deferred revenue from entrance fees and the collectability of accounts receivable. Actual results could differ from those estimates.

Cash and Cash Equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

Investments

Investments are stated at fair value in the projected balance sheets. Investment income (including realized gains and losses on investments, interest and dividends) is included in decrease in net deficit without donor restriction unless restricted by donors or law. Management does not assume any changes in the underlying values of investments during the Projection Period.

Management continually reviews its investments portfolio and evaluates whether declines in the fair value of securities should be considered other-than-temporary. Factored into this evaluation are the general market conditions, the issuer's financial condition and near-term prospects, the recommendation of investment advisors and the length of time and extent to which the market value has been less than cost. Management has projected that no provision for other-than temporary decline during the Projection Period is necessary.

Revenue Recognition

Health service revenue provided from third-party payers and related accounts receivable are recorded at their estimated net realizable amounts. Revenue under third-party payer agreements is subject to audit, retroactive adjustment, and significant regulatory actions. Provisions for amounts due to or from third-party reimbursement agencies are provided in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement. Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation. It is reasonably possible that the recorded estimates will change in the near term. Third-party payers retain the right to review and propose adjustments to amounts recorded by the Company. In the opinion of Management, actual adjustments, if any, will not be materially different from the amounts recorded.

Allowance for Doubtful Accounts

The Company provides an allowance for uncollectible accounts using Management's estimate about the collectability of past due accounts. Payment for services is required upon receipt of invoice or claim submitted. Accounts that are past due more than 30 days, are individually analyzed for collectability.

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.

Summary of Significant Forecast Assumptions and Accounting Policies For the Years Ending December 31, 2023 through 2027

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Inventories

Inventories, included in other current assets in the projected balance sheets, consist primarily of medical supplies and are stated at the lower of cost or market, which is determined on a first-in, first-out basis.

Assets Limited As To Use

Assets limited as to use include assets designated by the board of directors for financial assistance to residents, held under bond agreements, restricted by donors, and required to fund the statutory operating reserve. Assets limited as to use are stated at fair value in the projected balance sheets. The board may, at its discretion, subsequently use assets it has designated for other purposes.

North Carolina General Statute section 58-64-33, as amended, establishes an operating reserve requirement that must be satisfied on an annual basis. Specifically, in years where the combined independent and assisted living occupancy of the licensed facility exceeds 90 percent, the operating reserve amount required equals 25 percent of projected operating expenses (adjusted for non-cash items). In years where the combined independent and assisted living occupancy is under 90 percent, a reserve equal to 50 percent of projected operating expenses (adjusted for non-cash items) must be established. To the extent that funds have been set aside for the payment of interest and principal on debt, interest expense and principal payments are excluded from the statutory operating reserve requirements.

Property and Equipment

Property and equipment is stated at cost, net of accumulated depreciation. Assets contributed to the Community are recorded at fair market value at the date of contribution. Expenditures which materially increase values, change capacities, or extend useful lives are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 40 years.

Long-Term Debt and Deferred Issuance Costs

Deferred issuance costs represent expenses incurred in connection with the issuance of debt and are deferred and amortized over the life of the related indebtedness using the straight-line method which approximates the effective interest method. ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs, requires that debt issuance costs be presented in the projected balance sheets as a deduction from the carrying amount of the related liability, rather than as a deferred charge asset. In addition, amortization expense associated with the debt issuance costs is shown as a component of interest expense as opposed to depreciation/amortization expense. The effects of this standard have been taken into considerations in Management's projection.

Entrance Fees

Under the terms of the Residency Agreement, each resident member pays an entrance fee. The Residency Agreement requires a deposit of 10 percent of the entrance fee prior to occupancy, with the balance of the fee to be paid upon occupancy. The Company may offer a six-month deferral on payment of the entrance fee upon move-in to residents that meet criteria to qualify for the deferral program. Once a unit is occupied, entrance fees are recorded as refundable fees and deferred revenue. Deferred revenue is recognized as income using the straight-line method over the estimated life expectancy of the resident. Refundable fees are recorded as a liability until refunded at contract termination. The refundable portion of entrance fees is not amortized into income.

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.

Summary of Significant Forecast

Assumptions and Accounting Policies

For the Years Ending December 31, 2023 through 2027

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Net Assets with Donor Restrictions

The Company reports gifts of cash, other assets, and unconditional promises to give as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the projected statements of operations and changes in net assets (deficit) as net assets released from restrictions.

The Company reports gifts of land, buildings and equipment as an increase in net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash, other assets, and unconditional promises to give that must be used to acquire long-lived assets are reported as donor restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Company reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Contributions received, including unconditional promises to give, are recorded as support in the period received at their fair market values.

Net assets with donor restrictions also include net assets received that carry donor-imposed restrictions that stipulate that donated assets be maintained in perpetuity, but permit the Company to use or expend the income derived from donated assets.

Income and Real Property Taxes

Aldersgate is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code ("IRC"), and is exempt from federal income taxes on related income pursuant to Section 501(a) of the IRC. Aldersgate is also exempt from state income taxes. Aldersgate is subject to local real property taxes but may exclude up to 100% of the taxes due by providing a prescribed amount of community benefit, unreimbursed housing, and charitable health care services. Management has not projected Aldersgate owing any federal income or real property taxes.

Obligation to Provide Future Services

The Company enters into continuing care contracts with various Residents. A continuing care contract is an agreement between a Resident and the Company specifying the services and facilities to be provided to a Resident over his or her remaining life. Under the contracts, the Company has the ability to increase fees as deemed necessary.

The Company routinely calculates the present value of the estimated 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 cost of future services and use of facilities exceeds the deferred revenue from entrance fees and the present value of periodic fees, a liability is recorded with the corresponding charge to income (obligation to provide future services). For purposes of the projection, Management has assumed no future service obligation liability, consistent with the historical analysis that the Company has done.

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.

Summary of Significant Forecast

Assumptions and Accounting Policies

For the Years Ending December 31, 2023 through 2027

NOTE C - MANAGEMENT'S BASIS FOR PROJECTION OF REVENUES AND ENTRANCE FEES:

Monthly Service Fee Revenue and Health Care Revenue

Projected monthly service fee revenue and health care revenue for Aldersgate are primarily assumed to be generated from monthly fees projected to be charged to residents and projected utilization of the Community. Management has projected resident service revenue based upon its historical operating experience and its plans for operating during the Projection Period.

The following summarizes the projected annual rate increases during the Projection Period:

<u>Unit Type</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Independent Living Entrance Fee Increases	3.5%	3.5%	3.5%	3.5%	3.5%
Independent Living Monthly Fee Increases	4.0%	4.0%	4.0%	4.0%	4.0%
Assisted Living Monthly Fee Increases	4.0%	4.0%	4.0%	4.0%	4.0%
Memory Support Monthly Fee Increases	4.0%	4.0%	4.0%	4.0%	4.0%
Memory Support - Direct Admits	4.0%	4.0%	4.0%	4.0%	4.0%
Skilled Nursing Per Diem Increases	4.0%	4.0%	4.0%	4.0%	4.0%
Skilled Nursing Medicare	2.0%	2.0%	2.0%	2.0%	2.0%
Skilled Nursing Medicaid	2.0%	2.0%	2.0%	2.0%	2.0%

Occupancy

The following summarize the projected Independent Living Unit occupancies of Aldersgate:

<u>Independent Living</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Average Number of Independent Living Units	301	301	301	301	301
Average Number of Occupied Units	284	284	284	284	284
Average Percentage Occupancy	94.4%	94.4%	94.4%	94.4%	94.4%

Health Care

Health care revenues are generated from services provided to residents transferring from the Independent Living Units, the Assisted Living Units, as well as, residents from the surrounding communities.

The following summarizes the projected Assisted Living Unit occupancy of Aldersgate:

<u>Assisted Living</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Average Number of Independent Living Units	44	44	44	44	44
Average Number of Occupied Units	40	40	40	40	40
Average Percentage Occupancy	90.9%	90.9%	90.9%	90.9%	90.9%

Memory Support Suites

Average Number of Independent Living Units	61	61	61	61	61
Average Number of Occupied Units	54	54	54	54	54
Average Percentage Occupancy	88.5%	88.5%	88.5%	88.5%	88.5%

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.

Summary of Significant Forecast

Assumptions and Accounting Policies

For the Years Ending December 31, 2023 through 2027

NOTE C - MANAGEMENT'S BASIS FOR PROJECTION OF REVENUES AND ENTRANCE FEES (continued):

Home for the Aged Beds

Average Number of Independent Living Units	5	5	5	5	5
Average Number of Occupied Units	-	-	-	-	-
Average Percentage Occupancy	0.0%	0.0%	0.0%	0.0%	0.0%

Skilled Nursing

Average Number of Independent Living Units	120	120	120	120	120
Average Number of Occupied Units	113	113	113	113	113
Average Percentage Occupancy	94.2%	94.2%	94.2%	94.2%	94.2%

Entrance Fees

The following also summarizes projected entrance fees received and refunds paid.

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Units Filled From Turnover	35	33	33	32	31
Units Emptied	(35)	(33)	(33)	(32)	(31)
Entrance Fee Receipts on Turnover	\$ 13,248	\$ 13,502	\$ 13,689	\$ 13,887	\$ 14,423
Entrance Fee Refunds	<u>(5,118)</u>	<u>(5,146)</u>	<u>(5,311)</u>	<u>(5,468)</u>	<u>(5,653)</u>
Net Proceeds	<u>8,130</u>	<u>8,356</u>	<u>8,378</u>	<u>8,419</u>	<u>8,770</u>

Amortization of Deferred Entrance Fees

Projected earned entrance fees are based on the non-refundable portion of the entrance fees received each year amortized over the life expectancy of Residents in the Existing Independent Living Units and the Independent Living Expansion Project throughout the Projection Period.

Unrestricted Contributions

Contributions and gifts have been projected based upon the historical experience of the Company.

Other Support

Other support revenue is estimated based upon Management's experience and consists principally of revenue from the following operations: hospice and dialysis support revenue, guest and employee meals, guest rooms, miscellaneous facility rentals, beauty salon, rebates and refunds, and other miscellaneous charges. Charges for other support revenue are assumed to change as a percentage of their applicable total revenue throughout the Projection Period.

NOTE D - MANAGEMENT'S BASIS FOR PROJECTION OF EXPENSES:

Operating Expenses

Operating expenses have been projected to be recognized during the month incurred. Management has projected operating expenses based primarily upon its historical experience operating the Company, adjusted primarily for inflation.

Operating expenses are projected to increase at 4% inflation annually throughout the Projection Period. The specific basis for major expense items were formulated by Management and are discussed below.

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.

**Summary of Significant Forecast
Assumptions and Accounting Policies
For the Years Ending December 31, 2023 through 2027**

NOTE D - MANAGEMENT'S BASIS FOR PROJECTION OF EXPENSES (continued):

Salaries and Benefits

Management has projected salaries and wages based upon its historical operating experience and expectations for servicing Aldersgate. Management has projected that salaries and wages would increase primarily as a result of wage increases of approximately 4% for each during the Projection Period.

Employee benefits and payroll taxes are assumed to include FICA, unemployment taxes, workers' compensation, health insurance, and other miscellaneous benefits.

Non-Salary Related Operating Expenses

Nursing and Related Services:

Non-salary costs in this department include Management's estimate of the costs of operating the standard Assisted Living Units, Memory Support Suites, and the Nursing Beds. These non-salary costs include costs for pharmacy, therapy, ancillary, lab supplies, equipment rental and other miscellaneous costs incurred in the provision of health care services. Management assumes that these costs would vary with changes in occupancy levels and inflation.

Dietary:

Non-salary related costs of the food services department include Management's estimate of the costs for raw food, contracted services, dietary supplies, equipment, linens and other such costs. Nutrition costs are projected to vary with changes in meal consumptions as a result of changes in occupancy levels and inflation.

Housekeeping and Laundry:

Non-salary related costs of housekeeping and laundry services include Management's estimate of the costs for contract services, supplies, and other miscellaneous costs associated with providing housekeeping and laundry services to residents. Housekeeping and laundry costs are projected to vary with changes in occupancy levels and inflation.

Plant Operations:

Non-salary related costs in this department include Management's estimate of the cost for electricity, water, sewer, gas, sanitation, service contracts, repairs, general maintenance, and operating supplies which Management assumes are primarily fixed in nature, and adjusted to reflect changes in occupancy levels. Plant operations costs are projected to vary with changes in occupancy levels and inflation.

Administration:

Non-salary related costs of administration are projected to include Management's estimate of costs for professional fees, insurance, fundraising, supplies, and other miscellaneous costs. In addition, non-salary related costs of marketing and sales are projected to include Management's estimates of costs for advertising, print and online materials and website, contract services, professional fees, and other miscellaneous costs.

Interest Expense:

Interest expense is projected related to the debt service requirements of the Company's existing debt.

Depreciation and Amortization:

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

Property Tax Expense:

Management has not projected property taxes based on its historical experience.

ALDERSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.

Summary of Significant Forecast Assumptions and Accounting Policies For the Years Ending December 31, 2023 through 2027

NOTE E - MANAGEMENT'S BASIS FOR PROJECTION OF OTHER ITEMS:

Current Assets and Current Liabilities

Cash and Cash Equivalents:

Cash and cash equivalent balances for the Projection Period are based on the results of the Projected Statements of Cash Flows.

Accounts Receivable - Residents:

Resident accounts receivable, net of an allowance for non-collectible accounts, is projected based on 4% inflation over 2022 balances.

Prepaid Expenses and Other Current Assets:

Prepaid expenses and other current assets are projected based 4% inflation over the 2022 balances.

Accounts Payable and Accrued Expenses:

Accounts payable is projected based on 4% over the 2022 balance. Accrued expenses is projected to remain the same throughout the Projection Period.

Accrued Interest:

Accrued interest is projected based upon the terms of the Series 2015, 2017A, 2021A&B Bonds (as defined subsequently hereinafter) during the Projection Period.

Entrance Fee Deposits on Unoccupied Units

Entrance fee deposits on unoccupied units represents deposits on units which have yet to be occupied and have been projected based on historical levels.

Assets Limited as to Use

Held by Trustee

In general, the following funds are required to be maintained by trustees of the Series 2015 Bonds and/or Series 2017A (as defined subsequently hereinafter):

Debt Service Reserve Funds – The Company is required to maintain a debt service reserve fund related to the Series 2017A Bonds, and the Series 2015 Bonds. The debt service reserve fund is intended to be utilized should the Company not be able to meet its scheduled interest and principal payments. Management assumes no draw against the debt service reserve funds will be made during the Projection Period.

Held by Corporation

In addition, the Company maintains the following funds and accounts based on restrictions of the Board, outside donors, or other legal or regulatory requirements and include the following:

Designated for Statutory Operating Reserve – The Community is required to maintain a statutory operating reserve. The combined occupancy in the Existing Independent Living Units, the Memory Support Suites, and the Assisted Living Units is assumed to be greater than 90 percent throughout the Projection Period.

Board Designated – The Board has designated certain amounts to be held for future financial assistance to residents.

Donor Restricted – Certain donors have placed temporary or permanent restrictions on the use of their contributions.

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.

Summary of Significant Forecast

Assumptions and Accounting Policies

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.

For the Years Ending December 31, 2023 through 2027

NOTE E - MANAGEMENT'S BASIS FOR PROJECTION OF OTHER ITEMS (continued):

Assets Limited as to Use (continued)

Designated for Statutory Operating Reserve - North Carolina Statutory Operating Reserve Requirement – Section 58-64-33 of the General Statutes of North Carolina, as amended, requires that all continuing care facilities maintain operating reserves equal to 50 percent of the total operating costs (as defined in Section 58-64-33) (or 25 percent of the total operating costs if such facilities maintain an occupancy level in excess of 90 percent and the North Carolina Commissioner of Insurance so approves) forecasted for the twelve-month period following the period covered by the most recent annual statement filed with the North Carolina Department of Insurance. Such operating reserves may only be released upon approval of the North Carolina Commissioner of Insurance.

Property and Equipment

Property and equipment balances, net of accumulated depreciation, are projected based on historical balances and other routine property and equipment additions during the Projection Period, reduced by estimated annual depreciation. The following reflects the routine capital additions during the Projection Period.

<u>Year</u>	<u>Amount</u>
2023	\$ 1,472
2024	\$ 4,292
2025	\$ 4,464
2026	\$ 4,642
2027	\$ 5,828

Depreciation expense is computed using the straight-line method over the useful lives of the assets.

Long-Term Debt and Interest Expense

The Company's long-term debt, as of December 31, 2022, is comprised of the following:

Existing Long-Term Debt:

The Company's existing outstanding long-term debt totaled \$108,065,000 at December 31, 2022, which was comprised of the following:

- \$49,240,000 of Series 2015 Bonds – In November 2015, the North Carolina Medical Care Commission issued its \$49,240,000 Retirement Facilities First Mortgage Revenue Refunding Bonds (Aldersgate), Series 2015 (the "2015 Bonds"). The proceeds of the 2015 Bonds were used to finance the cost of Asbury Health and Rehabilitation Center which was completed in October 2017, refinance the cost of the completion of the memory support suites expansion, which was completed in August 2016, to fund a debt service reserve fund, and to pay certain costs incurred in connection with the authorization and issuance of the 2015 Bonds. Principal payments on the 2015 Bonds begin in July 2032 and extend through July 2045. Interest on the 2015 Bonds is paid semi-annually with interest rates ranging from 4.7% to 5.0%.

- \$23,895,000 of Series 2021A Bonds – In July 2021, the North Carolina Medical Care Commission issued its \$28,685,000 Taxable Retirement Facilities Revenue Refunding Bonds (the 2021A Bonds). The proceeds of the 2021A Bonds are to refund the outstanding 2013 Bonds, fund interest due on the 2013 Bonds through the bond call date, and pay certain expenses incurred in connection with the issuance of the 2021A Bonds. Principal payments on the 2017A Bonds begin in July 2022 and extend through June 2035. Monthly interest payments began September 2021 and are paid semi-annually with interest rates ranging from 2.2% to 2.7%.

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.

Summary of Significant Forecast
Assumptions and Accounting Policies
For the Years Ending December 31, 2023 through 2027

NOTE E - MANAGEMENT'S BASIS FOR PROJECTION OF OTHER ITEMS (continued):

Long-Term Debt and Interest Expense (continued):

- \$17,880,000 of Series 2017A Bonds – In May 2017, the North Carolina Medical Care Commission issued its \$19,080,000 Retirement Facilities First Mortgage Revenue Refunding Bonds series 2017A (the "2017A Bonds"). The proceeds of the 2017A Bonds were used to refund a prior 2016 bank loan, finance the costs of constructing, renovating, equipping, and furnishing the Ray Hall Community Center Expansion, to acquire a piece of land, to fund a debt service reserve fund, and to pay certain expenses incurred in connection with the issuance of the Series 2017A Bonds. Principal payments on the 2017A Bonds begin in July 2020 and extend through June 2047. Interest on the 2017A Bonds is paid semi-annually with interest rates ranging from 2.5% to 4.5%.

- \$14,695,000 of Series 2021B Bonds – In July 2021, the North Carolina Medical Care Commission issued its \$15,340,000 Retirement Facilities Revenue Refunding Bonds (the 2021B Bonds). The proceeds of the 2021B Bonds are to refund the outstanding 2017B Bonds, terminate the interest rate swap agreement used to hedge the 2017B Bonds and pay certain expenses incurred in connection with the issuance of the 2021B Bonds. Principal payments on the 2017B Bonds began in December 2021 and extend through June 2044. Monthly interest payments began September 2021 and is paid semi-annually with interest rate of 2.6%

The following presents a summary of the assumed annual principal payments for the Company's long-term indebtedness, which is presented on a December 31, fiscal year basis.

<u>Year</u>	<u>Series 2015</u>	<u>Series 2017A</u>	<u>Series 2021A</u>	<u>Series 2021B</u>
2023	-	433	2,335	535
2024	-	440	2,380	540
2025	-	450	2,465	540
2026	-	465	2,545	540
2027	-	480	2,585	580
Thereafter	49,240	15,612	13,940	11,960
Total	<u>\$ 49,240</u>	<u>\$ 17,880</u>	<u>\$ 26,250</u>	<u>\$ 14,695</u>

NOTE F - ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY EARLY ADVANTAGE PROGRAM:

In 2019, Aldersgate United Methodist Retirement Community received approval from the North Carolina Department of Insurance to offer a "continuing care without lodging" contract for persons to become residents of Aldersgate while not taking residence at Aldersgate initially. Under the Early Advantage contract, residents who are living off-campus receive the same access to Aldersgate's campus amenities and the same health care services and future benefits that are afforded to residents who are living on campus.

North Carolina General Assembly 58-64-7 (c) stipulates that Aldersgate United Methodist Retirement Community must account for the revenue and expenses related to the Early Advantage program separately from revenue and expense for on-campus services on the financial statements and five-year forecasts.

Attachment III

Management's Variance Report for 2023



Management Variance Reports are attached for the fiscal year ending December 31, 2023 comparing the Forecast Year 2023 (“FORECAST”) from Attachment II to the audited Financial Statements in Attachment I (ACTUAL) for the same period. For the Statement of Operations any variances greater than 5% and \$1,000,000 are noted and explained below in corresponding notes. For the Balance Sheet and Statement of Cash Flows, any variances greater than 5% and \$2,000,000 are noted and explained below in corresponding notes.

Balance Sheet NOTES:

1. Cash and cash equivalents – Favorable to FORECAST due to receipt of \$2.099M of Employee Retention Credit
2. Investments – Decreased to FORECAST due to ~ \$12M in investments in projects with related parties such as Aldersgate at Shalom Park and Aldersgate at Sharon Park that were written off in 2022.
3. Accounts Receivable – Decreased from FORECAST due to increasing provision for uncollectible accounts receivable accounts, reclassification of credit balances to current liabilities, and improved collection efforts.
4. Due from related party – Decrease from FORECAST due to writing off related party balances deemed uncollectible in 2022 and 2023.
5. Assets Under Interest Rate Swap – Swap impact was not FORECAST and \$3.4M at year end relates to interest rates rising with a fixed rate swap that is favorable to the organization.
6. Accounts payable and accrued expenses – Increase from FORECAST relates to an increase in accounts payable for vendor payments due to liquidity challenges as well as reclassification of Accounts Receivable credit balances to current liabilities.
7. Entrance Fee on unoccupied unit – Decrease from FORECAST is due to entrance fee deposits being fully paid and less on deposit as of year-end than FORECAST.
8. Deferred Entrance Fee, Lifegevity – Below FORECAST due to hold on launch of Lifegevity.

**Statement of Operations NOTES:**

1. Lifegevity Program was put on hold in 2023 – no revenue or expenses were incurred.
2. Health Care Revenue was higher than FORECAST driven by higher census and higher rates in 2023 than projected. The census being higher than FORECAST also impacted Nursing and Related Services expenses to be higher than FORECAST.
3. Amortization of Deferred Entrance Fees higher than forecast primarily due to more non-refundable contracts in FY 2023 than forecasted.
4. Other Revenue – Employee Retention Credit - \$2.1M was received in 2023 and earned as revenue but not included in FORECAST as it was an unplanned event when FORECAST completed.
5. Administration Expenses are below FORECAST due to management’s cost reduction efforts implemented in 2023
6. Change in Net Unrealized Gain on Investments – Not included in FORECAST but investment strategy and market conditions produced Gain of \$1.4M.
7. Write-off of Related Party Receivable – Loss is due to the write off of uncollectible third-party receivables related to Aldersgate Life Plan Services.
8. Gain on Disposal of Fixed Assets – Gain is due to sale of land to Aldersgate Life Plan Services.

Statement of Cash Flow NOTES:

1. Proceeds from Non-Refundable Entrance Fees- Thrive – Thrive program was not launched as FORECAST
2. Amortization of Deferred Entrance Fees- Favorable to FORECAST with attrition higher than FORECAST.
3. Accounts Payable – Significant pay down in 2023 of Accounts Payable from deferred vendor payments in 2022 not included in FORECAST.
4. Proceeds from Refundable Entrance Fees – Less entrance fees proceeds recognized due to occupancy declines in 2023 lower than FORECAST.

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.

Balance Sheet - Variance Report Forecast vs Actual

For the Year Ending December 31, 2023

(Dollars in Thousands)

ASSETS				
	FORECAST 2023	ACTUAL 2023	Variance + (-)	Variance %
Current Assets:				
Cash and cash equivalents	\$ 813	\$ 3,038	\$ 2,225	273.7% ¹
Investments	17,610	5,689	(11,921)	-67.7% ²
Accounts receivable	5,584	3,918	(1,666)	-29.8% ³
Due from related party	6,250	846	(5,404)	-86.5% ⁴
Prepaid expenses and other current assets	811	1,136	325	40.1%
Total current assets	31,068	14,627	(16,441)	
Assets limited as to use:				
Held under bond agreement	8,238	8,582	\$ 344	4.2%
Designated for statutory operating reserve	8,631	9,232	601	7.0%
Board designated	1,390	1,010	(380)	-27.3%
Donor restricted	730	1,635	905	124.0%
Total assets limited as to use	18,989	20,459	1,470	
Property, plant and equipment:	208,397			
Less accumulated depreciation	(99,224)			
Net property and equipment	109,173	108,127	(1,046)	-1.0%
Other assets				
Deferred marketing costs, net	437	408	(29)	-6.6%
Assets Under Interest Rate Swap Agreements	-	3,412	3,412	-
Total other assets	437	3,820	3,383	- ⁵
Total assets	\$ 159,667	\$ 147,033	\$ (12,634)	
LIABILITIES AND NET DEFICIT				
Current Liabilities:				
Current maturities of long-term debt	\$ 3,360	\$ 3,356	\$ (4)	-0.1%
Accounts payable and accrued expenses	4,776	6,655	1,879	39.3% ⁶
Entrance fee deposits on unoccupied units	2,931	747	(2,184)	-74.5% ⁷
Other current liabilities	-	1,327	1,327	-
Total current liabilities	11,067	12,085	1,018	
Long-term debt, net of current portion	99,841	100,064	223	0.2%
Deferred Revenue and Other Liabilities:				
Deferred entrance fee, net, on campus	28,280	27,319	(961)	-3.4%
Deferred entrance fee, net, Lifegevity	2,347	-	(2,347)	-100.0% ⁸
Refundable entrance fees	52,075	49,954	(2,121)	-4.1%
Other Liabilities	-	103	103	-
Total deferred revenue and other liabilities	82,702	77,376	(5,326)	
Total liabilities	193,611	189,525	(4,086)	
Net deficit:				
Without donor restrictions:				
Undesignated	(36,064)	(45,137)		
Designated by the board for endowment fund	1,390	1,010	(380)	-27.3%
Total without donor restrictions	(34,674)	(44,127)		
With donor restrictions	730	1,635	905	124.0%
Total net deficit	(33,944)	(42,492)		
Total liabilities and net deficit	\$ 159,667	\$ 147,033		

ALDERSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.

Statements of Operations - Variance Report Forecast vs Actual

For the Year Ending December 31, 2023

(Dollars in Thousands)

	FORECAST	ACTUAL	Variance	Variance	
	2023	2023	+ (-)	%	
Revenue, gains and other support without donor restrictions:					
Resident service revenue, on campus	\$ 22,926	\$ 23,322	396	1.7%	
Resident service revenue, Lifegevity	1,150	-	(1,150)	-100.0%	1
Health care revenue	14,027	17,034	3,007	21.4%	2
Amortization of deferred entrance fees, on campus	3,238	4,532	1,294	40.0%	3
Amortization of entrance fees, thrive	154	-	(154)	-100.0%	
Investment income	-	584	584	0.0%	
Other Revenue - Employee Retention Credit	-	2,099	2,099	0.0%	4
Other support	558	1,062	504	90.3%	
Unrestricted contributions	300	193	(107)	-35.7%	
Total revenue, gains and other support	<u>42,353</u>	<u>48,826</u>			
Operating Expenses:					
Nursing and related services	12,286	14,790	(2,504)	-20.4%	2
Dietary	5,676	5,790	(114)	-2.0%	
Housekeeping and laundry	1,609	1,426	183	11.4%	
Plant operations and maintenance	4,113	4,895	(782)	-19.0%	
Administration	11,561	9,689	1,872	16.2%	5
Lifegevity expense	500	-	500	100.0%	1
Interest expense	4,648	4,262	386	8.3%	
Depreciation and amortization	6,688	7,129	(441)	-6.6%	
Total expenses	<u>47,081</u>	<u>47,981</u>			
Net operating loss	<u>(4,728)</u>	<u>845</u>			
Non-Operating Income (Loss)					
Change in Net Unrealized Gains (Losses) on Investments	-	1,449			6
Write-Off of Related Party Receivable	-	(1,033)			7
Gain (Loss) on Disposal of Fixed Assets	-	1,307			8
Change in Value of Interest Rate Swap Agreements	-	(784)			
Total Non Operating Income (Loss)	<u>-</u>	<u>939</u>			
Excess of expenses over revenues and change in net deficit without donor restrictions	(4,728)	1,784			
Net Assets with donor restrictions					
Contributions		254			
Change in Value of Beneficial Interest with Donor Restrictions		471			
Increase in Net Assets with Donor Restrictions	-	725			
Increase (Decrease) in Net Assets	(4,728)	2,509			
Net deficit without donor restrictions:					
Beginning of year	<u>(31,336)</u>	<u>(45,002)</u>			
End of year	<u>\$ (36,064)</u>	<u>\$ (43,218)</u>			

ALDRSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.

Statements of Cash Flows - Variance Report FORECAST vs ACTUAL

For the Year Ending December 31, 2023

(Dollars in Thousands)

	FORECAST 2023	ACTUAL 2023	Variance + (-)	Variance %	Notes
Cash flows from operating activities:					
Change in net deficit without donor restrictions	\$ (4,728)	\$ 2,509			
Adjustments to reconcile change in net deficit to net cash provided by operating activities:					
Proceeds from non-refundable entrance fees - on campus	4,467	5,213	746	16.7%	
Proceeds from non-refundable entrance fees - thrive	1,222	-	(1,222)	-100.0%	1
Net realized and unrealized gains on investments and assets limited as to use	-	(523)	523	100.0%	
Depreciation and amortization	6,688	7,092	404	6.0%	
Amortization of deferred marketing cost	-	31	31	0.0%	
Amortization of deferred entrance fees - on campus	(3,238)	(4,532)	1,294	40.0%	2
Amortization of deferred entrance fees - thrive	(154)	-	154	-100.0%	
Amortization of Bond Discount		6	(6)	-100.0%	
Amortization of Debt Issuance Costs		111	(111)	-100.0%	
Provision for Credit Loss		92	(92)	-100.0%	
Write-Off of Related Party Receivable		1,033	(1,033)	-100.0%	
(Gain) Loss on Disposal of Assets		(1,307)	1,307	100.0%	
Change in Value of Interest Rate Swap		784	784	100.0%	
Net Unrealized (Gains) Losses on Investment	(513)	(1,449)	936	182.5%	
Net change in:					
Accounts receivable	(163)	(857)	694	427.0%	
Due (to)/from related party	-	(850)	(850)	-100.0%	
Prepaid expenses and other current assets	(23)	(267)	244	1060.9%	
Entrance Fee Deposits on Unoccupied Units	-	754	754	100.0%	
Accounts payable and accrued expenses	139	(2,092)	(2,231)	-1603.8%	3
Net cash provided by(used by) operating activities	<u>3,698</u>	<u>5,748</u>			
Cash flows from investing activities:					
Assets limited as to use	(269)	(1,744)	(1,475)	548%	
Proceeds from Sale of property and equipment		1,500	1,500	100%	
Acquisition of property and equipment	(2,035)	(1,814)	221	-11%	
Net cash provided by (used by) investing activities	<u>(2,304)</u>	<u>(2,058)</u>			
Cash flows from financing activities:					
Repayment of long-term debt	(3,315)	(3,315)	-	0%	
Entrance fees refunded - on campus	(4,408)	(4,140)	268	-6%	
Entrance fees refunded - thrive	(296)	-	296	-100%	
Proceeds from refundable entrance fees	6,625	3,961	(2,664)	-40%	4
Net cash provided by (used by) financing activities	<u>(1,394)</u>	<u>(3,494)</u>			
Net change in cash and cash equivalents	-	196			
Cash and cash equivalents, beginning of year	<u>813</u>	<u>3,616</u>			
Cash and cash equivalents, end of year	<u>\$ 813</u>	<u>\$ 3,812</u>			
Supplemental disclosure of cash flow information:					
Cash paid for interest	<u>\$ 4,648</u>	<u>\$ 4,174</u>			

Attachment IV

Management's Interim, Unaudited Financial Package for the
Quarter Ending March 31, 2024



Management's Financial Reporting Package for the Quarter ending March 31, 2024

This quarterly package includes the following documents:

- Management Narrative
- Financial Highlights for the quarter ending March 31, 2024
- Financial Ratios
 - Debt Service Coverage
 - Days Cash On Hand
 - Reserve Ratio
- Year-to-Date Unaudited Financial Statements as of March 31, 2024

Management’s Narrative for the quarter ending March 31, 2024:

The Chief Executive Officer (CEO) transition occurred in January 2024 and Interim CEO, David Middleton, began February 2024. David initially focused on getting to know all the stakeholders, understand operational pain points, and understand the organization’s financial condition. David provided his 6-week operational assessment to the Board of Directors and shared highlights with the Resident Association. Extensive work has been and is being done across the organization, including, but not limited to, improvements in resident relations and collaboration, improvements in processes and project management, increased communication with staff, sales process improvements, improvements in media relations, and increased accountability across the organization. David also led an organizational restructure incorporating former Aldersgate Life Plan Services (ALPS) employees into the structure of Aldersgate and re-aligning departments and functional areas to ensure focus on the core operational improvements needed.

Aldersgate leadership continued focus in the first quarter on areas of operational improvement and is working toward implementation as quickly as possible. Areas of key focus include:

- Sales and marketing practices to support increased occupancy.
- Improved contracting and project management of renovation work.
- Optimization of inhouse maintenance where possible.
- Transition of Dining Program from points to dollars and menu pricing adjustments to cover costs.
- Proper capture/ documentation of services performed to optimize billing rates.
- Pre-approvals for healthcare admissions and improved communication before and during changes in payors.
- Ancillary charges audit and increases to ensure costs are being covered.
- Labor management as healthcare census fluctuates.
- Spending policies and procedures optimizing centralized purchasing as much as possible.
- Centralization of transportation and vehicle management.
- Implementation of fuel card program.
- Implementation of employee benefit program changes to align with industry standards.
- Capital expenditures prioritization involving resident cap ex committee.
- Utilization of operational project management tools and operating scorecards.

Board leadership and management worked throughout the quarter with the NCDOL to reset expectations in accordance with the Order of Administrative Supervision executed January 12, 2024. This new Order extends the terms of the Order for an additional 150 days. There has been a continuation of significant engagement by the Board of Directors to ensure sound governance and compliance with the Corrective Action Plan and Administrative Supervision Order from the North Carolina Department of Insurance (NCDOL.) The Board formed two Task Force’s to evaluate and make recommendations around:

- Legal Entity Corporate Structure
- Path Forward evaluating sustainability as a single-site CCRC or affiliation alternatives

These Task Forces are expected to make recommendations in spring/ summer 2024.

The Board also terminated the former Management Agreements between (1) ALPS and AUMRC and (2) ALPS and Aldersgate at Home and then approved a new Management Agreement between Aldersgate at Home and Aldersgate. The Aldersgate Board also finalized a promissory note for \$800,000 with Aldersgate at Home for the repayment of intercompany loans provided to Aldersgate at Home in recent years.

Effective January 1, 2024, there are no operations in ALPS and effectively all costs for operating the former ALPS are now in the Aldersgate operations. In the first quarter, the financial clean up of accounting between entities continued and effectively there should be no continued growth of intercompany liabilities in 2024. Aldersgate at Home and Aldersgate intercompany costs will be reimbursed within 45 days between parties.

Management's remaining 2024 focus areas are:

- Corrective Action Plan completion and transition to Operational Improvement Plan reporting;
- Marketing and Sales processes to drive census development;
- Operational improvements in labor management, renovation management, transportation management, housekeeping management, centralized purchasing, and hiring and onboarding for team members;
- Continued development and improvement of relations with all stakeholders including residents.

Financial Highlights from Aldersgate Financial Statements for the quarter ending March 31, 2024:

- Statutory Operating Reserves increased to \$10,144,25 in 2024 an increase of \$912,250
- Resident Service Revenue 4.6% or \$519,000 below budget for the year
- Amortization Income from Deferred Entrance Fees is on track with budget within \$80,000
- Other income is ahead of budget by \$225,000 primarily attributed to vendor rebates not budgeted
- Year to date TOTAL Revenue, Gains and Other Support behind budget 2.9% or \$359,000
- Year to date Total Expenses \$349,000 ahead of budget or 2.6%
- Operating Gain (Loss) of (\$815,000) withing 1.3% of budgeted loss of (\$805,000)
- Non-Operating Gain (Loss):
 - o Unrealized Gain on Investments \$817,000 year-to-date
 - o Increase in Interest Rate Swap Agreements of \$388,000 in first quarter
- **Excess of Revenues, Gains and Other Support Over Expenses/ Increase in Net Assets without Donor Restrictions** is \$390,000 as of March31, 2024 versus budgeted loss of (\$802,000)

Detailed variance explanations are included on attached financial statements.

Financial Ratios

Management's calculations of covenants as of March 31, 2024 are:

- Debt Service Coverage Ratio is 1.27X decreased from 1.55X as of December 31, 2023
- Days Cash on Hand is 171 up one day since December 31, 2023
- Reserve Ratio is .26 – no change since December 31, 2023

ALDRSGATE Statement of Financial Position	3/31/2024	12/31/2023	Variance
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 2,311,690	\$ 3,037,675	\$ (725,985)
Investments	\$ 5,969,931	\$ 5,978,877	\$ (8,947)
Accounts Receivable-Net	\$ 4,088,394	\$ 3,918,177	\$ 170,217
Due from Related Party Current	\$ 245,782	\$ 853,462	(607,680)
Entrance Fees Receivable	\$ 565,690	\$ 377,156	188,534
Promissory Note	\$ 800,000	\$ -	800,000
Prepaid Expenses & Other Current Assets	\$ 932,380	\$ 758,591	173,789
Total Current Assets	14,913,868	14,923,939	(10,071)
DUE FROM RELATED PARTY, Net Current Portion	(7,617)	(7,617)	-
PROPERTY, PLANT, & EQUIPMENT - NET	107,169,831	108,126,890	(957,060)
ASSETS LIMITED AS OF USE			
Designated for Statutory Operating Reserve	\$ 10,144,250	9,232,000	912,250
Held Under Bond Agreements	\$ 8,581,627	8,581,627	-
Board Designated Fund	\$ 720,327	720,327	-
Donor Restricted Fund	\$ 1,089,330	1,154,869	(65,539)
Total Assets Limited as to Use	20,535,533	19,688,822	846,711
ASSETS UNDER INTEREST RATE SWAP AGREEMENTS	\$ 3,800,404	3,412,479	387,925
OTHER ASSETS			
Miscellaneous Receivables	\$ 20,569		20,569
Deferred Marketing Costs, Net	\$ 400,345	408,137	(7,792)
Note Receivable	\$ 5,470,099	5,470,099	-
Note Receivable - Reserve Account	\$ (5,470,099)	(5,470,099)	-
Total Other Assets	\$ 420,914	408,137	12,777
TOTAL ASSETS	\$ 146,832,933	\$ 146,552,650	\$ 280,283
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts Payable & Accrued Expenses	\$ 7,205,707	\$ 6,633,970	\$ 571,737
Entry Fee Deposits on Unoccupied Units	513,833	747,248	(233,415)
Entrance Fee Refunds Due	2,332,811	1,326,885	1,005,926
Current Portion of Long-term Debt	3,356,250	3,356,250	-
Total Current Liabilities	13,408,601	12,064,353	1,344,248
Long Term Debt Net of Current Portion	\$ 99,257,110	100,064,238	(807,128)
Other Long Term Liabilities	103,680	103,680	-
Deferred Entrance Fees, Net	27,640,537	27,318,869	321,668
Refundable Entrance Fees	49,049,016	49,951,709	(902,694)
TOTAL LIABILITIES	\$ 189,458,944	\$ 189,502,850	\$ (43,906)
NET ASSETS			
Without Donor Restrictions			
Undesignated	\$ (44,599,456)	\$ (44,989,184)	\$ 389,728
Board Designated	884,116	884,116	-
Total Without Donor Restrictions	(43,715,340)	(44,105,068)	389,728
Donor Restricted	1,089,330	1,154,869	(65,539)
Total Net Assets	\$ (42,626,011)	\$ (42,950,200)	\$ 324,189
Total Liabilities & Net Assets	\$ 146,832,933	\$ 146,552,650	\$ 280,283

¹ Healthcare census down 6.4% from prior quarter impacting cash ~\$500K and self funded health insurance expenses of \$200K in first couple of months over budget will be recouped in future periods by stop loss recovery

² Year to date unrealized gains in investments by increase in Statutory Operating Reserve requirement in Assets Whose Use is Limited

³ ALPS 2023 intercompany balance written off as of 12/31/23 and At Home intercompany converted to a promissory note; Intercompany balance in 2024 due to (1) 2023 expenses charged in 2024 then written off March 2024, (2) 2024 ALPS payroll and benefit expenses paid by AUMRC not yet reimbursed by At Home, and (3) At Home management fees and employee benefits to be reimbursed to AUMRC in April 2024

⁴ Resident Entrance Fee promissory note on books as of 12/31/24 was paid off but two new promissory notes signed to be repaid within 60 days

⁵ Accounts Payable increase driven by (1) increase in cap ex invoices unpaid end of Feb, (2) an increase in accrued salaries, and (3) an increase in refundable AR balances

⁶ Resident paid in December but moved into community in January so entrance fee was moved from Ready List deposits into refundable entrance fees

⁷ Attrition (transitions in community, move outs and deaths) have driven up the current liability of Entrance Fees

⁸ Promissory note with Aldersgate At Home recorded effective 1/1/24 but payments not initiated until fully approved and executed (April 2024)

⁹ Purchases of ~ \$760K of Property, Plant and Equipment primarily unit renovations

ALDRSGATE STATEMENT OF OPERATIONS	3/31/2024		Variance to Budget	
	Actual	Budget	Fav/(Unfav)	% Var
REVENUE, GAINS, AND OTHER SUPPORT				
Resident Service Revenue	\$ 10,658,289	\$ 11,177,507	\$ (519,217)	-4.6%
Amortization of Deferred Entrance Fees	\$ 981,898	\$ 1,062,000	\$ (80,102)	-7.5%
Investment Income	\$ 23,155	\$ 10,000	\$ 13,155	131.5%
Realized Investment Gains/Losses	\$ -	\$ -	\$ -	0.0%
Management Fee Income				
Other Income	\$ 361,937	\$ 137,051	\$ 224,886	164.1%
Net Assets Released from Restriction	\$ -	\$ -	\$ -	0.0%
Contributions	\$ 17,439	\$ 15,000	\$ 2,439	16.3%
Total Revenue, Gains, and Other Support	\$ 12,042,719	\$ 12,401,558	\$ (358,839)	-2.9%
Nursing and Related Services	\$ 3,847,367	\$ 4,073,349	\$ 225,982	6%
Dietary	\$ 1,463,316	\$ 1,595,533	\$ 132,217	8%
Housekeeping and Laundry	\$ 424,638	\$ 463,865	\$ 39,227	8%
Plant Operations	\$ 1,194,262	\$ 1,124,416	\$ (69,846)	-6%
Administrative	\$ 3,159,312	\$ 2,867,452	\$ (291,860)	-10%
Interest Expense	\$ 1,021,060	\$ 1,323,000	\$ 301,940	23%
Amortization	\$ 30,664	\$ 28,925	\$ (1,739)	-6%
Depreciation	\$ 1,717,256	\$ 1,730,000	\$ 12,744	1%
Total Expenses	\$ 12,857,875	\$ 13,206,540	\$ 348,665	2.6%
Operating Gain (Loss)	\$ (815,156)	\$ (804,982)	\$ (10,174)	1.3%
Change in Net Unrealized Gains(Loss) on Investments	\$ 816,959	\$ 3,000		
Gain on Disposal of Fixed Assets	\$ -	\$ -		
Change in value of Interest Rate Swap Agreements	\$ 387,925	\$ -		
Total Non Operating Gain (Loss)	\$ 1,204,884	\$ 3,000		
Excess (Deficit) of Revenues, Gains and Other Support Over (Under) Expenses and Increase (Decrease) in Net Assets without Donor Restrictions	\$ 389,728	\$ (801,982)	\$ 1,191,710	

¹ Census is lower than budgeted and amortization income is impacted accordingly

² Nursing and related costs lower than budget with census down

³ Dietary staffing down and food costs down with census lower than budgeted

⁴ Water damage repair invoices and electricity expenses higher than budgeted for first 3 months

⁵ Healthcare benefit costs \$320K higher than budgeted first couple months of the year but ~\$200K will be recouped from stop loss reimbursement in a future period (cap of \$100K)

⁶ Change in value of the interest rate SWAP was not accounted for in the 2024 operating expense budget

⁷ Vendor rebates received not budgeted totalling over \$135,000

CASH FLOWS FROM OPERATING ACTIVITIES

Increase (Decrease) in Total Net Assets	\$ 324,189
<i>Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:</i>	
Proceeds from Entrance Fees	1,075,140
Depreciation	1,717,256
Amortization of Deferred Marketing Costs	7,792
Amortization of Bond Discount	21,314
Amortization of Debt Issuance Costs	1,558
Bad Debt Expense	233,933
Gain on the Disposal of Assets	-
Change in Value of Interest Rate Swap Agreements	(387,925)
Amortization of Deferred Entrance Fees	(981,898)
Net Unrealized (Gains) Losses on Investments	(816,959)
Net Realized (Gains) Losses on Investments	-
Investment Income	(41,375)
<i>Changes in Operating Assets and Liabilities:</i>	
Accounts Receivable	(592,685)
Due (to)/From Related Party	607,680
Prepaid Expenses and Other Current Assets	(173,789)
Promisory Note	(800,000)
Other Assets	-
Entrance Fee Deposits on Unoccupied Units	(233,415)
Accounts Payable and Accrued Expenses	571,737
Refundable Advance - Paycheck Protection Program	-
Net Cash Provided (Used) by Operating Activities	532,552

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of Property, Plant, and Equipment	(760,197)
Cash from Sale of Land	-
Net Purchases and Sales of Investments and Assets Limited as to Use	-
Net Cash Provided (Used) by Investing Activities	(760,197)

CASH FLOWS FROM FINANCING ACTIVITIES

Repayment of Long-Term Debt	(830,000)
Proceeds from the Issuance of Long-Term Debt	-
Proceeds from Refundable Entrance Fees	1,094,922
Entrance Fees Refundable	-
Entrance Fees Refunded	(763,264)
Net Cash Provided (Used) by Financing Activities	(498,341)

NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

\$ (725,986)

Cash, Cash Equivalents, and Restricted Cash - Beginning of Year

3,037,675

CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR

\$ 2,311,690

RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH TO THE BALANCE SHEETS

Cash and Cash Equivalents	\$ 2,311,690
Restricted Cash included in Assets Limited as to Use	1,848,239
Total Cash, Cash Equivalents, and Restricted Cash	\$ 4,159,929

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash Paid for Interest	\$ 1,806,254
------------------------	--------------

ALDERSGATE	2021*	2022*	AUMRC YE 2023	AUMRC YTD
Long-Term Debt Service Coverage Ratio			FINAL	Mar 2024
Excess (Deficit) of Revenues Over (Under) Expenses	\$ (5,021,453)	\$ (20,327,821)	\$ 1,783,789	\$ 389,728
Add:				
Depreciation and Amortization Expense	6,718,654	7,069,742	\$ 7,129,443	1,747,920
Interest Expense	5,605,878	4,372,777	\$ 4,262,420	1,021,060
Loss (Gain) on Disposal of Fixed Assets	3,200	374,826	\$ (1,307,148)	-
Write-Off of Related Part Receivable - Capital	-	3,491,914	\$ -	-
Net Proceeds from Entrance Fees	6,622,241	10,468,385	\$ 5,034,169	1,406,799
Unrealized Losses on Investments	-	5,632,066	\$ -	-
Loss of Early Extinguishment of Debt and SWAP Term	3,682,730		\$ -	-
Less:				
Employee Retention Credit revenue recognized				
Change in Value of Interest Rate Swap	(154,296)	(4,177,452)	\$ 783,695	(387,925)
Unrealized Gains on Investments	(2,003,854)		\$ (1,448,618)	(816,959)
Amortization of Deferred Entry Fees	(5,371,482)	(3,810,084)	(4,531,777)	(981,898)
Income Available for Debt Service Requirement	\$ 10,081,618	\$ 3,094,353	\$ 11,705,973	\$ 2,378,725
March 31 2024 Income Avail for Debt Service			\$ 11,705,973	\$ 2,378,725
Divided by 31 days through March 2024			365	91
Times 365 days			365	366
Annualized Income Available for Debt Service Requirement			\$ 11,705,973	\$ 9,567,178
Long-Term Debt Service Requirement	\$ 8,295,886	\$ 7,533,650	\$ 7,533,650	\$ 7,533,650
Long-Term Debt Service Coverage Ratio	1.22	0.41	1.55	1.27
Requirement per Section 3.07 (a) of the Loan Agreements	1.20	1.20	1.20	1.20

* Source: Debt Letter Tables from Clifton Larson Allen

ALDERSGATE Days Cash on Hand	2022*	AUMRC YE 2023 FINAL	AUMRC YTD MARCH 2024
Cash and Cash Equivalents	\$ 1,767,548	\$ 3,037,675	\$ 2,311,690
Investments	\$ 4,822,935	\$ 5,978,877	\$ 5,969,931
Assets Limited as to Use:			
Designated for Statutory Operating Reserve	\$ 8,606,000	\$ 9,232,000	\$ 10,144,250
Board Designated	\$ 884,115	\$ 720,327	\$ 720,327
Total Cash on Hand	<u>\$ 16,080,598</u>	<u>\$ 18,968,880</u>	<u>\$ 19,146,197</u>
Expenses **	\$ 55,489,035	\$ 48,002,378	\$ 12,857,875
Less: Depreciation and Amortization	\$ (7,157,968)	\$ (7,218,042)	\$ (1,747,920)
	<u>\$ 48,331,067</u>	<u>\$ 40,784,336</u>	<u>\$ 11,109,955</u>
Daily Operating Expenses	\$ 132,414	\$ 111,738	\$ 111,738
Days Cash on Hand	121	170	171
Requirement per Section 5.11 of the Loan Agreements	120	120	120

* Source: Debt Letter Tables from Clifton Larson Allen

** 2022 Expenses include the Provision for Bad Debt Expenses of \$3,981,920

ALDRSGATE				
Reserve Ratio	2022*	AUMRC YE 2023	AUMRC YTD	
		FINAL	Mar 2024	
Available Reserves:				
Cash and Cash Equivalents	\$ 1,767,548	\$ 3,037,675	\$ 2,311,690	
Investments	\$ 4,822,935	\$ 5,978,877	\$ 5,969,931	
Assets Limited as to Use:				
Designated for Statutory Operating Reserve	\$ 8,606,000	\$ 9,232,000	\$ 10,144,250	
Held Under Bond Agreement	\$ 8,283,409	\$ 8,581,627	\$ 8,581,627	
Board Designated	\$ 884,115	\$ 720,327	\$ 720,327	
Less: Accrued Interest Payable	\$ (1,199,091)	\$ (1,199,091)	\$ (1,199,091)	
Total Available Reserves	<u>\$ 23,164,916</u>	<u>\$ 26,351,416</u>	<u>\$ 26,528,734</u>	
Long Term Debt, Net of Current Portion	<u>\$ 103,296,109</u>	<u>\$ 101,787,750</u>	<u>\$ 101,787,751</u>	
Reserve Ratio	0.22	0.26	0.26	

* Source: Debt Letter Tables from Clifton Larson Allen

Attachment V

Forecasted Financial Statements Three Years ending December 31,
2026

**Aldersgate United Methodist
Retirement Community, Inc.
and Subsidiary**

Financial Forecast
For the Three Years Ending
December 31, 2026
and
Accountants' Compilation Report

Aldersgate United Methodist Retirement Community, Inc. and Subsidiary

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Accountants' Compilation Report

To the Board of Directors of
Aldersgate United Methodist Retirement Community, Inc. and Subsidiary

Management is responsible for the accompanying forecast of Aldersgate United Methodist Retirement Community, Inc. and Subsidiary, which comprises the forecasted consolidated balance sheets, and the related forecasted consolidated statements of operations and changes in net deficit and cash flows as of and for each of the three years ending December 31, 2026, and the related summary of significant assumptions in accordance with guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants (AICPA). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the forecast nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on this forecast.

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

Management has elected to omit substantially all the disclosures required by guidelines for the presentation of a forecast established by the AICPA other than those related to the significant assumptions. If the omitted disclosures were included in the forecast, they might influence the user's conclusions about Aldersgate United Methodist Retirement Community, Inc. and Subsidiary's forecasted consolidated balance sheets, and the related forecasted consolidated statements of operations and changes in net deficit and cash flows. Accordingly, the forecast is not designed for those who are not informed about such matters.

The accompanying supplementary forecasted consolidated schedules of debt service coverage ratio for each of the years ending December 31, 2024 through 2026 and projected consolidated schedule of days cash on hand as of December 31, 2024 through 2026 on page 2, and the accompanying supplementary information on pages 13 through 15 are presented for purposes of additional analysis and are not a required part of the prospective financial information. Such information is the responsibility of management. The supplementary information was subject to the compilation engagement. We have not examined or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

Baker Tilly US, LLP

Philadelphia, Pennsylvania
March 21, 2024

Aldersgate United Methodist Retirement Community, Inc. and Subsidiary

Forecasted Consolidated Schedules of Debt Service Coverage Ratio and Days Cash on Hand

As of and for Each of the Years Ending December 31, 2024 - 2026

(In Thousands of Dollars)

	<u>2024</u>	<u>2025</u>	<u>2026</u>
Debt Service Coverage Ratio			
Revenues available for debt service:			
Revenues (less than) in excess of expenses	\$ (2,388)	\$ (989)	\$ 71
Depreciation and amortization of deferred marketing costs	6,748	6,749	6,723
Interest	4,118	4,031	3,937
Proceeds from entrance fees, existing units, net	5,928	7,937	11,089
Amortization of entrance fees	(3,879)	(4,361)	(4,774)
Unrealized gain on investments	(9)	(8)	(21)
	<u>\$ 10,518</u>	<u>\$ 13,359</u>	<u>\$ 17,025</u>
Maximum Annual Debt Service	<u>7,460</u>	<u>7,460</u>	<u>7,460</u>
Debt Service Coverage Ratio (1)	<u>1.41</u>	<u>1.79</u>	<u>2.28</u>
Annual Debt Service	<u>\$ 7,326</u>	<u>\$ 7,409</u>	<u>\$ 7,412</u>
Debt Service Coverage Ratio (2)	<u>1.44</u>	<u>1.80</u>	<u>2.30</u>
Days Cash on Hand			
Total expenses	\$ 51,427	\$ 52,926	\$ 54,480
Less depreciation and amortization	(6,838)	(6,839)	(6,813)
	<u>44,589</u>	<u>46,087</u>	<u>47,667</u>
Total cash operating expenses	44,589	46,087	47,667
365/366 days	<u>366</u>	<u>365</u>	<u>365</u>
	<u>\$ 122</u>	<u>\$ 126</u>	<u>\$ 131</u>
Daily cash operating expenses	\$ 122	\$ 126	\$ 131
Unrestricted cash and investments:			
Cash and cash equivalents	\$ 2,187	\$ 2,277	\$ 2,366
Unrestricted investments	3,065	2,778	6,866
Assets whose use is limited: (3)			
Designated for statutory operating reserve	10,433	10,822	11,219
Board designated	983	983	983
	<u>\$ 16,668</u>	<u>\$ 16,860</u>	<u>\$ 21,434</u>
Total unrestricted cash and investments	\$ 16,668	\$ 16,860	\$ 21,434
Days Cash on Hand (4)	<u>137</u>	<u>134</u>	<u>164</u>

Notes:

(1) The debt service coverage ratio is calculated as defined in existing debt documents, by dividing revenues available for debt service by maximum annual debt service.

(2) The debt service coverage ratio is calculated by dividing revenues available for debt service by annual debt service.

(3) Management assumed the employee retention credit liability reserve would not be available and, therefore, did not include the reserve in the days cash on hand ratio during the forecast period.

(4) Days cash on hand is calculated as defined in existing debt documents, by dividing unrestricted cash and investments by daily cash operating expenses.

See summary of significant forecast assumptions

Aldersgate United Methodist Retirement Community, Inc. and Subsidiary

Forecasted Consolidated Balance Sheets
 December 31, 2024 - 2026
 (In Thousands of Dollars)

	<u>2024</u>	<u>2025</u>	<u>2026</u>
Assets			
Current Assets			
Cash and cash equivalents	\$ 2,187	\$ 2,277	\$ 2,366
Investments	3,065	2,778	6,866
Accounts receivable, residents, net	4,396	4,614	4,794
Entrance fee receivable	377	377	377
Due from related party, current	19	20	21
Prepaid expenses and other current assets	946	988	1,030
	<u>10,990</u>	<u>11,054</u>	<u>15,454</u>
Assets Limited as to Use			
Designated for statutory operating reserve	10,433	10,822	11,219
Employee retention credit liability reserve	2,280	2,280	2,280
Held under bond agreements	8,293	8,292	8,290
Board designated	983	983	983
Donor restricted	1,163	1,163	1,163
	<u>23,152</u>	<u>23,540</u>	<u>23,935</u>
Due From Related Party	804	783	762
Property and Equipment, Net	106,735	106,163	104,472
Assets Under Interest Rate Swap Agreements	3,412	3,412	3,412
Other Assets	376	344	312
Beneficial Interest in Perpetual Trust	534	534	534
	<u>\$ 146,003</u>	<u>\$ 145,830</u>	<u>\$ 148,881</u>
Liabilities and Net Deficit			
Current Liabilities			
Current maturities of long-term debt	\$ 3,455	\$ 3,550	\$ 3,645
Accounts payable, trade and other accrued expenses	1,842	1,719	1,792
Accrued payroll and related expenses	1,705	1,771	1,838
Accrued interest	1,662	1,649	1,634
Employee retention credit payable	2,280	2,280	2,280
Entrance fee refunds due	1,069	1,069	1,069
Entrance fee deposits	1,913	747	747
	<u>13,926</u>	<u>12,785</u>	<u>13,005</u>
Accounts Payable, Construction Related	491	-	-
Long-Term Debt, Net	96,689	93,229	89,674
Refundable Entrance Fees	51,759	54,377	58,469
Deferred Revenue From Entrance Fees	30,378	33,668	35,891
Other Long-Term Liabilities	104	104	104
	<u>193,347</u>	<u>194,163</u>	<u>197,143</u>
Net Assets (Deficit)			
Without donor restrictions	(49,052)	(50,041)	(49,970)
With donor restrictions	1,708	1,708	1,708
	<u>(47,344)</u>	<u>(48,333)</u>	<u>(48,262)</u>
Total net deficit	<u>(47,344)</u>	<u>(48,333)</u>	<u>(48,262)</u>
Total liabilities and net deficit	<u>\$ 146,003</u>	<u>\$ 145,830</u>	<u>\$ 148,881</u>

See summary of significant forecast assumptions

Aldersgate United Methodist Retirement Community, Inc. and Subsidiary

Forecasted Consolidated Statements of Operations and Changes in Net Deficit

For Each of the Years Ending December 31, 2024 - 2026

(In Thousands of Dollars)

	<u>2024</u>	<u>2025</u>	<u>2026</u>
Net Deficit Without Donor Restrictions			
Unrestricted revenues:			
Net resident service revenues:			
Nursing	\$ 18,315	\$ 18,810	\$ 19,330
Assisted living	3,174	3,321	3,488
Memory support	5,078	5,320	5,589
Independent living	17,284	18,747	19,880
Amortization of entrance fees	3,879	4,361	4,774
Total net resident service revenues	47,730	50,559	53,061
Investment income	36	35	87
Other support	1,020	1,080	1,128
Management fee	149	155	155
Intercompany loan receivable interest income	35	40	39
Contributions	60	60	60
Total unrestricted revenues	49,030	51,929	54,530
Expenses:			
Nursing	11,831	12,255	12,715
Assisted living	1,794	1,861	1,932
Memory support	2,880	2,980	3,094
Independent living	1,052	1,124	1,174
Social services and activities	1,129	1,178	1,226
Dietary	6,773	7,049	7,325
Housekeeping and laundry	2,028	2,107	2,187
Facility operations	5,139	5,380	5,623
General and administrative	7,497	7,750	8,059
Provision for bad debts	438	462	485
Depreciation and amortization of deferred marketing costs	6,748	6,749	6,723
Interest	4,118	4,031	3,937
Total expenses	51,427	52,926	54,480
Operating (loss) income	(2,397)	(997)	50
Nonoperating Revenues:			
Unrealized gain on investments	9	8	21
Revenues (less than) in excess of expenses and change in net deficit without donor restriction	(2,388)	(989)	71
Net Deficit, Beginning	<u>(44,956)</u>	<u>(47,344)</u>	<u>(48,333)</u>
Net Deficit, Ending	<u>\$ (47,344)</u>	<u>\$ (48,333)</u>	<u>\$ (48,262)</u>

See summary of significant forecast assumptions

Aldersgate United Methodist Retirement Community, Inc. and Subsidiary

Forecasted Consolidated Statements of Cash Flows
For Each of the Years Ending December 31, 2024 - 2026
(In Thousands of Dollars)

	<u>2024</u>	<u>2025</u>	<u>2026</u>
Cash Flows From Operating Activities			
Change in net deficit	\$ (2,388)	\$ (989)	\$ 71
Adjustments to reconcile change in net deficit to net cash provided by operating activities:			
Depreciation	6,716	6,717	6,691
Amortization of debt issuance costs	84	84	84
Amortization of bond discount	6	6	6
Amortization of deferred marketing costs	32	32	32
Provision for bad debts	438	462	485
Proceeds from nonrefundable entrance fees, existing units	5,702	6,293	6,997
Amortization of entrance fees	(3,879)	(4,361)	(4,774)
Unrealized gain on investments	(9)	(8)	(21)
Changes in assets and liabilities:			
Accounts receivable, residents	(1,928)	(680)	(665)
Due from related party	15	20	20
Prepaid expenses and other current assets	21	(42)	(42)
Accounts payable, trade and other accrued expenses	(1,095)	(123)	73
Accrued payroll and related expenses	165	66	67
Employee retention credit payable	202	-	-
Accrued interest	463	(13)	(15)
Net cash provided by operating activities	<u>4,545</u>	<u>7,464</u>	<u>9,009</u>
Cash Flows From Investing Activities			
Net purchases of investments and assets limited as to use	(1,068)	(93)	(4,462)
Purchase of property and equipment	(5,097)	(6,145)	(5,000)
Net cash used in investing activities	<u>(6,165)</u>	<u>(6,238)</u>	<u>(9,462)</u>
Cash Flows From Financing Activities			
Change in accounts payable construction	491	(491)	-
Repayment of long-term debt	(3,359)	(3,455)	(3,550)
Proceeds entrance fees and deposits, initial sales	3,723	1,166	-
Proceeds from refundable entrance fees, existing units	7,476	8,244	8,976
Refunds of entrance fees	(7,250)	(6,600)	(4,884)
Net cash provided by (used in) financing activities	<u>1,081</u>	<u>(1,136)</u>	<u>542</u>
Net (decrease) increase in cash and cash equivalents	(539)	90	89
Cash and Cash Equivalents, Beginning	<u>2,726</u>	<u>2,187</u>	<u>2,277</u>
Cash and Cash Equivalents, Ending	<u>\$ 2,187</u>	<u>\$ 2,277</u>	<u>\$ 2,366</u>
Supplemental Disclosure of Cash Flow Information			
Cash paid for interest	<u>\$ 3,966</u>	<u>\$ 3,954</u>	<u>\$ 3,862</u>

See summary of significant forecast assumptions

Aldersgate United Methodist Retirement Community, Inc. and Subsidiary

Summary of Significant Forecast Assumptions

Basis of Presentation

The financial forecast presents, to the best of the knowledge and belief of management of Aldersgate United Methodist Retirement Community, Inc. (Aldersgate) and its wholly owned subsidiary, Aldersgate Holdings, Inc. (Holdings) (Management), the expected financial position, results of operations, changes in net deficit and cash flows of Aldersgate and Holdings for the forecast period. Accordingly, the forecast reflects Management's judgment as of March 21, 2024, the date of this forecast, of the expected conditions and its expected course of action. The assumptions disclosed herein are those Management believes are significant to the forecast. There will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

Background of the Corporation

Aldersgate is a nonprofit corporation that owns and operates a continuing care retirement community called "Aldersgate" which provides housing, skilled nursing and other related services to the senior population in Charlotte, North Carolina and surrounding communities. Aldersgate's campus includes 301 independent living (IL) apartments and cottages; 44 assisted living (AL) units; 61 assisted living memory care (MC) units; 120 skilled nursing (SN) beds, of which 100 are Medicare certified and 20 are dually certified for Medicare and Medicaid; 5 Home for the Aged (HA) beds, and various common areas and amenities.

Holdings is a nonprofit corporation that holds land for the sole support of Aldersgate. Aldersgate has an economic interest in Holdings and common control exists.

Aldersgate is an affiliate of Aldersgate Life Plan Services, Inc. (ALPS), a nonprofit corporation and the sole member of Aldersgate. ALPS also functions as the sole member of Aldersgate at Home, Inc. (At Home), a nonprofit corporation that provides an array home and community-based services to the senior population.

ALPS is also the sole member of these inactive entities, Aldersgate at Shalom Park and Aldersgate Foundation, Inc. Additionally ALPS is the sole member of ALPS Real Estate Holdings A, LLC, ALPS Real Estate Holdings B, LLC, LLC and ALPS MGP, LLC, all of which support the planned tax credit development by an independent third party developer (Development Area 1 Land Transaction).

ALPS managed and operated Aldersgate and At Home under management service agreements through December 31, 2023. Effective January 1, 2024, the management service agreements were terminated when ALPS ceased operations and transitioned its operating activities along with all assets and liabilities to Aldersgate, with the exception of its land ownership and related ground lease on the Development Area 1 Transaction. As a result, effective January 1, 2024, Aldersgate will manage and operate At Home under a new management services agreement.

The forecast includes the consolidated accounts of Aldersgate and Holdings (collectively, the Corporation). Any significant intercompany balances and transactions between the consolidated organizations have been eliminated.

Aldersgate United Methodist Retirement Community, Inc. and Subsidiary

Summary of Significant Forecast Assumptions

Forecasted Utilization

The following table summarizes the utilization of services for each level of care:

	<u>IL⁽¹⁾</u>	<u>AL</u>	<u>MC</u>	<u>SN⁽²⁾</u>
Average available units/beds:				
2024	302	44	61	125
2025	307	44	61	125
2026	309	44	61	125
Average occupied units/beds:				
2024	273	38	56	109
2025	280	38	56	109
2026	282	38	56	109
Occupancy ⁽³⁾ :				
2024	90%	87%	91%	87%
2025	91%	87%	91%	87%
2026	91%	87%	91%	87%

Source: Management.

Notes:

- (1) Management has forecasted the construction of eight new IL cottage units. Management assumes four cottages will be available for occupancy and filled in December 2024. Management assumes the remaining four cottages will be available for occupancy and filled in July 2025.
- (2) The SN column assumptions include the five HA beds.
- (3) Management has forecasted occupancy based on historical trends and current expectations. Management reported occupancy at January 31, 2024 as follows: IL – 90%; AL – 84%; MC – 95%; and SN – 89%.

IL Unit Resales and Related Entrance Fee Activity

Management assumed that a certain number of existing IL units would be vacated each year throughout the forecast period as a result of IL residents transferring from IL due to resident attrition, termination of IL resident agreements, or permanent transfer to AL, MC or SN based on historical operating experience and future expectations. Management assumed that new IL resident agreements requiring the payment of an entrance fee and monthly fee would be executed each year for all vacated IL units, based on historical operating experience and future expectations.

Forecasted resident admissions and attrition for existing IL units and the related forecasted entrance fee proceeds and refunds each year during the forecast period are presented in the table below.

<u>Month/Year</u>	<u>Number of Resales</u>	<u>Entrance Fee Proceeds</u>	<u>Entrance Fee Refunds⁽²⁾</u>	<u>Net Entrance Fee Proceeds</u>
Forecasted: ⁽¹⁾				
2024	28	\$ 13,178,000	\$ 7,250,000	\$ 5,928,000
2025	30	14,537,000	6,600,000	7,937,000
2026	32	15,973,000	4,884,000	11,089,000

Source: Management.

Aldersgate United Methodist Retirement Community, Inc. and Subsidiary

Summary of Significant Forecast Assumptions

Notes:

- (1) Management assumes 30% of new admissions to existing IL units during the forecast period will choose the nonrefundable contract, 35% will choose the 50% refundable contract, and 35% will choose the 90% refundable contract based on historical experience and future expectations.
- (2) Aldersgate owes refunds for entrance fee contracts that were terminated prior to 2024. Management assumes that all conditions for payments of those refunds are satisfied in 2024. The 2024 refund amount reported in the table above is inclusive of those refund payments. Management assumes some of the refunds owed for entrance fee contracts terminated in 2024 will be paid in 2025; the 2025 refund amount reported in the table above is inclusive of those refund payments. Management assumes the Organization will become current with the refunds owed for previously terminated entrance fee contracts by the end of 2025. Management forecasted the refund payments in 2026 pertain to entrance fee contracts that terminate and satisfy conditions for refund payment in 2026.

For the eight new IL cottage units, Management assumes that three units will be sold under the nonrefundable contract, three units will be sold under the 50% refundable contract, and two units will be sold under the 90% refundable contract. Management forecasted initial entrance fee deposits and proceeds of \$3,723,000 in 2024 and \$1,166,000 in 2025 related to the new units. It is assumed the initial entrance fees on the new units will be utilized to pay for all construction-related costs of the new cottages. Management assumes there will be no new admissions (beyond the initial move-ins) or entrance fee refunds for the new IL cottage units during the forecast period.

Revenues and Entrance Fees

Revenues are primarily generated from monthly and daily fees received from residents and others for IL, AL, MC and SN services. Revenues have been forecasted based on Management's anticipated occupancy levels, historical operating experience, and future expectations. Management assumes the private pay monthly and daily fees charged to residents will increase 5.0% annually during the forecast period. Management assumes that Medicare, Medicare Managed Care, and Medicaid daily rates for SN services will increase 1.0% each year during the forecast period.

Management also assumes that private pay ancillary and other resident service revenues will increase 5.0% each year during the forecast period based on historical operating experience and future expectations.

Entrance fees represent initial payments made by residents in exchange for membership at Aldersgate. Membership includes the use and privileges of amenities and discounted fees for certain residents when using healthcare accommodations. Entrance fees are based on the accommodation chosen by the resident. Aldersgate offers three types of lifecare residency agreements distinguished by the extent to which the entrance fee is refundable. Residency agreement offerings include a non-refundable contract, a 50% refundable contract, and a 90% refundable contract.

Management assumes the entrance fees will increase 3.0% annually during the forecast period.

Aldersgate United Methodist Retirement Community, Inc. and Subsidiary

Summary of Significant Forecast Assumptions

Forecasted entrance fees and monthly fees are based on the following price ranges provided by Management.

Table 3
Entrance Fees and Monthly Fees - Non-refundable Contract – Existing IL Units
(in 2024 Dollars)

Type of Unit	Square Footage	# Units	Non-refundable Entrance Fee ⁽¹⁾	Monthly Fee
Apartments	585-1,660	209	\$ 123,000-447,000	\$ 3,345-7,060
Cottages	1,548-2,158	92	205,000-440,000	4,728-6,901
Total/Weighted Average Fees		301	\$ 284,000	\$ 5,036

Source: Management.

Notes:

- (1) Management assumes 30% of new admissions to existing IL units during the forecast period will choose the nonrefundable contract, 35% will choose the 50% refundable contract, and 35% will choose the 90% refundable contract based on historical experience and future expectations.
- (2) Second person entrance fee is \$46,500 and monthly fee is \$1,514.

Table 4
Entrance Fees and Monthly Fees - Refundable Contract – Existing IL Units
(in 2024 Dollars)

Type of Unit	Square Footage	# Units	Refundable Entrance Fee ⁽¹⁾⁽²⁾	50% Plan Monthly Fee	90% Plan Monthly Fee
Apartments	585-1,660	209	\$ 228,000-836,000	\$ 2,676-5,650	\$ 3,345-7,060
Cottages	1,548-2,158	92	372,000-840,000	3,788-5,479	4,728-6,901
Total/Weighted Average Fees		301	\$ 531,000	\$ 4,029	\$ 5,036

Source: Management.

Notes:

- (1) Management assumes 30% of new admissions to existing IL units during the forecast period will choose the nonrefundable contract, 35% will choose the 50% refundable contract, and 35% will choose the 90% refundable contract based on historical experience and future expectations.
- (2) Refundable entrance fees for the 50% refundable contract and the 90% refundable contract are the same, as reported by Management.
- (3) Second person entrance fee is \$46,500 and monthly fee is \$1,514.

Aldersgate United Methodist Retirement Community, Inc. and Subsidiary

Summary of Significant Forecast Assumptions

AL, MC and SN Daily Fees

Forecasted weighted average daily fees for SN, AL and MC services are presented below.

Table 5
Weighted Average Daily Fees
(In 2024 Dollars)

Level of Care and Payor	Daily Fees
AL: Private Pay	\$ 219
MC: Private Pay	\$ 250
SN: Private Pay	\$ 363
Medicare Part A	\$ 538
Medicare Managed Care	\$ 451
Medicaid	\$ 266

Source: Management.

Management assumes the payor mix for SN services will be 54% private pay, 29% Medicare Part A, 8% Managed Medicare and 9% Medicaid throughout the forecast period based on historical operating experiences and future expectations.

Contributions

Management assumes that the Corporation would receive unrestricted contributions from donors of \$60,000 each year during the forecast period based on historical operating experience and future expectations.

Investment Return

Investment return is forecasted to be comprised of interest and dividends and unrealized gains on investments. Management assumes that interest and dividends will approximate 2.0% and unrealized gains will approximate 0.5% of the average balance in investments each year during the forecast period.

Expenses

Operating expenses have been forecasted based upon Management's anticipated costs at the forecasted occupancy levels, historical operating experience, and future expectations.

Management assumes that there will be no change in full-time equivalent (FTE) employees during the forecast period. Salaries and wages, which were forecasted based on historical operating experience, were assumed to increase at an average rate of 4.0% annually during the forecast period. Payroll taxes and employee benefit costs, which were forecasted based on historical operating experience and future expectations, were assumed to equal approximately 21.0% of salaries and wages each year during the forecast period. Management assumes in 2024 there will be approximately 356 FTEs with an average annual salary of \$57,990.

Aldersgate United Methodist Retirement Community, Inc. and Subsidiary

Summary of Significant Forecast Assumptions

Management forecasted insurance expense to increase 10.0% annually and utilities to increase 6.0% annually each year during the forecast period. All other operating expenses, excluding the provision for doubtful collections, were generally assumed to increase 4.0% each year during the forecast period. The provision for doubtful collections is forecasted to equal 1.0% of net resident service revenues, less amortization of entrance fees, each year during the forecast period.

The outcome of the forecast is particularly sensitive to variances in costs for staffing and other operating expenses. Management's forecast assumes its current staffing costs are appropriate for the market, which allows for modest expected increases during the forecast period. In addition, Management assumes that if there are further unexpected increases in staffing and other operating expenses, those could be offset by the ability to increase charges for resident services.

Property and Equipment

Management assumes the useful lives of depreciable assets range from 10 to 30 years. Management has forecasted routine capital expenditures of \$2,814,000 in 2024, \$4,500,000 in 2025, and \$5,000,000 in 2026. In addition, Management has forecasted construction costs for the new cottages of \$2,283,000 in 2024 and \$1,645,000 in 2025 based on contractor estimates. Management expects to enter into a construction contract for the new cottages with payment terms generally aligned with collection of the entrance fee proceeds.

Related Party Transactions

Aldersgate will be providing management services to At Home under the terms of a management agreement effective January 1, 2024. The management fee is assumed to equal 4.0% of At Home's annual revenues. Management has forecasted management fee income at \$149,000 in 2024 and \$155,000 in 2025 and 2026.

At January 1, 2024, there is an outstanding intercompany receivable of \$838,000 due to Aldersgate from At Home. Management is in the process of resolving an inter-company loan agreement for reimbursement of the outstanding amount. Forecasted terms include monthly payments, beginning in March 2024, of principal and interest of \$5,000 with an annual interest rate of 5.0%. Management has not forecasted any additional working capital transfers to support At Home during the forecast period.

Long-Term Debt and Interest Expense

Long-term debt consists of the following North Carolina Medical Care Commission issuances:

- Retirement Facilities Revenue Bonds, Series 2015 (Series 2015 Bonds)
- Retirement Facilities Revenue Refunding Bonds, Series 2017A (Series 2017A Bonds)
- Retirement Facilities Revenue Refunding Bonds, Series 2021A (Series 2021A Bonds)
- Retirement Facilities Revenue Refunding Bonds, Series 2021B (Series 2021B Bonds)

Management assumes principal payments will be made during the forecast period in accordance with each debt structure. Total forecasted principal payments are \$3,359,000 in 2024, \$3,455,000 in 2025, and \$3,550,000 in 2026.

The Corporation has two interest rate swap agreements to mitigate exposure to fluctuating variable interest rates in connection with the Series 2021A Bonds and Series 2021B Bonds. The swap agreements expire in July of 2033. The fair value of the swap agreements is presented in the forecasted consolidated balance sheets at the assumed amount the Corporation would receive if the agreements were terminated, which was \$3,412,000 at December 31, 2023. Management did not assume any changes in the fair value of the interest rate swaps during the forecast period.

Interest is forecasted annually throughout the forecast period, based on existing debt agreements, as follows: Series 2015 Bonds are forecasted to bear interest at 4.8%, Series 2017A Bonds are forecasted to bear interest at a rate of 4.5%, Series 2021A Bonds are forecasted to bear interest at a rate of 2.66%, and Series 2021B Bonds are forecasted to bear interest at a rate of 1.58%.

Aldersgate United Methodist Retirement Community, Inc. and Subsidiary

Summary of Significant Forecast Assumptions

Working Capital Assumptions

Management assumes the following working capital assumptions:

Accounts receivable, residents, net – 35 days of forecasted annual net resident service revenue.

Prepaid expenses and other current assets – 23 days of forecasted annual non-salary expenses.

Accounts payable – 40 days of forecasted annual non-salary expenses. In addition, as of January 1, 2024, the Corporation has accumulated balances of approximately \$1.5 million due to certain vendors for which Management has assumed repayment from excess cash flow. Past due vendor balances are assumed to be primarily resolved by December 2024.

Accrued payroll and related expenses – 25 days of forecasted payroll-related costs.

Management has received payments related to the Employee Retention Credit (ERC) and has reported the amounts received as ERC payable and ERC liability reserve, under assets whose use is limited in the accompanying forecasted consolidated balance sheets pending final resolution of reporting compliance.

Aldersgate United Methodist Retirement Community, Inc. and Subsidiary

Forecasted Consolidated Monthly Balance Sheet Schedule
 January - December 2024
 (In Thousands of Dollars)

	January 2024	February 2024	March 2024	April 2024	May 2024	June 2024	July 2024	August 2024	September 2024	October 2024	November 2024	December 2024
Assets												
Current Assets												
Cash and cash equivalents	\$ 2,186	\$ 2,228	\$ 2,181	\$ 2,212	\$ 2,187	\$ 2,199	\$ 2,186	\$ 2,175	\$ 2,194	\$ 2,175	\$ 2,201	\$ 2,187
Investments	2,033	1,626	1,868	1,438	2,858	2,409	1,856	1,457	1,150	956	624	3,065
Accounts receivable, residents, net	4,363	4,484	4,363	4,421	4,363	4,421	4,363	4,363	4,421	4,363	4,421	4,393
Entrance fee receivable	377	377	377	377	377	377	377	377	377	377	377	377
Due from related party, current	17	19	19	19	19	19	19	19	19	19	19	19
Prepaid expenses and other current assets	938	987	933	988	940	953	945	933	954	932	982	946
Total current assets	9,914	9,921	9,741	9,435	10,844	10,378	9,746	9,324	9,115	8,822	8,604	10,990
Assets Limited as to Use												
Designated for statutory operating reserve	10,433	10,433	10,433	10,433	10,433	10,433	10,433	10,433	10,433	10,433	10,433	10,433
Employee retention credit liability reserve	2,280	2,280	2,280	2,280	2,280	2,280	2,280	2,280	2,280	2,280	2,280	2,280
Held under bond agreements	6,988	7,292	7,566	7,900	8,204	8,512	6,775	7,079	7,383	7,687	7,991	8,293
Board designated	983	983	983	983	983	983	983	983	983	983	983	983
Donor restricted	1,163	1,163	1,163	1,163	1,163	1,163	1,163	1,163	1,163	1,163	1,163	1,163
Total assets limited as to use	21,847	22,151	22,485	22,759	23,063	23,371	21,634	21,938	22,242	22,546	22,850	23,152
Due From Related Party	821	819	818	816	815	813	812	810	808	807	805	804
Property and Equipment, Net	108,027	107,699	107,372	107,045	107,131	107,323	107,320	107,173	107,031	106,888	106,565	106,735
Assets Under Interest Rate Swap Agreements	3,412	3,412	3,412	3,412	3,412	3,412	3,412	3,412	3,412	3,412	3,412	3,412
Other Assets	405	403	400	398	395	392	390	387	385	382	379	376
Beneficial Interest in Perpetual Trust	534	534	534	534	534	534	534	534	534	534	534	534
Total assets	\$ 144,960	\$ 144,939	\$ 144,732	\$ 144,399	\$ 146,194	\$ 146,223	\$ 143,848	\$ 143,578	\$ 143,527	\$ 143,391	\$ 143,149	\$ 146,003
Liabilities and Net Deficit												
Current Liabilities												
Current maturities of long-term debt	\$ 3,375	\$ 3,385	\$ 3,395	\$ 3,405	\$ 3,415	\$ 3,425	\$ 3,445	\$ 3,455	\$ 3,465	\$ 3,475	\$ 3,485	\$ 3,455
Accounts payable, trade and other accrued expenses	2,999	2,973	2,767	2,717	2,557	2,467	2,342	2,207	2,133	1,982	1,907	1,842
Accrued payroll and related expenses	1,712	1,713	1,712	1,713	1,712	1,712	1,705	1,705	1,705	1,705	1,705	1,705
Accrued interest	340	602	873	1,137	1,407	1,669	337	602	865	1,133	1,386	1,662
Employee retention credit liability	2,280	2,280	2,280	2,280	2,280	2,280	2,280	2,280	2,280	2,280	2,280	2,280
Entrance fee refunds due	1,089	1,089	1,089	1,089	1,089	1,089	1,089	1,089	1,089	1,089	1,089	1,089
Entrance fee deposits	747	747	747	747	2,026	2,026	2,026	2,026	2,026	2,026	2,026	1,913
Total current liabilities	12,522	12,769	12,843	12,793	14,466	14,648	13,204	13,344	13,543	13,670	13,868	13,926
Accounts Payable, Construction Related	-	-	-	-	412	520	323	179	179	179	-	491
Long-Term Debt, Net	99,806	99,564	99,321	99,079	98,836	98,594	97,901	97,659	97,416	97,174	96,931	96,689
Refundable Entrance Fees	50,231	50,250	50,269	50,288	50,307	50,326	50,345	50,364	50,383	50,402	50,421	51,759
Deferred Revenue From Entrance Fees	27,471	27,624	27,776	27,929	28,082	28,234	28,387	28,540	28,692	28,845	28,998	30,378
Other Long-Term Liabilities	104	104	104	104	104	104	104	104	104	104	104	104
Total liabilities	190,134	190,311	190,313	190,193	192,207	192,426	190,264	190,190	190,317	190,374	190,322	193,347
Net Assets (Deficit)	(46,882)	(47,080)	(47,289)	(47,502)	(47,721)	(47,911)	(48,124)	(48,320)	(48,498)	(48,691)	(48,881)	(49,052)
Without donor restrictions	1,708	1,708	1,708	1,708	1,708	1,708	1,708	1,708	1,708	1,708	1,708	1,708
With donor restrictions	(45,174)	(45,372)	(45,581)	(45,794)	(46,013)	(46,203)	(46,410)	(46,612)	(46,790)	(46,983)	(47,173)	(47,344)
Total net assets deficit	\$ 144,960	\$ 144,939	\$ 144,732	\$ 144,399	\$ 146,194	\$ 146,223	\$ 143,848	\$ 143,578	\$ 143,527	\$ 143,391	\$ 143,149	\$ 146,003
Total liabilities and net deficit	\$ 144,960	\$ 144,939	\$ 144,732	\$ 144,399	\$ 146,194	\$ 146,223	\$ 143,848	\$ 143,578	\$ 143,527	\$ 143,391	\$ 143,149	\$ 146,003

Aldersgate United Methodist Retirement Community, Inc. and Subsidiary

Forecasted Consolidated Monthly Statement of Operations and Changes in Net Deficit Schedule
For Each of the Twelve Months Ending December 31, 2024
(in Thousands of Dollars)

	January 2024	February 2024	March 2024	April 2024	May 2024	June 2024	July 2024	August 2024	September 2024	October 2024	November 2024	December 2024	2024 Total
Net Deficit Without Donor Restrictions													
Unrestricted revenues:													
Net resident service revenues:													
Nursing	\$ 1,549	\$ 1,457	\$ 1,550	\$ 1,503	\$ 1,549	\$ 1,503	\$ 1,550	\$ 1,549	\$ 1,503	\$ 1,550	\$ 1,503	\$ 1,549	\$ 18,315
Assisted living	269	251	269	260	269	260	269	269	260	269	260	269	3,174
Memory support	430	402	430	416	430	416	430	430	416	430	416	432	5,078
Independent living	1,437	1,437	1,438	1,438	1,439	1,437	1,439	1,439	1,437	1,439	1,438	1,466	17,284
Amortization of entrance fees	323	322	323	322	322	323	322	322	323	322	322	333	3,879
Total net resident service revenues	4,008	3,869	4,010	3,939	4,009	3,939	4,010	4,009	3,939	4,010	3,939	4,049	47,730
Investment income	6	3	3	3	2	5	4	3	2	2	2	1	36
Other support	85	85	85	85	85	85	85	85	85	85	85	85	1,020
Management fee	12	12	12	12	13	12	13	13	12	13	12	13	149
Intercompany loan receivable interest income	-	-	3	3	4	3	4	4	3	4	3	4	35
Contributions	5	5	5	5	5	5	5	5	5	5	5	5	60
Total unrestricted revenues	4,116	3,974	4,118	4,047	4,118	4,049	4,121	4,119	4,046	4,119	4,046	4,157	49,030
Expenses:													
Nursing	1,002	937	1,002	970	1,002	970	1,002	1,002	970	1,002	970	1,002	11,831
Assisted living	152	142	152	147	152	147	152	152	147	152	147	152	1,794
Memory support	244	228	244	236	244	236	244	244	236	244	236	244	2,880
Independent living	89	83	89	86	89	86	89	89	86	89	86	91	1,082
Social services and activities	96	89	96	92	96	92	96	96	92	96	92	96	1,129
Dietary	570	547	570	559	570	559	570	570	559	570	559	570	6,773
Housekeeping and laundry	171	163	171	167	171	167	171	171	167	171	167	171	2,028
Facility operations	430	422	430	426	430	426	430	430	426	431	427	431	5,139
General and administrative	633	620	633	635	638	614	636	618	607	618	616	635	7,497
Provision for bad debts	37	35	37	36	37	36	37	37	36	37	36	37	438
Depreciation and amortization of deferred marketing costs	564	564	564	563	563	565	564	563	559	561	561	559	6,748
Interest	347	343	346	344	346	342	344	344	340	343	339	340	4,118
Total expenses	4,335	4,173	4,328	4,281	4,338	4,240	4,335	4,316	4,225	4,312	4,236	4,328	51,427
Operating loss	(219)	(199)	(210)	(214)	(220)	(191)	(214)	(197)	(179)	(193)	(190)	(171)	(2,397)
Nonoperating Revenues:													
Unrealized gain on investments	1	1	1	1	1	1	1	1	1	-	-	-	9
Revenues less than expenses and change in net deficit without donor restriction	(218)	(198)	(209)	(213)	(219)	(190)	(213)	(196)	(178)	(193)	(190)	(171)	(2,388)
Net Deficit, Beginning	(44,956)	(45,174)	(45,372)	(45,581)	(45,794)	(46,013)	(46,203)	(46,416)	(46,612)	(46,790)	(46,983)	(47,173)	(44,956)
Net Deficit, Ending	(45,174)	(45,372)	(45,581)	(45,794)	(46,013)	(46,203)	(46,416)	(46,612)	(46,790)	(46,983)	(47,173)	(47,344)	(47,344)

Aldersgate United Methodist Retirement Community, Inc. and Subsidiary

Forecasted Consolidated Monthly Statement of Cash Flows Schedule
For Each of the Twelve Months Ending December 31, 2024
(in Thousands of Dollars)

	January 2024	February 2024	March 2024	April 2024	May 2024	June 2024	July 2024	August 2024	September 2024	October 2024	November 2024	December 2024
Cash Flows From Operating Activities												
Change in net deficit	\$ (218)	\$ (198)	\$ (209)	\$ (213)	\$ (219)	\$ (190)	\$ (213)	\$ (196)	\$ (178)	\$ (193)	\$ (190)	\$ (171)
Adjustments to reconcile change in net deficit to net cash provided by operating activities:												
Depreciation	562	562	562	561	561	562	561	560	556	556	558	555
Amortization of debt issuance costs	7	7	7	7	7	7	7	7	7	7	7	7
Amortization of bond discount	-	1	-	1	-	1	-	1	1	1	-	1
Amortization of deferred marketing costs	3	2	3	2	3	3	2	3	2	3	3	3
Provision for bad debts	37	35	37	36	37	36	37	37	36	37	36	37
Proceeds from nonrefundable entrance fees, existing units	475	475	475	475	475	475	475	475	475	475	475	477
Amortization of entrance fees	(323)	(322)	(323)	(322)	(322)	(323)	(322)	(322)	(323)	(322)	(322)	(333)
Unrealized gain on investments	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	-	-	-
Changes in assets and liabilities:												
Accounts receivable, residents	(1,494)	(156)	84	(94)	21	(94)	21	(37)	(94)	21	(94)	(12)
Due from related party	-	-	1	2	1	2	1	2	2	1	2	1
Prepaid expenses and other current assets	29	(49)	54	(35)	28	(13)	8	12	(21)	22	(30)	16
Accounts payable, trade and other accrued expenses	61	(26)	(206)	(49)	(160)	(90)	(125)	(135)	(74)	(151)	(75)	(65)
Accrued payroll and related expenses	172	1	(1)	(274)	274	-	(7)	-	-	-	-	-
Employee retention credit payable	202	-	-	-	-	-	-	-	-	-	-	-
Accrued interest	(859)	262	271	264	270	262	(1,332)	265	263	268	263	266
Net cash provided by operating activities	(1,347)	593	754	360	975	637	(889)	671	650	725	633	782
Cash Flows From Investing Activities												
Net sales (purchases) of investments and assets limited as to use	1,262	(96)	(345)	126	(1,823)	242	2,291	96	4	(110)	28	(2,743)
Purchase of property and equipment	(235)	(234)	(235)	(234)	(647)	(754)	(558)	(413)	(414)	(413)	(235)	(725)
Net cash provided by (used in) investing activities	1,027	(330)	(580)	(108)	(2,470)	(512)	1,733	(317)	(410)	(523)	(207)	(3,468)
Cash Flows From Financing Activities												
Change in accounts payable, construction	-	-	-	-	412	108	(197)	(144)	-	-	(179)	491
Repayment of long-term debt	(239)	(240)	(240)	(240)	(240)	(240)	(80)	(240)	(240)	(240)	(240)	(280)
Proceeds entrance fees and deposits, initial sales	-	-	-	-	1,279	-	-	-	-	-	-	2,444
Proceeds from refundable entrance fees, existing units	623	623	623	623	623	623	623	623	623	623	623	623
Refunds of entrance fees	(604)	(604)	(604)	(604)	(604)	(604)	(604)	(604)	(604)	(604)	(604)	(606)
Net cash (used in) provided by financing activities	(220)	(221)	(221)	(221)	1,470	(113)	(858)	(365)	(221)	(221)	(400)	2,672
Net (decrease) increase in cash and cash equivalents	(540)	42	(47)	31	(25)	12	(13)	(11)	19	(19)	26	(14)
Cash and Cash Equivalents, Beginning	2,726	2,186	2,228	2,181	2,212	2,187	2,199	2,186	2,175	2,194	2,175	2,201
Cash and Cash Equivalents, Ending	\$ 2,186	\$ 2,228	\$ 2,181	\$ 2,212	\$ 2,187	\$ 2,199	\$ 2,186	\$ 2,175	\$ 2,194	\$ 2,175	\$ 2,201	\$ 2,187
Supplemental Disclosure of Cash Flow Information												
Cash paid for interest	\$ 1,600	\$ 73	\$ 68	\$ 72	\$ 69	\$ 72	\$ 1,689	\$ 71	\$ 70	\$ 67	\$ 69	\$ 66

Attachment VI

Residency & Related Agreements

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ALDRSGATE

RESERVATION AGREEMENT FOR RESIDENCES OF ALDRSGATE CHARLOTTE, NORTH CAROLINA

This Reservation Agreement is made this _____ day of _____, 20____, by and between Aldersgate United Methodist Retirement Community (“the Community” or “Aldersgate”), a non-profit corporation, and _____ (individually and/or collectively “You” or “Resident” or “Member”).

WHEREAS, You desire to reserve residence number _____, a _____ style residence of _____ (the “Residence”).

NOW, THEREFORE, You and Aldersgate agree as follows:

1. **Preliminary Agreement:** This Reservation Agreement is preliminary to the Residence and Services Agreement which will be entered into by You upon completion of the application process and approval by Aldersgate.
2. **Residence and Services Agreement and Disclosure Statement:** Aldersgate will provide You a copy of the Residence and Services Agreement and its most recent Disclosure Statement upon entering into this Reservation Agreement.
3. **Entrance Fee(s):** You agree to pay the Entrance Fee(s) shown below for the Residence selected:

Contract Type: 0% 50% 90%

Entrance Fee First Person: \$ _____

Entrance Fee Second Person: \$ _____

Total Entrance Fee Amount: \$ _____

4. **Terms of Payment of the Entrance Fee:** You agree to pay the Entrance Fee(s) for the Residence according to the following terms:
 - a. **Initial \$1,000 Reservation Deposit:** Upon entering into this Reservation Agreement and prior to entering into the Residence and Services Agreement, You agree to pay \$1,000.00 as an Initial Reservation Deposit. Such deposit is fully refundable

should You choose not to proceed with the reservation process and not enter into the Residence and Services Agreement for any reason, including the denial of your Application for admission by Aldersgate. The deposit fully applies toward the Entrance Fee should You proceed with the reservation process and enter into the Residence and Services Agreement and your Residence and Services Agreement is approved by Aldersgate.

- b. **Initial 10% Reservation Deposit:** An amount equal to ten percent (10%) of the total Entrance Fee, less the \$1,000.00 Reservation Deposit and less the \$1,000.00 Future Residency Club Deposit if applicable, totaling \$ _____ is paid within three (3) days after you receive written notice of approval of admission by Aldersgate and upon the execution of the Residence and Services Agreement.

 - c. **Amounts for Options and Custom Features:** The full amount invoiced by Aldersgate for any Options or Custom Features, if any, is due upon receipt of the invoice and before any work will begin for any upgraded options.

 - d. **Balance of the Entrance Fee:** An amount equal to 90% of the total Entrance Fee, or \$ _____ is due 5 days prior to the Occupancy Date or within 60 days after the receipt of the 10% Reservation Deposit, unless otherwise agreed to in writing by the Community. Occupancy Date is considered the day that keys to the Residence are turned over from Aldersgate to Resident and Move-In Sheet is signed by Resident, which may or may not be the same day Resident physically moves into the Residence.
5. **Monthly Fee(s):** In addition to the Entrance Fee, and upon taking occupancy of the Residence, You agree to pay the Monthly Fee(s) shown below. The Monthly Fee(s) are estimated and are shown for the year given. The Monthly Fee(s) will be adjusted at least annually, and You will be given notice of such increases by Aldersgate. Monthly Fees will be billed starting the date that shall be billable upon occupancy or beginning no later than 60 calendar days from the date of receipt of 10% Deposit.
- 6.
- | | | |
|----------------------------|----------|---------|
| Monthly Fee First Person: | \$ _____ | in 20__ |
| Monthly Fee Second Person: | \$ _____ | in 20__ |
| Total Monthly Fee: | \$ _____ | in 20__ |
7. **Application Forms Completed by You:** You agree to complete the following application forms and return them to Aldersgate within ten (10) calendar days of signing this Reservation Agreement:
- General Information
 - Personal Health History
 - Confidential Financial Statement
8. **Application Forms Completed by Others.**
- **Physician's Health History.** You will give this to your physician to complete and return to Aldersgate no more than 30 days prior to Occupancy.

- Independent Living Evaluation. Prior to move in, this will be conducted by a professional chosen by Aldersgate and must be conducted within 30 days of Occupancy.

9. Final Forms at Move-in: Prior to move-in, the final physician health history forms and updated financial statement forms are required.

ALDERSGATE UNITED METHODIST
RETIREMENT COMMUNITY, INC.

Member, First Person Printed

Member, First Person Signature

Member, Second Person Printed

Member, Second Person Signature

Current Address

City, State, Zip Code

Home Telephone _____

Cell Phone First Person _____

Email First Person _____

Cell Phone Second Person _____

Email Second Person _____

By: _____

Signed

Title



ALDRSGATE

RESERVATION AGREEMENT FOR NEW WESLEY GLEN RESIDENCES OF ALDRSGATE CHARLOTTE, NORTH CAROLINA

This Reservation Agreement is made this _____ day of _____, 20____, by and between Aldersgate United Methodist Retirement Community (“the Community” or “Aldersgate”), a non-profit corporation, and _____ (individually and/or collectively “You” or “Resident” or “Member”).

WHEREAS, You desire to reserve residence number _____, a _____ style residence of _____ (the “Residence”).

NOW, THEREFORE, You and Aldersgate agree as follows:

1. **Preliminary Agreement:** This Reservation Agreement is preliminary to the Residence and Services Agreement which will be entered into by You upon completion of the application process and approval by Aldersgate.
2. **Residence and Services Agreement and Disclosure Statement:** Aldersgate will provide You a copy of the Residence and Services Agreement and its most recent Disclosure Statement upon entering into this Reservation Agreement.
3. **Entrance Fee(s):** You agree to pay the Entrance Fee(s) shown below for the Residence selected:

Contract Type: 0% 50% 90%

Entrance Fee First Person: \$ _____

Entrance Fee Second Person: \$ _____

Total Entrance Fee Amount: \$ _____

4. **Terms of Payment of the Entrance Fee:** You agree to pay the Entrance Fee(s) for the Residence according to the following terms:
 - a. **Initial \$1,000 Reservation Deposit:** Upon entering into this Reservation Agreement and prior to entering into the Residence and Services Agreement, You agree to pay \$1,000.00 as an Initial Reservation Deposit. Such deposit is fully refundable

should You choose not to proceed with the reservation process and not enter into the Residence and Services Agreement for any reason, including the denial of your Application for admission by Aldersgate. The deposit fully applies toward the Entrance Fee should You proceed with the reservation process and enter into the Residence and Services Agreement and your Residence and Services Agreement is approved by Aldersgate.

b. **Initial 10% Reservation Deposit:** An amount equal to ten percent (10%) of the total Entrance Fee, less the \$1,000.00 Reservation Deposit and less the \$1,000 Future Residency Club deposit if applicable, totaling \$ _____, is paid within five (5) calendar days after You receive written notice of approval of admission by Aldersgate and upon execution of the Residence and Services Agreement.

c. **Amounts for Options and Custom Features:**

a. **A Deposit of One Third of the Total Entrance Fee.** An amount equal to one third (1/3) of the Entrance Fee, including 1/3 of fees for selected Option/Custom Features; less the paid Reservation Deposit paid at the time that the executive home site begins to be cleared; and,

b. **A Deposit of One Third of the Total Entrance Fee.** An amount equal to one third (1/3) of the Entrance Fee, including 1/3 of fees for selected Option/Custom Features, ; less the paid Reservation Deposit paid when the Community determines and notifies Member that construction of the Wesley Glen Executive Home has reached 50% of substantial completion; and,

c. **Balance of the Entrance Fee.** The balance of the total Entrance Fee, the amount which will be considered for refundable amount if applicable, including any outstanding balance for Options/Custom Features selected by the Member is to be paid at the Occupancy Date, unless otherwise agreed to in writing by the Community. If a change order occurs after selections have been submitted to the builder, they will be evaluated on a case by case basis and the amount for the upgrades will be due in full at the time of the acceptance of the change order.

5. **Monthly Fee(s):** In addition to the Entrance Fee, and upon taking occupancy of the Residence, You agree to pay the Monthly Fee(s) shown below. The Monthly Fee(s) are estimated and are shown for the year given. The Monthly Fee(s) will be adjusted at least annually, and You will be given notice of such increases by Aldersgate. Monthly Fees will be billed starting the date that keys are turned over and Move-In Sheet is signed by Resident.

Monthly Fee First Person: \$ _____ in 20 ____

Monthly Fee Second Person: \$ _____ in 20 ____

Total Monthly Fee: \$ _____ in 20 ____

6. **Cancellation Policy:** If cancellation is made at any point after signature of this document & receipt of 10% deposit, the depositor will be required to continue to make the scheduled payments in line with all options and selections made through completion and they will only be refunded at the time the residence is re-sold at the same price.

7. **Application Forms Completed by You:** You agree to complete the following application forms and return them to Aldersgate within ten (10) calendar days of signing this Reservation Agreement:
 - General Information
 - Personal Health History
 - Confidential Financial Statement

8. **Application Forms Completed by Others:**
 - **Physician's Health History.** You will give this to your physician to complete and return to Aldersgate no more than 30 days prior to Occupancy.
 - **Independent Living Evaluation.** Prior to move in, this will be conducted by a professional chosen by Aldersgate and must be conducted within 30 days of Occupancy. The Independent Living Evaluation determines Member Health Care Rate and Benefits.

9. **Final Forms at Move-in:** Prior to move-in, the final physician health history forms and updated financial statement forms are required.

**ALDRSGATE UNITED METHODIST
RETIREMENT COMMUNITY, INC.**

Member, First Person Printed

Member, First Person Signature

Member, Second Person Printed

By: _____

Member, Second Person Signature

Signed

Current Address

Title

City, State, Zip Code

Home Telephone _____

Cell Phone First Person _____

Email First Person _____

Cell Phone Second Person _____

Email Second Person _____

RESIDENCE AND SERVICES AGREEMENT
Aldersgate United Methodist Retirement Community, Inc.
Charlotte, North Carolina

This Residence and Services Agreement (“Agreement”) is made this _____ day of _____, 20____, by and between Aldersgate United Methodist Retirement Community (“the Community” or “Aldersgate”) and _____ (individually and/or collectively “you” or “Resident” or “Member”). If individuals desiring to share a Residence at Aldersgate enter into this Agreement, the terms “you” or “Resident” or “Member” shall apply to them jointly and severally and to their survivor.

WHEREAS, the Community is owned by Aldersgate United Methodist Retirement Community, Inc., a non-profit corporation of Charlotte, North Carolina; and

WHEREAS, the Community presently owns and operates a continuing care retirement community located at 3800 Shamrock Drive, Charlotte, North Carolina; and

WHEREAS, the Member desires to enter into membership at the Community, and the Community is willing to accept the Member and to provide services to the Member, all to be accomplished in accordance with the terms and conditions set forth in this Agreement;

WHEREAS, the Member desires to reserve an apartment or cottage in the Community; NOW,

THEREFORE, the Member and the Community agree as follows:

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

- A. **Residence.** The Member shall have the exclusive right to occupy, use, and enjoy Residence number _____, a _____ type of Residence (“Residence”), subject to the terms of this Agreement and the policies and procedures of Aldersgate. The right to receive services under this Agreement shall apply exclusively to the named Member hereunder, and to no other individual(s). No person other than the Member entering into this Agreement shall be permitted to occupy the Residence without the express written permission of the Community as hereinafter provided.
- B. **Options and Custom Features in the Residence.** The Community may provide and the Member may select certain Options/Custom Features at an additional charge for the Residence as described in the Community’s Options/Custom Features literature. Any such Options/Custom Features selected and paid for by the Member will become part of the Residence and the property of the Community upon occupancy or re-occupancy. Approval of all said items is at the discretion of the Community. The cost of any such Options/Custom Features will not become part of a refundable Entrance Fee.
- C. **Common Areas and Amenities.** The Community currently provides common areas and amenities for the use and benefit of all Members which are subject to change upon

thirty (30) days' notice to Members.

D. Parking. The Community will provide lighted and well maintained parking areas for the Member's personal vehicle and his or her guests. Members living in the Gateway Project will be provided one parking space per residence in the underbuilding parking.

E. Services and Programs.

1. **Temporary Absence.** Temporary absence of the Resident from the Community for vacation, travel, business, medical care or otherwise does not change the Resident's obligation to pay the full monthly fee.
2. **Utilities.** The Community will furnish heating, air conditioning, electricity, water, sewer, trash removal, and municipal services. The Member is responsible for the charges related to telephone, cable television and internet service.
3. **Meals.** The Community will make available to Members nutritionally well-balanced meals daily served in Community dining areas. The cost of additional meals taken in excess of those provided by a selected meal plan will be billed on a monthly basis. All Independent Living residents have a meal plan which is included within the Monthly Service Fee, equating to \$400 in value of the monthly service fee per month per resident. Meal credits operate on a declining balance over the course of the month, with any overages accounted for on resident's monthly statement. Each resident can have a maximum of \$100 carry over per month. Meal credits, with the equivalent values to three meals a day, are included in the monthly or daily fee for Members living in Assisted Living or the nursing center ("Health Care Facility").
4. **Housekeeping Services.** The Community agrees to maintain the Residence by providing weekly housekeeping services including vacuum cleaning, dusting, dressing of beds, cleaning of baths and kitchens, and trash removal. Additional housekeeping may be scheduled at the request and expense of the Member.
5. **Laundry.** Bed and bath linens will be provided for all Members in Assisted Living and the Health Care Facility.
6. **Grounds Keeping.** The Community will furnish basic grounds keeping services including lawn, tree, and shrubbery care for those items provided by Aldersgate. You may plant items approved by authorized staff, and you will maintain those certain areas designated for such purpose.

7. **Maintenance and Repairs.** The Community will maintain and keep in repair its own improvements, furnishings, and equipment. The Member will be responsible for the cost of repairing damage to property of the Community caused by the negligence of the Member or any guest of the Member, ordinary wear and tear excepted.
8. **Transportation.** The Community will provide local transportation for the Member on a regular, scheduled basis, and transportation to local doctor and medical appointments without additional charge within an area designated by the Community when scheduled through the Life Enrichment department, within a designated timeframe. An additional charge may be made for transportation for special or group trips.
9. **Security.** The Community will provide twenty-four (24) hour staffing including a security patrol.
10. **Activities.** The Community will provide planned and scheduled social, recreational, spiritual, educational, and cultural activities; arts and crafts; wellness and health programs; and other special activities designed to meet the needs of the Member(s).
11. **Health Care Benefit.** If it is determined in the future by the Community and the medical services provider that the Member requires assisted living services or nursing care, the Community will provide the Member with assisted living services in our assisted living or memory support centers (together referred to as “Assisted Living”) or nursing services in our nursing center (“Health Care Facility”), as described below and subject to changes in law.
 - a. **Admission.** The Community will admit the Member to Assisted Living or the Health Care Facility on a temporary or permanent basis as needed. Use of these assisted living services or nursing care shall require the certification of such need by the Member’s attending physician and shall be subject to availability of an appropriate accommodation at the Community.

In the event that space for the Member, for any reason, is not available in the Assisted Living or the Health Care Facility upon determination that a permanent transfer is required, the Community will arrange and pay for the Member’s care in their Residence or in another facility of the Community’s choice as deemed appropriate by the Community and their medical services provider, if reasonably possible, until space becomes available in Assisted Living or the Health Care Facility. The Community will pay for care in another facility to the same extent as if the care were provided by the Community. The Member will pay monthly or daily service fees to Aldersgate as if the Member were in Assisted Living or the Health Care Facility. If the cost of care at the other facility is higher than at the Community, the Community will pay the difference.

- b. Assisted Living.** The Community will provide to the Member, in an assisted living residence, services designed to assist with the activities of daily living in accordance with applicable North Carolina law. Services may include assistance with dressing, eating, bathing, toileting, medication administration and ambulating. Additional services, level of care fees and ancillary products may also be provided at additional charge.
- c. Memory Support.** The Community will provide to the Member, in a memory support assisted living residence, services designed to assist with the activities of daily living in accordance with applicable North Carolina law. Services may include assistance with dressing, eating, bathing, toileting, medication administration and ambulating. Additional services, level of care fees and ancillary products may also be provided at additional charge.
- d. Nursing Care.** The Community will provide licensed nursing care services to the Member. The care provided will include those services required by the applicable law to be supervised or administered by a professional license nursing staff, e.g., medication administration, condition and behavior observation and assessment, creation and administration of a care plan, assistance with activities of daily living and communication with physicians and other providers. The Members will be responsible for charges for prescription medications, drugs, supplies, and services above those included in the monthly or daily rate.
- e. Fees and Charges.** In exchange for payment of the applicable Monthly Service Fee, the Community will provide assisted living services or nursing care to the extent that it is not covered by the Members insurance, Medicare, or any other governmental programs or entitlements which the Member is required to maintain under this Agreement, subject to the following:

Effect on Monthly Service Fee

- 1. Temporary Transfers.** A transfer is considered temporary when the condition that requires the Members transfer has the potential to be resolved in a manner which may allow the Member to return to the Member's residence. The Member's Residence will be held for the resident's return.

 - a. Single Occupancy.** Should the Member have a temporary need for Assisted Living or Health Care Facility services while the Member is still occupying the Residence, the Member will pay both the then-current Monthly Service Fee for their Residence and the then-current applicable pro-rated monthly rate at Assisted Living or the then-current daily rate at the Health Care Facility.
 - b. Double Occupancy.** Should one or both Residents have a temporary need for Assisted Living or Health Care Facility services while still occupying the Residence, the Resident will continue to pay the then current Monthly Service Fee less the then-current second person

Monthly Service Fee for the Residence. Additionally, each Resident requiring temporary care provided in assisted Living or Health Care Facility, will be required to pay the then-current applicable pro-rated monthly rate at Assisted Living or the then-current daily rate at the Health Care Facility.

c. **Temporary Utilization.** Temporary utilization of Assisted Living or Health Care Facility services does not constitute a change of accommodation subject to the provisions of Section IV. M Change of Accommodations.

2. **Permanent Transfers.** A transfer is considered permanent when a condition requires a move to one of the levels of Healthcare and will not allow the Resident to return to their Residence and the Residence has been vacated. A move from Independent Living to another Independent Living residence due to health circumstances, upon approval, will be subject to a Transfer Fee of \$15,000. The exact amount may vary depending on the circumstances which will be evaluated at the time of transfer approval. Aldersgate reserves the right to waive or modify such transfer charges.

a. **Single Occupancy.** Should the Member have a permanent need for Assisted Living or Health Care Facility services, the Resident will be required to release their Residence as provided in Section V. If the Member entered the Community as a qualified Health Care Benefit Member, the Monthly Service Fee will be initially adjusted to the market rate of the 90% Refundable Contract Option Monthly Service Fee for the two bedroom two bathroom Sycamore type independent living residence plus the cost of additional meals such that the Member will receive Dining Dollars with the equivalent point value to three (3) meals per person per day (the "Health Care Benefit Rate"). If the Member is not eligible for the Qualified Health Care Benefit, the monthly fee will be the current monthly fee for the accommodation the member is moving to. (See Exhibit A for the current fee schedule.)

b. **Double Occupancy.** Should one Resident have a permanent need for Assisted Living or Health Care Facility services, the Monthly Service Fee will be equal to the then-current Monthly Service Fee for the Residence for one person plus either the Health Care Benefit Rate or Member rate without Health Care Benefits for the Assisted Living Facility or Health Care Facility reference in Exhibit A. Should both Residents have a permanent need for Assisted Living or Health Care Facility services, Resident will be required to release the residence as provided under Section V of the Agreement. The Monthly Service Fee will be initially adjusted to two times the Health Care Benefit rate or Monthly Service rate for the Assisted Living Facility or Health Care rate listed in Exhibit A.

3. **Additional Charges.** Resident will be responsible for all costs and charges associated with Assisted Living or the Health Care Facility services that are not covered by the monthly or daily rates for such care then in effect which may include prescription medications, drugs, supplies, therapies, ancillary charges, and level of care fees, if applicable. In the event of a temporary or permanent transfer, the Member will be responsible for all costs of relocation.

12. **Nursing Care and Residential Clinic Services**

a. **Nursing Services.**

- 1) **Staffing.** The Assisted Living and the Health Care Facility are staffed by licensed or certified nursing staff twenty-four hours per day.
- 2) **Medical Director.** The overall supervision of health care services by the Community, in addition to participation with its quality assurance programs, will be provided by a Medical Director who will be a licensed physician selected by the Community.
- 3) **Charges.** Current charges for Assisted Living and the Health Care Facility, as described above, are set forth in Exhibit A of this Agreement.
- 4) **Personal Physician.** The Member may choose to use the services of a personal physician and will be responsible for the charges by the physician.

b. **Residential Clinic Services:**

- 1) The Community will provide access to routine clinic services.
- 2) Additional periodic medical services may be coordinated through the Residential Clinic including but not limited to: pharmacy services, dental, podiatric, audiology and optical services; and laboratory tests. The Residential Clinic is available to coordinate scheduling of rehabilitative assessment and evaluation and may also coordinate the obtaining of wheelchairs and other medical equipment and supplies. The cost of such services shall not be covered by and are in addition to the charges described in Section II. The Member will be billed directly by the provider of the services.

II. **FINANCIAL ARRANGEMENTS**

- A. **Entrance Fees.** The Member agrees to pay to the Community an Entrance Fee as a condition of becoming a Member. In the case of a married couple paying a single Entrance Fee, the Entrance Fee paid is not allocated to each Member of the couple. Therefore, if one Member of the couple leaves the Community for any reason but the other Member remains, any refundable portion of the Entrance Fee belongs to the Member who remains in the Residence. In cases where two Entrance Fees are paid for a single accommodation, for example related unmarried individuals, each Entrance Fee relates to the Member paying that Entrance Fee.

The Entrance Fee is non-transferable, non-interest bearing and shall be the property of the Community for use in accordance with the terms of this Agreement, and shall not be subject to the claims of creditors of the Member. Any refundable portion of the Entrance Fee shall be governed by Section VI of this Agreement.

B. Entrance Fee Options. The Member shall choose one of the following options. The Community may, for any lawful reason, limit availability of one or more of the following Entrance Fee options.

Entrance Fee Option	Amount of Entrance Fee	Amortization Schedule
90% Refundable	\$	Subject to the provisions set forth in Section VI of this Agreement, 10% of this Entrance Fee becomes non-refundable immediately upon occupancy.
50% Refundable	\$	Subject to the provisions set forth in Section VI of this Agreement, 10% of this Entrance Fee becomes non-refundable immediately upon occupancy and an additional 1% per month for months eleven through 50 becomes non-refundable until 50% of the Entrance Fee is no longer refundable.
0% Refundable	\$	Subject to the provisions set forth in Section VI of this Agreement, 10% of this Entrance Fee becomes non-refundable immediately upon occupancy and an additional 2% per month for months six through 50 becomes non-refundable until 100% of the Entrance Fee is no longer refundable.

The Member must notify the Community in writing of the selection of the Entrance Fee Option on or before the date that the balance of the Entrance Fee is paid as provided in Section II. C. 3. below. The Member may not change the option selected after the date the balance of the Entrance Fee is paid.

C. Terms of Payment of the Entrance Fee. The terms of payment of the Entrance Fee shall be as follows:

1. **Reservation Deposit.** An amount equal to ten percent (10%) of the selected Entrance Fee totaling \$ _____ is due and payable within ten (10) days after the Member receives written notice of approval and upon execution of this Agreement.
2. **Balance of the Entrance Fee.** The balance of the total Entrance Fee for the Entrance Fee Option selected by the Member is due and payable when the Residence is declared by the Community to be ready for occupancy,

("Occupancy Date") unless otherwise agreed to in writing by the Community.

- D. Fees.** In addition to the Entrance Fee, the Member agrees to pay a Monthly Service Fee that will be initially \$_____per month for one person and an additional \$_____per month for the second person. The Monthly Service Fee shall be due beginning on the Occupancy Date and will be prorated, if necessary, on a daily basis for the first and last months of occupancy. The Community may increase the Monthly Service Fee upon thirty (30) days' written notice to you. It is our intention to make any adjustments to the Monthly Service Fee only once per year. The Monthly Service Fee shall be billed in advance to the Resident on or before the third (3rd) business day of each month, and shall be paid on or before the tenth (10th) day of the month.

Fees for Additional Services will be charged in accordance with the Additional Services Fee Schedule published by the Community. Charges for Additional Services shall be billed on or before the third (3rd) business day of the following month, and shall be paid on or before the tenth (10th) day of the month. Fees for Additional Services may be changed by the Community during the term of this Agreement as described in Section E. below.

Exhibit B to this Agreement identifies the Monthly Service Fee and Additional Services selected by the Member upon occupancy.

- E. Changes in Fees.** Fees are intended to meet the costs associated with the operation and management of the Community's facilities, programs, and services described in this Agreement. The Community shall have the authority to change Fees from time to time during the term of this Agreement as the Community in its discretion deems necessary in order to reflect changes in costs of providing the Community's facilities, programs, and services described herein consistent with operating on a sound financial basis and maintaining the quality of services called for herein. A thirty (30) day notice will be given to the Member before any adjustment in fees, charges, or scope of services to be provided becomes effective.
- F. Monthly Statements.** The Community will furnish the Member with monthly statements showing the total amount of fees and other charges which shall be payable by the tenth (10th) of each month. The Community may charge interest at a rate of one and one-half percent (1½%) per month on any unpaid balance.

III. ADMISSION REQUIREMENTS AND PROCEDURES

A prospective Member will become qualified for admission to the Community upon satisfaction of the following provisions:

- A. Age.** The entrance requirements for residence at the Community are non-

discriminatory except as to age, and the Community is open to both married and single men and women of all races and religions and without regard to place of former residence. The applicant must be at least 62 years of age; for couples, one applicant must be at least 62 years of age.

- B. **Personal Interview.** The Member shall have an interview with a representative from the Community prior to taking residency. Upon review of all information required to be furnished herein, additional personal interviews may be requested by the Community.
- C. **Reservation Agreements.** The Member shall have entered into a Reservation Agreement prior to entering this Agreement.
- D. **Application Forms.** Prior to entering into this Agreement, the Member shall have submitted for approval a General Information form, a Personal Health History, and a Confidential Financial Statement, all on forms furnished by the Community.
- E. **Residence and Services Agreement.** Upon acceptance by the Community, the Member shall enter into this Agreement.
- F. **Notification.** The Community will notify the Member as early as possible of the Occupancy Date.
- G. **Health Requirements.** Prior to entrance to the Community, the Member shall submit a report of a physical examination made by a physician selected by the Member within thirty (30) days prior to occupancy. Cost of the examination will be borne by the Member. The report will become an integral part of the Member's record. It will serve as a baseline of information for the Community's staff and the Member's physician as they begin to assist the Member in maintaining optimum health and enjoyment of the Aldersgate community experience.
- H. **Financial Requirements.** The Member must have assets and income which will be sufficient under foreseeable circumstances to pay the financial obligations of the Member under this Agreement and to meet ordinary living expenses of the Member. The Community, at its discretion, may require the Member to annually furnish updated financial information.
- I. **Representations.** The Member affirms that the representations made in the General Information form, Personal Health History, and Confidential Financial Statement are true and correct and may be relied upon by the Community as a basis for entering into this Agreement. The Member hereby represents and warrants that he/she is capable of independent living and has assets and income which are sufficient to meet ordinary and customary living expenses after assuming occupancy.

IV. TERMS OF RESIDENCY

- A. **Rights of Member.** The Member has the right to occupy, use, and enjoy the Residence, common areas, amenities, programs, and services of the Community unless this Agreement shall be terminated as provided herein. It is understood that this Agreement does not transfer or grant any interest in the real or personal property owned by the Community and conveys only the rights of use and enjoyment as described in this Agreement.
- B. **Policies and Procedures.** The Member will abide by the provisions of the Community's Resident Handbook and such amendments, modifications, and changes to the Resident Handbook as may hereafter be adopted by the Community.
- C. **Changes in the Residence.** The Community has the right to modify the Member's Residence to meet the requirements of any applicable local, state or federal statute, regulation, or ordinance (*e.g.*, applicable fire or building codes). The Residence may not be used in any manner in violation of any zoning ordinances or other governmental law or regulation.
- D. **Visitors.** Guests may stay in a Member's accommodation for a maximum of thirty (30) consecutive nights with at least sixty (60) consecutive nights away before their next overnight visit with the Member. No person other than the Member may reside in the Residence without the approval of the Community.
- E. **Occupancy by Two Members.** In the event that two Members occupy a Residence under the terms of this Agreement, upon the permanent transfer to Assisted Living or Health Care Facility or the death of one Member, or in the event of the termination of this Agreement with respect to one of the Members, the Agreement shall continue in effect as to the remaining or surviving Member who shall have the option to retain the same Residence and pay the Monthly Fee applicable to single occupancy. Should the remaining or surviving Member wish to move to another Residence, the policies of the Community governing said Residence change of accommodation will prevail. The Member moving to Assisted Living or the Health Care Facility will pay the published rates for the applicable level of care as described in Section I. E. 11 of this Agreement.
- F. **Cohabitation Policy.** If a Member cohabitates with another Member while residing at Aldersgate, the Member who vacates his/her unit to move will be treated as a "related" non-married second occupant. The Member who is moving will be subject to his / her own entrance fee, the second person monthly fee with all rights and duties attendant to a "related" second person occupant. The Member who is moving will receive any applicable refundable entrance fee from the unit he / she is vacating. Any refundable amount shall be paid to the withdrawing Member only when the Residence is reserved by a new Member and the new Member has paid his/her/their Entrance Fee.

- G. Marriage During Occupancy.** If a Member while occupying a Residence marries a person who is also a Member, the two Members may occupy the Residence of either Member if it is a residence designed for occupancy of two persons. Such married Members will be required to enter into the then current Residence and Services Agreement which will terminate any and all previous contracts or agreements with the Community. Such married Members will pay the Monthly Fee for double occupancy associated with the Residence occupied by them. In the event that a Member shall marry a person who is not a Member of the Community, the spouse may become a Member if such spouse meets all the then current requirements to reside in the Community and both Members of the couple enter into a then current version of the Residence and Services Agreement with the Community. The Member and spouse shall then pay the Monthly Fee for double occupancy associated with the Residence occupied by them. If the Member's spouse shall not meet the requirements of the Community for admission as a Member, the Member may terminate this Agreement in the same manner as provided in Section VI hereof with respect to a voluntary termination.
- H. Added Member.** Should Member desire to invite an individual to join the Member in sharing a Residence for which the Member paid the entire Entrance Fee and in which the Member is living alone, such person shall make application for entrance, and, if approved at the sole discretion of the Community, shall be admitted. The approved Members will occupy a unit no smaller than a two-bedroom apartment. Each applicant shall pay the separate full Entrance Fee applicable to the Residence in which they reside. One of the Members shall pay the Monthly Fee applicable to single occupancy and the second Member will pay the Monthly Fee applicable to double occupancy. At such time as one of the Members vacates the Residence, for whatever reason, the remaining Member shall pay the single occupancy Monthly Fee.
- I. Loss or Damage of Property.** The Community will obtain property and casualty insurance coverage on the buildings and grounds. Such coverage will not insure against loss or damage to your personal property or damage or injury to others caused by you. The Community shall not be responsible for the loss or damage of any property belonging to the Member due to theft, mysterious disappearance, fire or any other cause. The Community encourages Members to purchase appropriate renter's and comprehensive insurance.
- J. Health Insurance.** The Member agrees that he or she will enroll for Basic and Supplementary coverage under the federal Medicare program, if not so enrolled at the time of admission. If so enrolled, Member agrees to continue participation in these programs.

You also agree to execute all necessary forms to obtain payment of benefits which are or may be payable in the future to you or us for services provided

hereunder.

You will be responsible for paying for all health care services that are not covered by the Community, Medicare (or an equivalent substitute policy approved by the Community), or Medicare supplemental insurance, as set forth in this Agreement. If you have any questions about such coverage, the Community will assist you in obtaining answers.

The following rules shall apply to payments made by the Medicare program on behalf of the Member at any times during which the Community is eligible to receive Medicare reimbursement for services provided to Members:

- Any reimbursement received for Medicare Part A services provided to the Member by the Community shall be accepted by Community as payment in lieu of daily service fees that otherwise would apply while living in the Health Care Facility, to the extent permitted under applicable Federal and State laws and regulations governing Medicare reimbursement.
- Any reimbursement received for Medicare Part B services provided to the Member by Aldersgate will be applied as a credit to the Community's fees for those services to the extent permitted under applicable State and Federal laws and regulations governing Medicare reimbursement.

Should the Member or the Member's legally-authorized representative apply for assistance under the Medicaid program, or any successor program of a similar nature, the Member's contract will be terminated.

- K. Right of Entry.** It is agreed that employees or agents of the Community may need to enter the accommodation on occasion, and permission is hereby given by Member. The Community will make reasonable efforts to give notice of any entry whenever possible but is not bound to do so.
- L. Residents' Council.** Members of the Community may participate in the Residents' Council and Residents' Committees which will be open to all Members through an election process.
- M. Change of Accommodations.** The Member may request a change in the type of accommodation from time to time, subject to permission of the Community and the availability of the type requested. If such change is made, the following rules apply:
1. If the Entrance Fee for the new accommodation is higher than the Entrance Fee paid for the accommodation to be vacated, the Member will pay the difference between the Entrance Fee for the new accommodation and the Entrance Fee paid for the prior accommodation. In the event of termination, the amount of the refund, if any, will be based on the total Entrance Fee paid.

2. Member will be responsible for any costs associated with the change of accommodation, including moving expenses.

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

- A. **Transfer to Assisted Living or Nursing Care.** The Community offers various levels of care to best meet the progressive needs of its Members. A transfer to a higher level of care shall be based upon the recommendation of an interdisciplinary team, including the Member, to the extent practical, or the Member's legally-authorized representative determined in accordance with N.C. Gen. Stat. § 90-21.13(c), in conjunction with appropriate staff members and in consultation with the Member's attending physician. A decision to recommend a change in level of care shall be based on a determination that the Member cannot safely reside in their current accommodation or level of care. If agreement about level of care changes cannot be reached, the dispute will be submitted to binding arbitration for resolution, in accordance with the separate Mediation and Binding Arbitration Agreement executed between the Member or Member's legally-authorized representative and the Community. A Member transferring to a higher level of care does not constitute a change of accommodation for the purpose of calculating an Entrance Fee refund.

In the event of a Permanent Transfer, you shall release your Residence in order for the Community to make your Residence available to a new resident. In such event, the Community may enter into a new Agreement for occupancy of the Residence with a new resident. If your Residence is reassigned and should you subsequently recover sufficiently to maintain yourself independently in a residence, you shall be offered the next available residence similar to the one relinquished. While you are in the Assisted Living or the Health Care Facility, the Monthly Service Fee will continue to be due and payable as described in Section II, D.

If the Residence is occupied by two (2) Residents, the Permanent Transfer of one (1) Resident does not affect the rights and privileges under this Agreement of the remaining Resident.

- B. **Transfer to Hospital or Other Facility.** Should the Member need care beyond that which can be provided by the Community, the Member may be transferred to a hospital, center, or institution equipped to give such care, the cost of which will be the responsibility of the Member. Such transfer of the Member will be made only after consultation to the extent possible with the Member, or the Member's legally-authorized representative determined in accordance with N.C. Gen. Stat. § 90-21.13(c), and the Member's attending physician.
- C. **Vacating Residence.** If a Member's attending physician determines that any transfer described in Section V. A. and B. is likely to be permanent in nature, the Member agrees to vacate the Residence occupied by the Member prior to

such transfer. If the interdisciplinary team, including the Member, to the extent practical, or the Member's legally-authorized representative, in conjunction with appropriate staff members and in consultation with the Member's attending physician, subsequently determines that the Member can resume occupancy in a Residence or accommodation comparable to that occupied by the Member prior to such transfer, the Member shall have priority to such residence as soon as it becomes available.

VI. TERMINATION OF MEMBERSHIP AND REFUNDS

- A. **Right to Rescind Agreement.** The Member shall have the right to rescind this Agreement within thirty (30) days after executing this Agreement or receipt of the Disclosure Statement as required by law, if later. The Member shall not be required to occupy the chosen residence at the Community before expiration of the thirty (30) day period. Upon rescission, the Community shall refund to the Member, or the Member's legally-authorized representative, any portion of the Entrance Fee the Member paid to the Community less (i) per diem or monthly charges specified in this Agreement for the Member's Residence applicable to the period the Residence was actually occupied by the Member; (ii) those nonstandard costs specifically incurred by the Community at the request of Member which are not covered by the per diem or monthly charges applicable to Member; and (iii) the greater of two percent (2%) of the Entrance Fee or One Thousand Dollars (\$1,000.00). Any such refund shall be paid by the Community within sixty (60) days following receipt of written notification of such termination.
- B. **Termination by Member Prior to Occupancy Based on Death or Disability.** If the Member dies before occupying his or her residence or becomes incapable of meeting the physical, mental or financial requirements for admission before such occupancy, this Agreement shall be automatically canceled. In such case, the Community shall refund to the resident, the resident's estate, or the resident's legally-authorized representative, any portion of Entrance Fee the Member paid to the Community less (i) those nonstandard costs specifically incurred by the Community at the request of Member which are not covered by the per diem or monthly charges applicable to Member; and (ii) the greater of two percent (2%) of the Entrance Fee or One Thousand Dollars (\$1,000.00). Any such refund shall be paid by the Community within sixty (60) days following receipt of written notification of such termination.
- C. **Termination by Member Prior to Occupancy for Other Reasons.** Once the thirty (30) day rescission period described in Section VI. A, above, has expired, but before the Member takes occupancy, the Member may terminate this Agreement for any reason not covered by Section VI. B, by giving written notice to the Community. For rescinded or canceled contracts under this section, the resident or the resident's legal representative shall receive a refund of all money or property transferred to the provider, less (i) those nonstandard costs specifically incurred by the provider or facility at the request of the resident and

described in the contract or any contract amendment signed by the resident; (ii) nonrefundable fees, if set out in the contract; and (iii) a reasonable service charge, if set out in the contract, not to exceed the greater of one thousand dollars (\$1,000) or two percent (2%) of the entrance fee. Any such refund shall be paid by the Community within sixty (60) days following receipt of written notification of such termination.

D. Termination by Member After Occupancy. Once the thirty (30) day rescission period described in Section VI. A, above, has expired, and after the Member takes occupancy, the Member may, at any time upon ninety (90) days' notice in writing to the Community, terminate his or her membership. Upon termination, a portion of the Entrance Fee may be refunded to the withdrawing Member, as described in Section VI. G.

E. The Community's Right to Terminate Agreement. The Community shall have the right at any time, upon thirty (30) days' notice in writing to the Member, to terminate his or her membership because the Member has failed to meet his or her obligations under this Agreement, including but not limited to:

- Member has not paid monthly fees and other charges on a timely basis;
- Member engages in behavior that unreasonably interferes with the quiet enjoyment of other Members; or
- Member has failed to abide by the provisions of the Community's Resident Handbook.

The following may result in immediate termination of membership and discharge:

- Member engages in behavior that negatively impacts or threatens the health, safety or welfare of other Members, staff or visitors.

Such notice shall specify the obligation which the Member has failed to perform. Upon such termination, the Member may be entitled to a refund of a portion of the Entrance Fee paid, as described in Section VI, G.

F. Termination Upon Death. Death of a Member shall be treated as a termination of membership on the date of death. The refund due, if any, shall be computed as described in Section VI. G.

G. Refund Upon Termination. Upon contract termination, the Member may be entitled to a refund of a portion of the Entrance Fee paid, as follows:

- 1. 0% Refundable Entrance Fee Option.** For Members who have chosen the 0% Refundable Entrance Fee Option, the refund due, if any, shall be the Entrance Fee paid, less: (i) ten percent (10%) for any termination occurring in months one through five after occupancy, (ii) two percent (2%) for each month that has elapsed between month six and the date of withdrawal up to month 50; (iii) a fee of One Thousand Dollars (\$1,000); and (iv) any amount due to the Community for monthly care or other unpaid services. No part of the 0% Refundable Entrance Fee is

refundable after a Member has resided at the Community for fifty (50) months. Any refundable amount shall be paid to the withdrawing Member only when the Residence is reserved by a new Member and the new Member has paid his/her/their Entrance Fee.

2. 50% Refundable Entrance Fee Option. For Members who have chosen the 50% Refundable Entrance Fee Option, the refund due shall be the Entrance Fee paid less: (i) ten percent (10%) for any termination occurring in months one through ten after occupancy; (ii) one percent (1%) for each month that has elapsed between month eleven and the date of withdrawal up to month 50; (iii) a fee of One Thousand Dollars (\$1,000); and (iv) any amount due to the Community for monthly care or other unpaid services. Any refundable amount shall be paid to the withdrawing Member only when the Residence is reserved by a new Member and the new Member has paid his/her/their Entrance Fee.

3. 90% Refundable Entrance Fee Option. For Members who have chosen the 90% Refundable Entrance Fee Option, the refund due shall be the Entrance Fee paid less: (i) ten percent (10%); (ii) a fee of One Thousand Dollars (\$1,000); and (iii) any amount due to the Community for monthly care or other unpaid services. Any refundable amount shall be paid to the withdrawing Member only when the Residence is reserved by a new Member and the new Member has paid his/her/their Entrance Fee.

Any refund due shall be paid to the estate of the deceased Member or to a beneficiary identified in advance by the Member.

If a member is 85 years of age or older at the time of the full payment of the entrance fee, a 10% premium is added to the entrance fee up to the age of 90. If a resident is 90 years of age or older at the time of the full payment of the entrance fee, a 10% premium is added to the entrance fee, and they are limited to the 0% refundable entrance fee option.

H. Condition of Residence. At the effective date of termination of this Agreement, the Member shall vacate the Residence and shall leave it in good condition except for normal wear and tear. The Member shall be liable to the Community for any cost incurred in restoring the Residence to good condition except for normal wear and tear. Such costs will be deducted from any refund due to the Member under the terms of this Agreement or will be billed to the Member or Member's estate or beneficiary if the available refund is not sufficient to cover the cost of repairs.

I. Use of a Refundable Entrance Fee Option for Health Care Expenses at Aldersgate.

1. Should a Member who has chosen the 90% or 50% Refundable Entrance Fee Option permanently vacate his or her Residence by transferring to a Health Care Facility at the Community, the Member may then draw against his or her refund to supplement payment of his or her health care costs at the

Community but if and only if the Member's other assets from all available sources are insufficient to cover the Member's health care costs at the Community. The Community may require the Member to demonstrate the unavailability of other resources to cover health care costs at the Community. The refundable portion of the Entrance Fee can be accessed exclusively for healthcare services at the Community as a supplement to any income the Member receives from all available sources. The Member would still be entitled to receive any applicable Member discount on his or her health care.

2. The following conditions apply when "the Member" is used in this contract to apply to two married individuals in an Independent Living Residence who have chosen the 90% or 50% Refundable Entrance Fee Option:
 - a. The Entrance Fee relates to the Member identified in this Agreement, not to either individual Member alone. As such, as long as one of the Members remains in the Community, no refund of the Entrance Fee is due to either Member, even if one Member vacates the Community for any reason.
 - b. Should both Members vacate their Residence by transferring to a Health Care Facility at the Community, either or both Member(s) may then draw against the 90% or 50% Refundable Entrance Fee to supplement payment of their health care costs at the Community but if and only if the Member's other assets from all available sources are insufficient to cover the Member's health care costs at the Community. The Community may require the Member to demonstrate the unavailability of other resources to cover health care costs at the Community. The 90% and 50% Refundable Entrance Fee option can be accessed exclusively for healthcare services at the Community as a supplement to any income the Member receives from all available sources. The Member would still be entitled to receive any applicable Member discount on their health care. The Member may access the refund for health care purposes only when the vacated Residence is reserved by a new Member and the new Member has paid his/her/their Entrance Fee.
 - c. Should one Member vacate their Residence by transferring to a Health Care Facility at the Community, and the other Member vacates the Residence by transferring to an independent accommodation that carries a lesser entrance fee, the Member who has transferred to the Health Care Facility may then draw against the 90% or 50% Refundable Entrance Fee to supplement payment of their health care costs at the Community, up to the difference between the original Entrance Fee, and the then current Entrance Fee (Revised Entrance Fee) for the new independent accommodation, but if and only if the Member's other assets from all available sources are insufficient to cover the Member's health care costs at the Community. The Community may require the Member to demonstrate the unavailability of other resources to cover health care costs at the Community. The Member would still be entitled to receive any applicable Member discount on their health care. Should the Member

residing in the independent living accommodation vacate said accommodation by transferring to Assisted Living or the Health Care Facility at the Community, that Member may then draw upon the refundable portion of the Revised Entrance Fee to supplement payment of their health care costs at the Community, but if and only if the Member's other assets from all available sources are insufficient to cover the Member's health care costs at the Community. The Community may require the Member to demonstrate the unavailability of other resources to cover health care costs at the Community. The 90% or 50% Refundable Entrance Fee can be accessed exclusively for health care services at the Community as a supplement to any income the Member receives from all available sources. The Member would still be entitled to receive any applicable Member discount on their health care. The Member may access the refund for health care purposes only when the vacated Residence is reserved by a new Member and the new Member has paid his/her/their Entrance Fee.

- d. Utilization of the 90% or 50% Refundable Entrance Fee option may be made to supplement payment of health care costs at the Community only. Contingent upon a financial review of the Members income and assets, at the Community reserves the right to determine the amount of the 90% or 50% Refundable Entrance Fee that may be used to supplement the Members health care fees at the Community.

VII. FINANCIAL ASSISTANCE

The Community reserves the right to terminate Member's membership in the event the Member does not, or cannot, make the monthly payments required under Section II, and in the further event arrangements for payment of those fees cannot be made with Member, Member's family and/or other responsible party. It is the goal of the Community, however, to provide for services for the Member for the balance of his or her lifetime without regard to the Member's ability to pay the monthly fee which may be

established from time to time. However, the Community has relied upon outside sources of financial support available to it for care of Members who have insufficient funds, upon financial information provided by the Member, and upon the good-faith assurances of the Member that he or she will utilize any assets now owned or hereafter acquired to the best of his or her ability to meet the financial obligations imposed on the Member under this Agreement. In the event the financial sources relied upon by the Community for the care of Members with insufficient funds cease or prove inadequate, or in the event the Member makes a material misstatement with regard to the nature or extent of his or her assets, or in the event the Member, after the date of this Agreement, takes action which depletes his or her assets, and the result of such misstatement or such action is to impair the Member's ability to pay the monthly fee contemplated by this Agreement, the Community may exercise its right to terminate the Member's membership. Should the Member apply for and receive assistance under the Medicaid program, or any successor program of a similar nature, the Member's membership will be terminated.

Notwithstanding any other provision of this Agreement, nothing in this Section VII or any other portion of this Agreement is intended to constitute or should be construed as a promise to provide financial assistance to any Member and the decision to offer financial assistance to any Member is solely within the discretion of the Community based upon the unique facts of each Member's situation.

VIII. **GENERAL**

- A. **Assignment.** The rights and privileges of the Member under this Agreement to the Residence, common areas, amenities, services, and programs of the Community are personal to the Member and may not be transferred or assigned by the Member or otherwise.
- B. **Management of the Community.** The absolute rights of management of the Community are reserved by the Community, its Board of Directors, and its administration/management as designated by said Board of Directors. The decision to accept or decline an application for Membership will be based upon criteria for admission developed by the Community. Members do not have the right to determine acceptance or terms of acceptance of any other Member.
- C. **Entire Agreement.** This Agreement and the Mediation and Binding Arbitration Agreement constitute the entire agreement between the Community and the Member. The Community shall not be liable or bound in any manner by any statements, representations, or promises made by any person representing or assuming to represent the Community, unless such statements, representations, or promises are set forth in this Agreement and/or the Mediation and Binding Arbitration Agreement.
- D. **Successors and Assigns.** Except as set forth herein, this Agreement shall bind and inure to the benefit of the successors and assigns of the Community and the heirs, executors, administrators, and assigns of the Member.

- E. Power of Attorney, Will, and Medical Directive.** Member is encouraged to execute a durable power of attorney designating some competent person as attorney-in-fact. Member is encouraged to execute a will. Member is further encouraged to consider execution of a Living Will and Health Care Power of Attorney. The Member is asked to provide the Community with copies of the Member's Durable Power of Attorney, Living Will, Health Care Power of Attorney and any other advance directive executed by the Member.
- F. Transfer of Property.** The Member agrees not to make any gift or other transfer of property for less than adequate consideration for the purpose of evading the Member's obligations under this Agreement or if such gift or transfer would render such Member unable to meet such obligations.
- G. Property Disposition Upon Permanent Transfer or Death:**
- 1.** In the event of Member's permanent transfer from his/her Residence to some other living accommodation or upon his/her death, all Member's property shall be removed within the following timeframes after notification by Community to Member or his/her legally-authorized representative:
 - Fourteen (14) days from independent living accommodation;
 - Ten (10) days from assisted living (other than memory support); Seventy-two (72) hours from memory support centers;
 - Twenty-four (24) hours from the Health Care Facility.

Accommodation charges will remain in effect until all of the Member's property is removed from the accommodation.
 - 2.** If such property is not removed within said periods of time by Member's legally authorized representative, the Community shall have the right to remove and store such property. The costs attributed to such removal and storage shall be charged to the Member or the Member's estate, as applicable, and may be deducted from any refund otherwise due the Member. Thereafter, if such property is not claimed within thirty (30) days, then title to such property shall be vested in the Community and it shall be disposed of as the Community, in its sole discretion, deems proper, without any liability of the Community to the Member, his/her/their estate, or heirs.
- H. Relationship to Church.** The Community is affiliated with the Western North Carolina Conference of the United Methodist Church. However, Member acknowledges that the Community is an independent corporation which is solely responsible for carrying out its obligations hereunder and that neither the United Methodist Church, the Western North Carolina Conference of the United Methodist Church, nor any agency of them has any financial or contractual obligation to the Member on account of this Agreement.
- I. Governing Law.** This Agreement shall be governed by the laws of the State of

North Carolina.

J. Notice Provisions. Any notices, consents, or other communications to the Community hereunder (collectively "notices") shall be in writing and addressed as follows:

President
Aldersgate UMRC Inc.
3800 Shamrock Drive
Charlotte, North Carolina 28215-3220

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

IN WITNESS WHEREOF, the Community has executed this Agreement, the Member has read and understands this Agreement and has executed this Agreement, and ten percent (10%) of the Entrance Fee has been paid as of the day and year above written.

Witness

Member

Witness

Member

Current Address (Number and Street)

City, State, Zip Code

(_____) _____ - _____
Telephone

ALDERSGATE UNITED METHODIST RETIREMENT
COMMUNITY, INC.,

By: _____ Date
President /Designee

By: _____ Date
Director of Marketing/Designee

LEASE AGREEMENT
of
Aldersgate United Methodist Retirement Community, Inc.
Charlotte, North Carolina

Our Mission: We honor elders and are committed to creating and fostering diverse, caring communities where everyone has a voice and value.

This contract is entered into by Aldersgate United Methodist Retirement Community, Inc. of Charlotte, North Carolina, hereinafter called "Aldersgate", and _____, hereinafter called "the Resident".

The Resident desires to enter into residence at Aldersgate, and Aldersgate is willing to accept the Resident and to provide services to the Resident, all to be accomplished in accordance with the terms and conditions set forth in this contract. Therefore, Aldersgate and the Resident have agreed as follows:

I. TERM

Aldersgate leases to the Resident, and the Resident leases from Aldersgate, the accommodation known as _____, a private residence on the property of Aldersgate for the term commencing on the ____ day of _____, 202__ and ending on the ____ day of _____, 202__ or a term of thirteen (13) months (the "Term"). The total monthly fee shall be \$_____ per month, of which \$_____ is the accommodation fee and \$_____ is the services/amenities fee. If Resident desires to terminate the lease at the end of the Term, then Resident shall give Aldersgate not less than ninety (90) days' notice of said termination prior to the expiration of the Term. In the event Resident fails to give such termination notice, this contract shall be automatically renewed for an additional thirteen (13) month term with a total monthly fee equal to the then prevailing rate for similar accommodations and service/amenities, as determined by Aldersgate in its discretion.

Aldersgate shall not discriminate against the Resident in the provision of services or in any other manner on the grounds of race, color, creed, religion, sex or national origin.

II. FEES TO BE PAID TO ALDERSGATE

In consideration of admission to Aldersgate, the Resident agrees as follows:

- A. To furnish to Aldersgate complete and accurate information with regard to the nature and extent of his or her assets (now owned or hereafter acquired);
- B. To manage those assets to the best of his or her ability in such a way as to permit the payment of the fees set forth herein;
- C. In the event the accommodation is occupied by two related persons as Residents, and one of said persons for any reason vacates the accommodation, the single occupancy fee will become the new monthly fee on the earlier of the date of such vacation or on the first day of the month following written notice by Resident of such change in occupancy. In the

event a person is added to the Agreement as a resident, upon qualification and approval by Aldersgate, a second person fee will be charged for the new resident in addition to the single occupancy fee charged to the first person;

- D. Upon request, to submit, at the discretion of Aldersgate, annually updated financial information;
- E. To abide by all other terms and provisions of this contract.

III. TERMINATION OF RESIDENCE

- A. If Resident has not occupied his or her residence, at any time within (30) days following the date of this contract, the Resident may terminate this contract. The Resident shall not be required to occupy his or her unit at Aldersgate until such thirty (30) day period is past. In addition, if the Resident dies before occupying his or her unit or, in the judgment of Aldersgate, becomes incapable of meeting the physical or mental requirements for admission before such occupancy, this contract shall be canceled.
- B. Aldersgate shall have the right at any time, upon thirty (30) days' notice in writing to the Resident, to terminate his or her contract because the Resident has failed to meet his or her obligations under this contract. Such notice shall specify the obligation which the Resident has failed to perform. Aldersgate may terminate a resident's lease if:
 - Resident has not paid monthly fees and other charges on a timely basis;
 - Resident engages in behavior that unreasonably interferes with the quiet enjoyment of other Community Members; or
 - Resident has failed to abide by the provisions of the Community's Resident Handbook.

The following may result in immediate termination of lease contract and discharge:

- Resident engages in behavior that negatively impacts or threatens the health, safety or welfare of other Community Members, staff or visitors.
- C. If the Resident does not vacate the premises on the effective date of the termination of this contract, or after notice of default with a failure to cure such default within ten days after receipt of notice, Aldersgate may pursue all judicial remedies under North Carolina Law for the eviction of the Resident.
- D. If the Resident vacates or is evicted from the residence without removing their personal property from the subject unit, Aldersgate may, without liability for trespass or conversion or any other claim, remove any personal property from the Resident's unit and store such property at Resident's expense. The personal property so removed shall be deemed abandoned if Resident has not made a written demand for the same within thirty days of Resident's vacation or eviction and Aldersgate thereafter has the right to dispose of the property as it deems appropriate without any liability whatsoever. If Resident makes such a demand, the property shall be released to Resident upon payment in full of all costs of removal and storage.

IV. CHANGE OF ACCOMMODATIONS

The Resident may request a change in the type of accommodation from time to time, subject to permission of Aldersgate and the availability of the type requested. If such change is made, the Resident agrees to pay the accommodation and services/amenities fees associated with the new accommodation at the then prevailing rate. Resident will be responsible for any fees associated with the change of accommodation, including moving expenses.

V. CONVERSION TO MEMBERSHIP

Resident may choose to convert this contract to full membership status within the Aldersgate Continuing Care Retirement Community, defined as having access to services associated with levels of care higher than independent living, at a member rate and member priority status, upon satisfaction of all requirements then applicable to membership in Aldersgate's Continuing Care Retirement Community. With conversion, Resident is eligible to receive credit for the time occupied in any lease period (such credit not to exceed 13 months in total) for the accommodation portion of their monthly fee as indicated in this contract. This credit may be applied toward the entrance fee of the accommodation chosen for full membership. At such time of conversion, this contract becomes void and the Resident shall sign an Aldersgate Resident and Services Agreement for Membership.

VI. PAYMENTS TO ALDERSGATE FOR MONTHLY SERVICES

The Resident agrees to pay for his or her residential services on a monthly basis, the fee to be paid in advance by the tenth (10) day of the month. For example, the payment of the fee for June is due by June 10th, the payment for July is due by July 10th, etc. The amount due for each month shall be the amount established by Aldersgate from time to time upon thirty (30) days notice to the Resident. Temporary absence of the Resident from Aldersgate for vacation, travel, business, medical care or otherwise does not change the Resident's obligation to pay the full monthly fee. Aldersgate may charge interest at a rate of one and one-half percent (1&1/2%) per month on any unpaid balance.

VII. SCOPE OF MONTHLY SERVICES

For the monthly fee paid by the Resident, Aldersgate shall provide to the Resident the use of the accommodation selected, board, and housekeeping service in accord with the practices of Aldersgate as they may be in effect from time to time, and the religious, social and creative life of Aldersgate. The services may be changed, added to or deleted from time to time in the sole discretion of Aldersgate. Residents have the option of choosing a meal plan and will be billed accordingly.

NOTE: Monthly fee does not include physicians' fees, outside hospitalization, drugs, phone, internet, cable TV services, medical supplies, dry cleaning, or funeral and burial expenses, all of which remain the sole responsibility of the Resident. Under this contract, Aldersgate is not obligated to provide healthcare services at Parker Terrace, Cuthbertson Village, Asbury Care Center or the Wellness Clinic.

VIII. HEALTHCARE SERVICES

Should the Resident require healthcare services as provided at Aldersgate, there are no guarantees, implied or otherwise, of accommodation availability. Should the Resident be admitted into a healthcare accommodation as identified in Section VII, the Resident agrees to

pay for the services provided at a Direct Admit/Private Pay fee-for-service basis.

IX. ASSIGNMENT AND SUBLETTING

Resident shall not sublease or encumber the accommodation or assign this contract in any way. Occupation of the accommodation by other than permitted occupants may result in termination of this contract.

X. RIGHT OF ENTRY

It is agreed that employees or agents of Aldersgate may need to enter the unit on occasion, and permission is hereby given by Resident. Aldersgate will make reasonable efforts to give notice of any entry whenever possible but is not bound to do so.

XI. PROPERTY MAINTENANCE

By execution of this contract, the Resident agrees that the unit described herein has been inspected by him/her and meets with his/her approval. He/she has found it to be in good and tenable condition, and agrees that at the end of the occupancy hereunder to deliver up and surrender said accommodation to Aldersgate in as good condition as when received, reasonable wear and tear excepted. No alteration, addition or improvements shall be made in or to the accommodation without prior written consent by Aldersgate and then only using materials and contractors approved by Aldersgate. All such work shall be done at Resident's expense and in such manner as Aldersgate may approve. All alterations, additions and improvements to the accommodation shall become part of the accommodation and the property of Aldersgate.

Resident shall use and maintain the accommodation during his/her residency in safe, clean, and sanitary manner and shall, upon termination of the residency, deliver all keys to Aldersgate, remove all personal property and leave the unit.

XII. INSURANCE, RELEASE, AND INDEMNITY

Resident shall insure his/her personal property located or stored within the accommodation or other storage areas that may be provided to the extent of its full insurable value against the risks of damage, destruction or loss resulting from theft and all hazards and casualties. Regardless of whether Resident secures such insurance, all personal property belonging to Resident or to any other persons within the accommodation shall be at the sole risk of the Resident or other such person and neither Aldersgate nor its employees or agents shall be liable for any theft or loss or for any actual damage, destruction or injury from any cause whatsoever to such property. Neither Aldersgate nor its employees or agents shall be responsible for any damage or injury to resident, his/her family or other person.

Resident agrees to indemnify and hold Aldersgate harmless against all claims, actions, or causes of actions, costs or damages sustained by reason of any act, omission, or other occurrence causing damage or injury to any person or property arising out of or connected with the use, occupancy, or control of the accommodation by Resident, his family, agents or guests, unless the damage or injury is proximately caused by the negligence of Aldersgate, its employees or agents.

In the event that any amount shall become due to Aldersgate under this contract and as a result thereof, Aldersgate is required to retain the services of an attorney, Resident agrees to pay such reasonable attorney's fees up to fifteen percent of the total amount owing along with any interest

and costs incurred by Aldersgate in obtaining or attempting to obtain payment of any such amount owing by Resident.

XIII. RULES AND REGULATIONS

In order to operate Aldersgate in the best interests of the entire Aldersgate community, it is understood that Aldersgate will from time to time adopt policies, practices, rules and regulations governing the operation of Aldersgate and the occupancy by its Residents. Resident agrees to comply with such policies, practices, rules and regulations now in effect or hereafter adopted. Non-compliance with policies, practices, rules and regulations may be cause for termination of this agreement.

XIV. DEATH OF A RESIDENT

Death of a Resident shall be treated as a termination of Contract on the date of death for the purposes of Section III. Any refund of accommodation and service/amenities fees that may be due, (however reduced by amounts otherwise due and payable as enumerated under the provisions of this contract) shall be paid to the estate of the Resident.

XV. RELATIONSHIP TO CHURCH

Aldersgate is affiliated with the Western North Carolina Conference of the United Methodist Church. However, Resident acknowledges that Aldersgate is an independent corporation which is solely responsible for carrying out its obligations hereunder and that neither the United Methodist Church, the Western North Carolina Conference of the United Methodist Church, nor any agency of them has any financial or contractual obligation to the Resident because of this contract.

XVI. PROPERTY RIGHTS

This contract does not create in the Resident any rights in or to the property of Aldersgate in general, nor specifically, in the accommodation which may be occupied from time to time by the Resident.

Date: _____, 20____

(Lessee)

(Lessee)

President



ALDERSGATE

**ACKNOWLEDGMENT OF RECEIPT OF
THE DISCLOSURE STATEMENT
OF
ALDERSGATE UNITED METHODIST RETIREMENT COMMUNITY, INC.**

Our Mission: We honor elders and are committed to creating and fostering diverse, caring communities where everyone has a voice and value.

I, _____, with this statement, acknowledge receipt of the Disclosure Statement of Aldersgate United Methodist Retirement Community, Inc., dated June 1, 2024. This Disclosure Statement was made available to me prior to the signing of the Residence & Services Agreement.

Printed Name

Date

Signature

Date

Printed Name

Date

Signature

Date

MEDIATION AND BINDING ARBITRATION AGREEMENT

This Mediation and Binding Arbitration Agreement is entered into as of the date written below by and between Aldersgate United Methodist Retirement Community (hereinafter "the Community") and _____ ("Member") and _____, Member's Responsible Party ("Responsible Party"), if any.

I. Voluntary Mediation. Mediation is a form of alternative dispute resolution whereby an impartial person facilitates communication between the parties. The goal of mediation is to resolve the dispute promptly, amicably, and without incurring significant time and expense. Mediations are non-binding in nature. This Agreement provides for voluntary mediation whereby the parties may, upon mutual agreement, engage in mediation before resorting to arbitration. If the parties mutually agree to mediate any dispute that may arise between them, then the mediation will be conducted at a site selected by Community, which shall be at the Community or at a site within a reasonable distance of the Community. The costs of the mediation shall be borne equally by each party, and each party shall be responsible for their own legal fees. If the parties are unable to resolve their dispute through mediation, then the dispute may only be resolved by arbitration as provided in this Agreement. If the parties do not mutually agree to mediate any dispute that may arise between them, then they may proceed directly to arbitration.

II. Binding Arbitration. Arbitration is a specific process of dispute resolution utilized instead of the traditional state or federal court system. Instead of a judge and/or jury determining the outcome of a dispute, a neutral third party ("Arbitrator(s)") chosen by the parties to this Agreement renders the decision, which is binding on both parties. Generally an Arbitrator's decision is final and not open to appeal. The Arbitrator will hear both sides of the story and render a decision based on fairness, law, common sense and the rules established by the Arbitration Association selected by the parties. When Arbitration is binding, it is the only legal process available to the parties. Binding Arbitration has been selected with the goal of reducing the time, formalities and cost of utilizing the court system.

(a) Contractual and/or Property Damage Disputes. Unless resolved or settled by mediation, any controversy, dispute, disagreement or claim of any kind or nature, arising from, or relating to the Residence and Services Agreement ("the Agreement") executed between Member and the Community, or concerning any rights arising from or relating to an alleged breach of the Agreement, with the exception of (1) guardianship proceedings resulting from the alleged incapacity of the Member; and (2) disputes involving amounts in controversy of less than Twenty-Five Thousand Dollars (\$25,000), shall be settled exclusively by arbitration. This means that the Member will not be able to file a lawsuit in any court to resolve any disputes or claims that the Member may have against the Community. It also means that the Member is relinquishing or giving up all rights that the Member may have to a jury trial to resolve any disputes or claims against the Community. It also means that the Community is giving up any rights it may have to a jury trial or to bring claims in a court against the Member. Subject to Section (f), the Arbitration shall be administered by Carolina Dispute Settlement Services ("CDSS"), in accordance with the CDSS's Rules of Procedure, and judgment on any award rendered by the arbitrator(s) may be

Mediation and Arbitration Agreement

Initial _____

entered in any court having appropriate jurisdiction. Member and/ or Responsible Person acknowledge(s) and understand(s) that there will be no jury trial on any claim or dispute submitted to arbitration, and Member and/or Responsible Person relinquish and give up their rights to a jury trial on any matter submitted to arbitration under this Agreement.

(b) Personal Injury or Medical Malpractice. Unless resolved or settled by mediation, any claim that the Member may have against the Community for any personal injuries sustained by the Member arising from or relating to any alleged medical malpractice, inadequate care, or any other cause or reason while residing in the Community, shall be settled exclusively by arbitration. This means that the Member will not be able to file a lawsuit in any court to bring any claims that the Member may have against the Community for personal injuries incurred while residing in the Community. It also means that the Member is relinquishing or giving up all rights that the Member may have to a jury trial to litigate any claims for damages or losses allegedly incurred as a result of personal injuries sustained while residing in the Community. Subject to Section (f), the Arbitration shall be administered by CDSS, in accordance with CDSS's Rules of Procedure, and judgment on any award rendered by the arbitrator(s) may be entered in any court having appropriate jurisdiction. Member and/or Responsible Person acknowledge(s) and understand(s) that there will be no jury trial on any claim or dispute submitted to arbitration, and Member and/or Responsible Person relinquish and give up the Member's right to a jury trial on any claims for damages arising from personal injuries to the Member which are submitted to arbitration under this Agreement.

(c) Exclusion From Arbitration. Those disputes which have been excluded from binding arbitration (i.e., guardianship proceedings and disputes involving amounts in controversy of less than \$25,000) may be resolved through the use of the judicial system. In situations involving any of the matters excluded from binding arbitration, neither Member nor the Community is required to use the arbitration process. Any legal actions related to those matters may be filed and litigated in any court which may have jurisdiction over the dispute. This arbitration provision shall not impair the rights of Member to appeal any transfer and/or discharge action initiated by the Community to the appropriate administrative agency if such transfer or appeal is governed by State or Federal law prescribing the instances in which a resident may be transferred or discharged, and after the exhaustion of such administrative appeals, to appeal to the court exercising appellate jurisdiction over the administrative agency.

(d) Right to Legal Counsel. Member has the right to be represented by legal counsel in any proceedings initiated under this arbitration provision. Because this arbitration provision addresses important legal rights, the Community encourages and recommends that Member obtain the advice and assistance of legal counsel to review the legal significance of this binding arbitration provision prior to signing this Agreement.

(e) Location of Arbitration. The Arbitration will be conducted at a site selected by the Community, at the Community or at a site within a reasonable distance of the Community.

(f) Time Limitation for Arbitration. Any request for arbitration of a dispute must be requested and submitted to CDSS, with notice to the other party, prior to the lapse of two (2) years from the date on which the event giving rise to the dispute occurred. In the event CDSS is unable

or unwilling to serve, then the request for Arbitration must be submitted to the Community within thirty (30) days of receipt of notice of CDSS's unwillingness or inability to serve as a neutral arbitrator. Community shall select an alternative neutral arbitration service within thirty (30) days thereafter and the selected Arbitration Agency's procedural rules shall apply to the arbitration proceeding. The failure to submit a request for Arbitration to CDSS, or an alternate neutral arbitration service selected by Community, within the designated time (i.e., two (2) years) shall operate as a bar to any subsequent request for Arbitration, or for any claim for relief or a remedy, or to any action or legal proceeding of any kind or nature, and the parties will be forever barred from arbitrating or litigating a resolution to any such dispute. A copy of the CDS Rules and Procedures for Arbitration is attached to this Agreement as Attachment A. Contact information for CDSS, is as follows:

Carolina Dispute Settlement Services
3737 Glenwood Avenue, Suite 370
Raleigh, N.C. 27612
Telephone: (919) 755-4646
Fax: (919) 755-4644
Email: www.notrials.com

(g) Limitation on Damages and Allocation of Costs for Arbitration. The costs of the arbitration shall be borne equally by each party, and each party shall be responsible for their own legal fees.

(h) Limited Member Right to Rescind this Binding Arbitration Clause (Sections (a-h) of this Agreement). Member or, in the event of Member's incapacity, Member's authorized representative have the right to rescind this arbitration clause by notifying the Community in writing within thirty (30) days of the execution of this Agreement. Such notice must be sent via certified mail to the attention of the Administrator of the Community, and the notice must be post-marked within thirty (30) days of the execution of this Agreement. The notice may also be hand-delivered to the Administrator within the same thirty (30) day period. The filing of a claim in a court of law within the thirty (30) days provided for above will automatically rescind the arbitration clause without any further action by Member or Member's authorized representative.

Member

Date

Responsible Person

Date

Aldersgate United Methodist Retirement Community, Inc.

By: _____

Title

Date

Mediation and Arbitration Agreement

Initial _____

ATTACHMENT A

Carolina Dispute Settlement Services

Expedited Arbitration Rules and Procedures

Rule 1. Scope of Rules

The Carolina Dispute Settlement Services (CDSS) Expedited Arbitration Rules and Procedures govern binding arbitration of claims or disputes that are administered by Carolina Dispute Settlement Services. There are no dollar limits for disputed claims or counterclaims for utilization of these rules.

The term “Party” as used in the rules include the parties to the arbitration and their attorneys.

Rule 2. Party – Agreed Procedures

The Parties may agree on any procedures not specified herein that are consistent with applicable law and CDSS policies. The Parties shall be responsible for notification to the CDSS assigned Case Manager of any agreed upon procedures and will confirm the agreed procedures in writing. The agreed upon procedures will be enforceable as if contained in the CDSS Rules and Procedures.

Rule 3. Amendment of Rules

CDSS may amend the Rules without notice. The Rules in effect on the date of the commencement of an Arbitration will apply to that Arbitration.

Rule 4. Conflict of Law

If any of these rules or modifications is in conflict with mandatory applicable law, the provision of law will govern.

Rule 5. Commencing an Arbitration

- A) The arbitration is commenced by the submission to CDSS of a post- dispute Arbitration Agreement fully executed by all the involved Parties and a claim statement.

- B) The arbitration is commenced by the submission of a pre-dispute written contractual provision requiring the Parties to arbitrate the dispute or claim. Or a written demand has been served on the other Party in accordance with either the pre-dispute written contractual provision or, if appropriate, proof of services in compliance with Federal Rules of Procedure; or

- C) The oral agreement of all Parties to participate in arbitration conducted pursuant to these rules.

The arbitration process is considered commenced when CDSS confirms in writing that the above requirements have been met and that CDSS has received a claim statement. The date of commencement is the date of the CDSS commencement letter.

In the event of an oral agreement to participate in arbitration the Hearing will not take place until all Parties to the claim have executed an Arbitration Agreement.

- D) If any Party fails to respond to a claim or fails to reply to a counter or cross claim, that Party will be deemed to have denied the claims, counter or cross claims made against it and to have waived the right to assert other claims or challenges to jurisdiction.

Rule 6. Prehearing Conference/ Selection of the Arbitrator

Unless the following matters have been determined during the commencement process, the Case Manager may conduct a Pre-Hearing Conference with the Parties by telephone, within five (5) business days after the date of commencement of the Arbitration, to discuss Arbitrator selection, the location and scheduling of the Hearing and other procedural issues. The Arbitrator shall be selected through the process of the Case Manager providing a list of three (3) proposed qualified potential Arbitrators to the Parties. Each Party shall have seven (7) days to strike one name if they so choose. The name remaining shall serve as Arbitrator for the case.

In the event that one Party chooses to not strike a name or the same name is struck by both Parties the Case Manager will select and appoint a qualified Arbitrator from the CDSS roster.

If for any reason the Pre- Hearing Conference does not take place within the specified time frame, the Case Manager will select and appoint a qualified Arbitrator from the CDSS roster.

At any subsequent time the Parties may request additional conferences to discuss administrative or procedural matters.

The Case Manager shall be responsible for answering questions regarding rules and will discuss procedural matters. At the request of the Parties the Case Manager may make a determination regarding the location of the Hearing, subject to Arbitrator review.

Rule 7. Interpretation of Rules and Jurisdiction Challenges

Once appointed the Arbitrator will resolve any disputes about the interpretation and application of these Rules, including disputes related to the duties of the Arbitrator and the conduct of the hearing and jurisdiction.

Rule 8. Representation

The Parties may be represented by Counsel and such representation is encouraged and in some cases may be required by law. Each Party will promptly notify the Case Manager and the other Party the name and address, phone number of its Counsel.

9. Ex Parte Communications

No Party will have ex parte communication with the Arbitrator regarding any issue. Any necessary ex parte communication with CDSS, whether before or after the Arbitration Hearing, will be with the assigned Case Manager or Executive Director.

10. Exchange of Information

- A) The Parties will cooperate in good faith in the voluntary, prompt and informal exchange of all non-privileged documents and information relevant to the dispute or claim, including copies of all documents in their possession or control on which they rely in support of their positions or which they intend to introduce as exhibits at the arbitration hearing, the names of all individuals with knowledge about the claim or dispute and the names of all experts who may be called to testify or whose report may be introduced at the arbitration hearing.

The Parties and the Arbitrator will make every effort to conclude the document and the information exchange process within ten business days before the arbitration Hearing.

- B) The Parties will promptly notify the Arbitrator through the Case Manager when there is an unresolved dispute regarding discovery issues. The Case Manager may attempt to informally resolve the dispute or may schedule a conference with the Arbitrator, either in person or by telephone and the Arbitrator will resolve the dispute. The Parties will promptly comply with any directive from the Arbitrator by the date specified.

11. Scheduling and Location of Hearing

Unless previously agreed upon or scheduled by the Case Manager the Arbitrator after consulting with the parties, will determine the location, date and time of the Arbitration Hearing. Absent unusual circumstances the Hearing should begin within thirty (30) business days of the commencement of the Arbitration. All Parties will attempt to schedule consecutive Hearing days if more than one day is necessary.

12. Pre- Hearing Submissions

For complex cases or in unusual circumstances, the Arbitrator may require a Pre- Hearing Conference for the purpose of narrowing the focus of the Arbitration Hearing by stipulation of facts, or joint statements of Issues. The Arbitrator may also require Pre- Hearing briefs or statements of positions.

13. Securing Witnesses/ Documents

At the request of any Party, all Parties will produce for the Hearing all witnesses in their employ, or under their control without need of subpoena. The Arbitrator may issue subpoenas for the attendance of witnesses or the production of documents.

14. The Arbitration Hearing

- A) The Arbitrator shall conduct the Hearing with dignity and decorum.
- B) The Arbitrator will require witnesses to testify under oath.
- C) The Arbitrator is not bound by the rules of evidence that they find to be relevant and material to the claim, including evidence presented in the form of affidavits, giving evidence such weight as he or she determines to be appropriate.
- D) The Parties may not offer as evidence and the Arbitrator will not admit into record nor consider, prior statement offers by the Parties or statements made by a Mediator in connection with efforts to resolve the dispute being arbitrated.
- E) Any Party may request the Hearing be recorded and the requesting Party will bear the cost of said recording.
- F) The Arbitrator may proceed with the Hearing in the absence of a Party who after having executed the Arbitration Agreement or who is otherwise bound to arbitrate, and after having received reasonable notice of the Hearing fails to appear. The Arbitrator may not render an Award solely on the basis of the default or absence of the Party, but will require testimony and evidence as the Arbitrator may require to render an Award.
- G) When the Arbitrator determines that all relevant and material evidence and arguments have been presented, the Arbitrator will declare the Hearing closed. Post- Hearing briefs shall not be allowed unless the Parties and the Arbitrator agree they are necessary. If the Arbitrator agrees they are necessary the Hearing will be closed upon the receipt of the briefs.

15. The Award

- A) Absent good cause or extension the Arbitrator shall render the Award within seven (7) to ten (10) business days of the close of the Arbitration Hearing.
- B) The Award shall be reduced to writing and provided to the CDSS Case Manager for issuance to the Parties.
- C) Unless the Parties specify a different standard, in determining the Award the Arbitrator shall apply the principles of applicable law.
- D) The Arbitrator is authorized to award any remedy allowed by applicable law.
- E) The Award will consist of a written statement signed by the Arbitrator regarding the disposition of each claim and the relief, if any, awarded.
- F) After the Award has been rendered and provided the parties have paid their Arbitration costs in full CDSS will issue the Award by serving copies on the Parties. Service will be deemed effective five (5) business days after deposit in the US Mail.
- G) Within seven (7) business days after the issuance of the Award, any Party, with written notice to all Parties, may request that the Arbitrator correct any computational, typographical or similar error in the Award, or the Arbitrator may correct such errors on his or her own initiative. All corrections will be made within seven (7) business days of receiving the request, provided the Party is in agreement and has had reasonable opportunity to respond.
- H) Proceedings to enforce, confirm, modify or vacate an Award will be controlled by and conducted in conformity with the Federal Arbitration Act or applicable law.

16. Confidential and Private

The Parties and the Case Manager and the Arbitrator will maintain the confidential nature of the Arbitration proceeding and the Award, including the Hearing.

17. Sanctions

The Arbitrator may Award appropriate sanctions for failure of a Party to comply with its obligations under any of these rules. Sanctions can include, but are not limited to: assessment of costs, prohibition of certain evidence.

18. Fees

- A) Each party will pay pro-rata share of the Arbitration costs and expenses, unless the Parties agree on a different allocation of the costs.
- B) CDSS requires that all Parties are jointly and severally liable for the payment of fees and expenses of CDSS.
- C) All fees for services must be paid in full prior to the release of the rendered Award.

19. Mediation

The Parties may agree, at any stage of the Arbitration process, to submit the case to CDSS for Mediation. The assigned Mediator to the case shall not be the Arbitrator unless the case was originally submitted as a Med-Arb.

To commence an Arbitration claim please contact:

Carolina Dispute Settlement Services,
3737 Glenwood Avenue, Suite 370,
Raleigh, NC 27612

Phone: (919) 755-4646

NOTICE OF RIGHT TO RESCIND
BINDING ARBITRATION CLAUSE

Date rescission period begins _____ (insert date Arbitration Agreement is signed by all parties).

You may rescind and terminate Sections (a-h) of the Mediation and Binding Arbitration Agreement (hereinafter called ("Agreement")) without penalty or forfeiture within thirty (30) days of the above date. No other agreement or statement you sign shall constitute a waiver of your right to rescind Sections (a-h) of the Agreement within this thirty (30) day period.

To rescind Sections (a-h) of the Agreement, send via certified mail or hand deliver a signed and dated copy of this notice, or any other dated written notice, letter or telegram, stating your desire to rescind to the following address:

Suzanne Pugh
President
Aldersgate United Methodist Retirement Community, Inc.
3800 Shamrock Drive
Charlotte, North Carolina 28215

Not later than midnight of _____ (last day for rescission). If you are rescinding Sections (a-h) of the Agreement via certified mail, the notice must be post marked within thirty (30) days of the date the rescission period begins.

Pursuant to this notice, I hereby rescind Sections (a-h) of the Agreement regarding binding arbitration.

Date: _____

MEMBER'S SIGNATURE

RESPONSIBLE PERSON'S SIGNATURE
(if applicable)

*Notice of Right to Rescind Binding Arbitration Clause –
Mediation and Arbitration Agreement*

Initial _____

EXHIBIT A

FEES IN ASSISTED LIVING AND HEALTH CARE

Effective January 1, 2024, the following rates are in effect:

<u>Monthly Service Fee Schedule Existing and New Health Care Beds- Effective January 1, 2024</u>			
Residence Type	Direct Admit	Member - with Health Care Benefit	Member - without Health Care Benefit
Parker Terrace (Assisted Living)			
Studio			
- Tier 1	\$6,694/month		\$6,278/month
- Tier 2	\$8,034/month		\$7,615/month
- Life Care Rate		\$5,894/month	
One Bedroom Apartment			
- Tier 1	\$6,954/month		\$6,537/month
- Tier 2	\$8,298/month		\$7,879/month
- Life Care Rate		\$5,894/month	
Cuthbertson Village Memory Support (Assisted Living)			
One Bedroom Apartment			
- Tier 1	\$8,189/month		\$7,771/month
- Tier 2	\$9,459/month		\$9,040/month
- Life Care Rate		\$5,894/month	
Asbury Health and Rehabilitation (Health Care Facility)			
- Tier 1	\$405/day		\$405/day
- Tier 2	\$457/day		\$457/day
- Life Care Rate		\$5,894/month	
Asbury Health and Rehabilitation (Health Care Facility)			
- Home for the Aged - Tier 1	\$309/day		\$309/day
- Home for the Aged - Tier 2	\$349/day		\$349/day
- Life Care Rate		\$4,756/month	

Member will pay the current rate in effect at the time of actual admission.

Member is aware that these rates will change from time to time upon Board approval with a thirty (30) day notification in writing to Members prior to implementation.

EXHIBIT B

Addendum to Residence and Services Agreement Monthly and Additional Service Fees

Member selects and agrees to pay for the following initial Monthly and Additional Services Fees in accordance with the Agreement.

Service	Fee	Member Initials
Monthly Services Fee – 1 st Person Includes _____ dining dollars	\$ _____ per month	_____/____
Monthly Services Fee – 2 nd Person Includes _____ dining dollars	\$ _____ per month	_____/____
Standard Cable TV Access	\$ _____ per month	_____/____
Telephone	\$ _____ per month	_____/____

Member may change these selections at any time after occupancy and upon 30 days' written notice to the Community.

Member is aware that these fees may change from time to time upon Board approval with a thirty (30) day notification in writing to Members prior to implementation.

Member

Date

Member

Date

Aldersgate United Methodist Retirement Community, Inc.

President/Designee

Date

EXHIBIT C

Addendum to Residence and Services Agreement for New Construction of Wesley Glen Executive Homes

This Exhibit C, rather than Section II.C of the Residence and Services Agreement, shall govern the Terms of Payment of the Entrance Fee for Members selecting new construction of a Wesley Glen Executive Home. With the exception of Section II.C, all other provisions of the Residence and Services Agreement apply to those Members selecting new construction of a Wesley Glen Executive Home.

Terms of Payment of the Entrance Fee. The terms of payment of the Entrance Fee for the new construction of Wesley Glen Executive Homes shall be as follows:

1. **Reservation Deposit.** An amount equal to ten percent (10%) of the Entrance Fee totaling \$ _____, paid within five (5) days after the Member receives written notice of approval and upon execution of this Agreement; and,
2. **A Deposit of One Third of the Total Entrance Fee.** An amount equal to one third (1/3) of the Entrance Fee, including 1/3 of fees for selected Option/Custom Features; less the paid Reservation Deposit, or \$ _____ paid at the time that the executive home site begins to be cleared; and,
3. **A Deposit of One Third of the Total Entrance Fee.** An amount equal to one third (1/3) of the Entrance Fee, including 1/3 of fees for selected Option/Custom Features, ; less the paid Reservation Deposit, or \$ _____ paid when the Community determines and notifies Member that construction of the Wesley Glen Executive Home has reached 50% of substantial completion; and,
4. **Balance of the Entrance Fee.** The balance of the total Entrance Fee, including any outstanding balance for Options/Custom Features selected by the Member, or \$ _____ paid at the Occupancy Date, unless otherwise agreed to in writing by the Community.

The Community has executed this Addendum and Member has read and understands this Addendum and has executed this Addendum to the Residence and Services Agreement.

Member

Date

Member

Date

Aldersgate United Methodist Retirement Community, Inc.

President/Designee

Date

EXHIBIT D

Addendum to Residence and Services Agreement to Replace the Health Care Benefit

WHEREAS, _____, (“you” or “Resident” or “Member”), has entered into the Residence and Services Agreement (“Agreement”) dated _____, with Aldersgate United Methodist Retirement Community, Inc. (“the Community”); and

WHEREAS, the Member does not meet the qualifications for residency at the Community as a resident receiving the Health Care Benefit as more fully described in Section I.E.11 of the Agreement; and

WHEREAS, the Community desires to admit the Member and Member agrees to admission without the Health Care Benefit;

NOW, THEREFORE, the Member and the Community agree as follows:

The paragraphs in Section I.E.11.v.b of the Agreement entitled Permanent Transfers and describing monthly and daily services fees to be paid upon permanent transfer to Assisted Living or the Health Care Facility are stricken in their entirety as they relate to the undersigned Resident only and replaced by the following:

- b. **Permanent Transfers.** A transfer is considered permanent when the condition that requires the Member to transfer will not allow them to return to their Residence and the Residence has been vacated.
 - i. **Single Occupancy.** Should the Member have a permanent need for Assisted Living or Health Care Facility services, the Resident will be required to release their Residence as provided in Section V. The Monthly Service Fee will be adjusted to the then-current monthly rate applicable to Members without Healthcare Benefits at Assisted Living or the then-current daily rate applicable to Members without Healthcare Benefits at the Health Care Facility.
 - ii. **Double Occupancy.** Should the Member have a permanent need for Assisted Living or Health Care Facility services, the Monthly Service Fee will be equal to the then-current Monthly Service Fee for their Residence for one person plus the then-current monthly rate applicable to Members without Healthcare Benefits at Assisted Living or the then-current daily rate applicable to Members without Healthcare Benefits at the Health Care Facility. Should both Residents have a permanent need for Assisted Living or Health Care Facility services, Residents will be required to release the Residence as provided under Section V. The Resident qualifying for the Health Care Benefit will pay the then-current Health Care Benefit Rate and the undersigned, non-qualifying Resident, will pay the then-current monthly

rate applicable to Members without Healthcare Benefits at Assisted Living or the then-current daily rate applicable to Members without Healthcare Benefits at the Health Care Facility.

All other provisions of the Residence and Services Agreement remain unchanged and effective until terminated according to the provisions of Section VI of the Agreement.

The Community has executed this Addendum and Member has read and understands this Addendum and has executed this Addendum to the Residence and Services Agreement.

Member Printed Name(s)

Date

Member Signature(s)

Date

Aldersgate United Methodist Retirement Community, Inc.

President/Designee

Date

DESIGNATION OF BENEFICIARY

Under Agreement for Membership with the Community, I may be entitled to a refund of a certain portion of my Entrance Fee should I die while a Member of the Community. Under Section VI. D. of this Agreement, I am entitled to name a beneficiary or beneficiaries to receive any such refund. Accordingly, I hereby name the following as my beneficiary for this purpose.

Date: _____, _____

Member

By: President/Designee

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