Disclosure Statement

February 28, 2019

River Landing at Sandy Ridge

A Division of The Presbyterian Homes, Inc.

1575 John Knox Drive
Colfax, NC 27235
(336) 668-4900

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

- **This Disclosure Statement may be delivered until revised, but not after July 28, 2020;**
- **Delivery of the Disclosure Statement to a contracting party before execution of a contract for continuing care is required;**
- **This Disclosure Statement has not been reviewed or approved by any government agency or representative to ensure accuracy or completeness of the information set out.**

TABLE OF CONTENTS

I. ORGANIZATION INTRODUCTION AND INFORMATION

A. Narrative Description of the Organization and Its Operation

The Presbyterian Homes, Inc. (formerly The Presbyterian Home, Inc. and The Presbyterian Home for the Aged, Inc.), located at 2109 Sandy Ridge Road, Colfax, NC 27235, was incorporated as a not-for-profit corporation on December 17, 1946 and began operation in January 1952. On August 16, 1984 the charter was amended to create a corporate umbrella to oversee operation of The Presbyterian continuing care retirement communities throughout North Carolina. The community in Colfax is named River Landing at Sandy Ridge and is designated as an operating division of The Presbyterian Homes, Inc. The other division of the corporation is Scotia Village in Laurinburg, NC. The community of Glenaire, Inc., in Cary, NC, is a controlled affiliate of The Presbyterian Homes, Inc.

B. Non-Profit/For Profit Status

The Presbyterian Homes, Inc. is exempt from Federal income taxes under Internal Revenue Code Section 501(c) (3).

C. Affiliation

The Presbyterian Homes, Inc. is associated with the Synod of the Mid-Atlantic of the Presbyterian Church (U.S.A.) (the "Synod") by a covenant relationship. The covenant relationship provides that the Synod on behalf of the church offers its encouragement in The Presbyterian Homes, Inc.'s ministry. The Presbyterian Homes, Inc. affirms its purpose and commitment to its mission of services to older adults on behalf of the church.

D. Accreditation

River Landing at Sandy Ridge is accredited by the Commission on Accreditation of Rehabilitation Facilities (CARF), which accredits continuing care retirement communities nationwide. Accreditation by the Commission on Accreditation of Rehabilitation Facilities (CARF) indicates that the community has been carefully evaluated and found to meet standards of excellence agreed upon by continuing care professionals.

II. FACILITY INTRODUCTION AND INFORMATION

A. Narrative Description of the Community and Its Operation

River Landing at Sandy Ridge consists of the following types of accommodations:

Independent Living includes 12 townhomes, 30 villas and 68 cottages. These accommodations are divided into three villages that are separate from, but within walking distance to the community center.

There are an additional 188 accommodations including one, two and three-bedroom apartments located within the community center.

Furniture is not provided but all accommodations have kitchens, telephone jacks, cable television outlets, washers and dryers.

Residential Assisted Living includes 14 studios and 26 one-bedrooms. Furniture is not provided but all accommodations have kitchens, telephone jacks and cable television outlets.

Assisted Living Memory Care includes a 16-room Alzheimer's/Dementia, memory care area.

Health Care includes 44 skilled nursing beds and 16 rehabilitation skilled nursing beds. All but two rooms in health care are private.

B. Non-Profit/For-Profit Status

As a division of The Presbyterian Homes, Inc., River Landing at Sandy Ridge is exempt from Federal income taxes under Internal Revenue Code Section 501(c)(3).

C. Accreditation

Glenaire, Inc., an affiliate of The Presbyterian Homes, Inc., and River Landing at Sandy Ridge and Scotia Village, operating divisions of The Presbyterian Homes, Inc., are accredited by the Commission on Accreditation of Rehabilitation Facilities (CARF) which accredits continuing care retirement communities nationwide. Accreditation by the Commission on Accreditation of Rehabilitation Facilities (CARF) indicates that the community has been carefully evaluated and found to meet standards of excellence agreed upon by continuing care professionals.

D. Legal Description

River Landing at Sandy Ridge is a division of The Presbyterian Homes, Inc.

E. Organization

The Presbyterian Homes, Inc. manages divisions and an affiliate subject to the direction of the Board of Governors.

Mr. Timothy J. Webster is currently President and Chief Executive Officer, and Assistant Secretary with The Presbyterian Homes, Inc. He has been with the company since April of 1994. During his tenure he has held the positions of Assistant Controller, Controller, Director of Finance, Director of Operations, and Vice President and Chief Operating Officer. Mr. Webster is a Certified Public Accountant.

Mr. Hank Lovvorn is currently Vice President and Director of Operations with The Presbyterian Homes Inc. He has been with the company since June 2008. Prior to joining The Presbyterian Homes, Inc. he served as Regional Vice President of operations for a multi-community retirement organization in Florida

Mrs. Julia F. Hanover is currently Vice President and Chief Financial Officer and Assistant Treasurer with The Presbyterian Homes, Inc. She has been with the company since March of 1998. She has served as Controller and Director of Finance. Mrs. Hanover is a Certified Public Accountant.

Mr. Mark Collins is currently Vice President and Director of Human Resources. He has been with the company since September 2012.

Mr. Thomas A. Smith is the Executive Director of River Landing at Sandy Ridge. Mr. Smith joined the staff of The Presbyterian Homes, Inc. in October of 2002.

THE PRESBYTERIAN HOMES, INC.
BOARD OF GOVERNORS
2019

Mr. Bob Beall 2109 Sandy Ridge Road Colfax, NC 27235	Retired Assistant Publisher, Greensboro-News & Record Greensboro, NC
Mr. Gordon Brown 2109 Sandy Ridge Road Colfax, NC 27235	Executive Vice President of Finance & Administration Alfred Williams & Company Raleigh, NC
Mr. David Burns 2109 Sandy Ridge Road Colfax, NC 27235	Retired Executive, Z.V. Pate Laurel Hill, NC
Mrs. Elizabeth Cooley 2109 Sandy Ridge Road Colfax, NC 27235	Church/Civic Leader Wagram, NC
Mr. David Coulter 2109 Sandy Ridge Road Colfax, NC 27235	Retired WakeMed, Senior VP, Administrator at Cary Hospital Cary, NC
Dr. Mac Doubles 2109 Sandy Ridge Road Colfax, NC 27235	Clergy/Retired College Educator Hartsville, SC
Mrs. Lori Haddock 2109 Sandy Ridge Road Colfax, NC 27235	Managing Partner Midtown Financial Advisors Greensboro, NC
Mr. Bubba Judy 2109 Sandy Ridge Road Colfax, NC 27235	Sales Manager Beeson Hardware Company High Point, NC
Mr. Carlyle Kinlaw, Jr. 2109 Sandy Ridge Road Colfax, NC 27235	Investment Manager Bank of America Winston-Salem, NC
Mrs. Leigh Ann Klee 2109 Sandy Ridge Road Colfax, NC 27235	CFO/COO PACE Communications Greensboro, NC
Mr. Alexander L. Maultsby 2109 Sandy Ridge Road Colfax, NC 27235	Attorney, Partner Smith Moore Leatherwood Attorneys at Law Greensboro, NC
Mr. D. Hector McEachern 2109 Sandy Ridge Road Colfax, NC 27235	Consultant The McEachern Group High Point, NC
Mr. Bill Smith 2109 Sandy Ridge Road Colfax, NC 27235	Retired U.S. Navy Commander/Ship Engineer Multiple locations
Mr. Christopher B. Taylor 2109 Sandy Ridge Road Colfax, NC 27235	Past Assistant Secretary North Carolina Medical Care Commission Raleigh, NC

Mr. Kevin Tilley 2109 Sandy Ridge Road Colfax, NC 27235	Vice President/CFO Richardson Corporation Greensboro, NC
Rev. Dr. Byron A. Wade 2109 Sandy Ridge Road Colfax, NC 27235	Pastor Davie Street Presbyterian Church Raleigh, NC
Mrs. Delle Blount Wilson 2109 Sandy Ridge Road Colfax, NC 27235	Civic Leader Castle Hayne, NC
Mr. Thomas W. Williams, Jr. 2109 Sandy Ridge Road Colfax, NC 27235 **(BOG Emeritus)**	Retired Wachovia Bank, NA Winston-Salem, NC

River Landing at Sandy Ridge
2019 Board of Trustees

Mr. Bob Beall 1575 John Knox Drive Colfax, NC 27235	Retired Newspaper Publishing
Mrs. Angela Butler 1575 John Knox Drive Colfax, NC 27235	Attorney McAllister, Aldridge & Kreinbrink, PLLC High Point, NC
Mr. John Croom 1575 John Knox Drive Colfax, NC 27235	CEO The Columbia Gas System
Rev. J. David Ealy 1575 John Knox Drive Colfax, NC 27235	Pastor Hawfields Presbyterian Church
Mr. Charlie Davis 1575 John Knox Drive Colfax, NC 27235	Davenport & Company VP, Investments Greensboro, NC
Mr. Stephen Farabee 1575 John Knox Drive Colfax, NC 27235	VP Commercial Relationship Manager Bank of Oak Ridge Oak Ridge, NC
Mrs. Maxine Foster 1575 John Knox Drive Colfax, NC 27235	Teacher

None of the Trustees is employed by either The Presbyterian Homes, Inc. or by its operating division, River Landing at Sandy Ridge and the services as Trustees are without remuneration.

No member of the Board of Governors or the Board of Trustees or the management staff has been convicted of a felony or pleaded nolo contendere to a felony charge, or been held liable or enjoined in a civil action by final judgment, if the felony or civil action involved fraud, embezzlement, fraudulent conversion, or misappropriation of property; or is subject to a currently effective injunctive or restrictive court order; or within the past five years, had any State or Federal license or permit suspended or revoked as a result of an action brought by a governmental agency or department, if the order or action arose out of or related to business activity of health care, including actions affecting a license to operate a foster care community, nursing home retirement home, home for aged, or community subject to this Article 58-64 or a similar law in another state.

No member of the Board of Governors or the Board of Trustees or the named management staff has a ten percent or greater interest in any professional service firm, association, trust, partnership, or corporation which is presently or expects to provide goods, leases or services to the community or to

Residents of the community of an aggregate value of $500 or more within any year. No entity that provides or will provide goods or services to the community of $500 or more has a ten percent or greater interest in any members of the Board of Governors, Trustees, or management staff.

Annually each member of the Board of Governors or the Board of Trustees shall state in writing that they are free of a Conflict of Interest and comply with the Code of Conduct. A copy of the Conflict of Interest Statement is included as Exhibit E.

F. Location and Description of Physical Property

River Landing at Sandy Ridge is located at 1575 John Knox Drive, Colfax, NC 27235. The site, consisting of approximately 151 acres, is within the High Point City limits and is located approximately 8.5 miles from downtown High Point, approximately 6 miles from the Greensboro city limits and 12 miles from the Winston-Salem city limits.

G. Number of Residents

As of December 31, 2018, River Landing at Sandy Ridge had 539 Residents all of whom are covered by contracts for continuing care.

III. POLICIES – ADMISSION/OCCUPANCY

A. Health Criteria

Admission is restricted to persons 62 years of age or older, except that in the case of a married couple one spouse must be at least 62 years of age. The other spouse shall be at least 55 years of age.

Admission is contingent upon receipt of a satisfactory medical report which assures that the Resident is capable of residing independently and is able to perform for himself activities of daily living and is free from any communicable disease.

B. Financial and Insurance Criteria

Residents of the community are expected to have sufficient financial resources to pay the entrance fee, monthly fee and other personal expenses for the duration of the anticipated residence at the retirement community.

The Resident shall maintain Medicare Part A, Medicare Part B, and one supplemental health insurance policy or equivalent insurance coverage acceptable to PHI with evidence of such coverage to be provided to PHI upon execution of the Agreement and thereafter from time to time upon request.

C. Changes of Condition Prior to Occupancy

In the event, after payment of entrance fee and before occupancy by Resident, the Resident or Resident's spouse or roommate should die, or if, on account of illness, injury, or incapacity, a Resident would be precluded from occupying a living unit in the community under the terms of the contract for continuing care, or if it is determined that the Resident no longer qualifies for admission to River Landing at Sandy Ridge after execution of such contract, the contract is "automatically cancelled." Any refund due shall be paid within sixty (60) days of termination.

D. Cancellation/Termination

Residents of the community may cancel the contract and leave at any time. The community may cancel the contract, if the Resident violates the rules and regulations applicable to governing the community's Residents. Conditions under which all or any portion of the entrance fee will be refunded are as follows:

1. The Resident may rescind any contract with the community requiring the payment of an entrance fee within thirty (30) days after the later of the execution of the contract or receipt of a disclosure statement, in which event any money or property transferred to the community will be returned in full, less any standard customary charges made by the community to the Resident prior to rescission, which charges shall be applicable only for the period a living accommodation was actually occupied by the Resident. A Resident is not required to move into an accommodation before the expiration of the aforesaid thirty-day period. If the Resident moves into an accommodation during the thirty (30) day period and rescinds the contract during the thirty (30) day period the Resident will receive a refund of any money paid to the Corporation less a service charge not to exceed the greater of one thousand dollars ($1,000) or two percent (2%) of the entrance fee. Each Resident executing such a contract shall also, prior thereto, receive a copy of this Disclosure Statement. Any refund due shall be paid within sixty (60) days of termination.

2. The community shall refund the full amount of any entrance fee paid by a Resident, without interest, in accordance with the following:

   a. Upon the death of a Resident or Resident's spouse or roommate prior to his/her occupancy of the reserved accommodation, or
   b. Should the Resident or Resident's spouse or roommate be unable to occupy the reserved accommodation because of his/her illness, injury, incapacity, or other such physical or mental health considerations which, in the opinion of the community, made such occupancy by the Resident or Resident's spouse or roommate not feasible, or
   c. Should the Resident or Resident's spouse or roommate not qualify for admission to the community due to financial reversal.

3. Should a Resident cancel his/her Entrance Agreement after the thirty-day cancellation provision before occupancy for any reason other than those stated above, refund will be made by the community of the portion of the Entrance Fee previously paid less an administrative fee to be retained by the community, which non-refundable fee shall total five percent of the total Entrance Fee. Any refund due shall be paid within sixty (60) days of termination of the agreement.

4. Should a Resident leave the community for any reason (voluntarily or involuntarily) during the first 48 months of occupancy, a pro-rated reimbursement will be paid to the Resident as follows:

   a. The first 60 days of occupancy constitutes a trial period in which 96% of the entrance fee would be refunded should the Resident leave for any reason. Any refund due shall be paid within sixty (60) days after the living accommodation has been vacated.

   b. At any time after the expiration of the first sixty (60) days of residence at RLSR, the Resident may terminate the Agreement by giving PHI thirty (30) days prior written notice of such termination. In the event of such termination, the Resident may be entitled to receive a partial refund. Any partial refund shall be determined and paid as follows: Resident shall receive a refund in an amount equal to the Entrance Fee paid to PHI less the applicable Amortization percentage set forth in Paragraph 2(a) of the Residence and Care Agreement for the type of Entrance Fee Option selected by Resident thereof for each full calendar month or portion thereof which has elapsed from Resident's Admission Date to the effective date of termination and less four percent (4%) which is the nonrefundable portion of the Entrance Fee. For avoidance of doubt, all Entrance Fee refunds are calculated assuming and based upon full calendar months. Any portion of a calendar month (whether relating to the month of Resident's Admission Date or the month of Resident's termination date of this Agreement) shall be deemed to be full and separate calendar months for purposes of calculating any Entrance Fee refund. Any refund due will be paid at such time that the resident living accommodation has been reserved by a prospective resident and the prospective resident has paid the resident entrance fee.

5. Termination by PHI. PHI may terminate this Agreement at any time if there has been a material misrepresentation or omission made by the Resident in the Resident's Application for Admission, Personal Health History or Confidential Financial Statement; if a material change in the Resident's health takes place before occupancy (Admission Date); if the Resident fails to make payment to PHI of any fees or charges due RLSR within sixty (60) days of the date when due; if the Resident does not abide by the rules and regulations adopted by PHI as determined by PHI; or Resident breaches any of the terms and conditions of this Agreement. In the event of termination for any of such causes the Resident may be entitled to a partial refund of the Entrance Fee paid by the Resident determined in accordance and paid in the same manner as provided above.

E. Moves

The community has the authority to determine that the Resident should be transferred from the Resident's independent living accommodation to the Health Center or from one level of care to another level of care within the Health Center. Such determination will be based on the professional opinion of the attending physician and the Executive Director of the community and will be made only after consultation to the extent practical with the Resident, a representative of the Resident's family or the sponsor of the Resident.

If it is determined by the attending physician that the Resident needs care beyond that which can be provided by the community and personnel of the community, the Resident may be transferred to a hospital, center or institution equipped to give such care, which care will be at the expense of the Resident. Such transfer of the Resident will be made only after consultation to the extent possible with the Resident, a representative of the Resident's family or the sponsor of the Resident.

If a determination is made by the community that any transfer described above is permanent, the Resident must surrender the living accommodation occupied by the Resident prior to such transfer. If the community subsequently determines, upon the opinion of the attending physician and the Executive Director, that the Resident can resume occupancy in accommodations comparable to those occupied by the Resident prior to such transfer, the Resident will have priority to such accommodations as soon as they become available.

F. Marriage/New Second Occupant

If a Resident, while occupying a living accommodation, marries a person who is also a Resident, the two Residents may occupy the living accommodation of either Resident and shall surrender the living accommodation not to be occupied. No refund will be payable with respect to the living accommodation surrendered. Such married Residents will pay the monthly charge for double occupancy associated with the living accommodation occupied by them.

In the event that a Resident shall marry a person who is not a Resident of River Landing at Sandy Ridge, the spouse may become a Resident, if such spouse meets all of the then current requirements for admission to River Landing at Sandy Ridge, enters into a then current version of the Residence and Care Agreement with the community and pays an entrance fee in an amount determined by the community in its discretion, but in any event, no more than two-thirds of the then current entrance fee associated with the type of living accommodation to be occupied by the Resident and spouse. The Resident and spouse shall pay the monthly charge for double occupancy associated with the living accommodation occupied by them. If the Resident's spouse/roommate shall not meet the requirements of River Landing at Sandy Ridge for admission as a Resident, the Resident may terminate this agreement.

G. Inability to Pay

A Resident of River Landing at Sandy Ridge will not be required to leave the community solely for inability to pay the fees. Should circumstances arise which indicate a lack of good faith on the part of a Resident regarding the ability to pay the required fees, the Board of Trustees would consider and approve any action concerning the Resident's privilege to remain in the community.

IV. SERVICES

A. Standard Services Available

Services provided by River Landing at Sandy Ridge which are included in the base fee are as follows: living accommodations, a meal allowance of $400 per month for Residents living in the apartments and $250 per month for Residents living outside the main building, utilities (except residences outside the main building), laundry, weekly housekeeping services, basic maintenance and repairs, grounds keeping, parking, common areas, transportation, activities and 14 grace days per year in skilled nursing.

B. Services Available at Extra Charge

Residents will be expected to pay for physicians, medical/surgical specialists and practitioners, hospital costs, all drugs and special treatments that cannot be provided by the Health Care community.

Other services available at extra charge include telephone installation charge, the cost of telephone services, extra meals, special medical services and beauty and barber services. An additional charge may be made for transportation for special personal or group trips.

C. Health Services Available

River Landing at Sandy Ridge provides skilled care for the benefit of its Residents. An outpatient clinic is open Monday through Friday to provide health services for those residing in Independent Living. The clinic which is staffed by a full-time nurse, provides free of charge, blood pressure checks and medication monitoring. The clinic also provides wound care dressing changes and can draw blood for lab tests, as prescribed by a physician, and charges the resident for these services.

The community employs a Medical Director who is responsible for the health care of each Resident unless the Resident has designated another physician to provide care. Pharmaceutical services are provided under a contract by a pharmacy. Physical Therapy, Occupational Therapy, Speech Therapy, Podiatry and Dental Services are provided by appointment as ordered or approved by the attending physician.

D. Personal Services Available

For purposes of counseling and assistance, River Landing at Sandy Ridge will provide professional staff in Resident relations, social work, activities and a chaplain. Visits by outside counselors are facilitated.

Recreation, entertainment and a specialized wellness program for Residents called "Encompass" have been introduced to meet the needs and interests of the Residents.

V. FEES

A. Application/Registration Fee

The community has a non-refundable application fee of $200 per person or couple, which is due upon submission of an application.

B. Entrance Fees

An entrance fee is a payment that assures a Resident a place in a community for a term of years or for life. Upon entrance to River Landing at Sandy Ridge, any individual or couple moving into an apartment, townhome, cottage, villa, or health care accommodation will pay a one-time entrance fee. The amount of the entrance fee depends on the type of accommodation. If the cottage, villa or townhome does not have a sunroom, the entrance fee is $20,000 less. Below is a schedule of entrance fees:

Type of Unit	
Residential Apartments	
One bedroom	$124,000
Two bedroom	$170,000
Three bedroom	$236,000
Three bedroom deluxe	$310,000
Townhomes	
Two bedroom	$201,000
Three bedroom	$265,000
Villas	
Two bedroom	$217,000
Three bedroom	$279,000
Cottages	
Two bedroom	$265,000
Three bedroom	$359,000
Health Care	
Residential Assisted Living	
Studio	$20,000
One bedroom	$25,000
Alzheimer/Dementia Care	$11,500
Skilled nursing	$11,500

* New Independent Living Units – Expected to be completed and ready for occupancy by March 2020:

Type of Unit	
Residential Apartments	
* Two bedroom	$290,000 - $326,000
* Three bedroom	$361,000
Cottages	
* Two bedroom	$311,000
* Three bedroom	$413,000

C. Monthly Fee

Below is a schedule of monthly fees:

Type of Unit	
Residential Apartments	
One bedroom	$2,939
Two bedroom	$3,616
Three bedroom	$3,843
Three bedroom deluxe	$4,327
Townhomes	
Two bedroom	$3,635
Three bedroom	$3,883
Villas	
Two bedroom	$3,687
Three bedroom	$3,931
Cottages	
Two bedroom	$3,782
Three bedroom	$3,978
Second Person Fee	$1,248
Health Care	
Residential Assisted Living	
Studio	$4,882
One bedroom	$5,996
Alzheimer/Dementia Care	$7,732
Skilled Nursing – discounted rate	$333/day

* New Independent Living Units – Expected to be completed and ready for occupancy by March 2020:

Type of Unit	
Residential Apartments	
* Two bedroom	$3,802 - $3,905
* Three bedroom	$4,335
Cottages	
* Two bedroom	$3,872
* Three bedroom	$3,974

D. Fee Change Policy

The monthly fee is fixed by the Board of Trustees of the community. In order to continue operation on a sound financial basis and to assure maintenance of required services, the Board of Trustees may in its absolute discretion increase or decrease the monthly fee, thus there is no limitation as to such decrease or increase. A thirty-day (30) notice is given prior to a change in fees.

E. Changes in Fees for the Previous Five (5) Years

Following is a schedule of monthly fee changes for the previous five years. Monthly fees change annually every January 1st. This schedule includes independent living including second person fees, assisted living and skilled nursing rate changes.

	1-1-2015	1-1-2016	1-1-2017	1-1-2018	1-1-2019
Average Dollar Increase	$82	$91	$97	$102	$105

VI. FINANCIAL INFORMATION

A. Financial Overview Statement

The Presbyterian Homes, Inc. and River Landing at Sandy Ridge are dedicated to maintaining a sound financial operation and are dependent upon revenue from entrance fees and service fees from Residents of River Landing at Sandy Ridge. Operating expenses are closely monitored to ensure the provision of quality services in the most cost effective manner possible.

B. Reserves, Escrow and Trusts

According to the provisions of G.S. 58-64-33, The Presbyterian Homes, Inc. is required to have operating reserves equal to 25% of its operating costs projected for the next fiscal year, if occupancy levels remain in excess of 90%. Scotia Village, River Landing at Sandy Ridge and Glenaire, Inc. have and expect to maintain an occupancy rate in excess of 90%.

The required reserve for 2019 of $14,069,000 is shown on the audited financial statements as Reserves Required by State Statute. These assets are managed by Bank of America. The current investment manager is Mrs. Mary Stokes a Senior Vice President and Senior Portfolio Strategist in the U.S. Trust, Bank of America office of Customized Portfolio Management.

VII. OTHER MATERIAL INFORMATION

A. Planned Expansion and Renovation

The Presbyterian Homes, Inc. plans to expand and renovate its River Landing at Sandy Ridge community. Its expansion plans include the addition of 17 three-bedroom cottages, and 5 two-bedroom cottages on approximately 13 acres of undeveloped land, 36 apartment homes with under building parking, which will consist of 24 two bedroom apartments, and 12 three bedroom apartments. Additionally, the expansion will include the addition of a maintenance facility for golf and grounds as well as vehicle storage, a clubhouse to include a dining venue and resident meeting space as well as an expansion and improvement of the existing resident wellness center. Also planned is the renovation of the health center into the household model of care with the addition of a healthcare dining venue and multi-purpose resident space. Construction is estimated to take 22 months to complete.

Expected Completion Dates:

Maintenance Building	January 2019
Cottages	March 2020
Apartments	March 2020
Clubhouse	May 2020
Healthcare Renovation	May 2021

The expansion and renovations that have been financed, are expected to cost $55,000,000, after a $4,500,000 projected equity contribution. Project costs are financed with taxable bank debt financed over a 30-year period with a 2-year construction period of interest only, followed by a 10-year term. The projected interest rate is 5%. The $59,500,000 total project costs include design, engineering, marketing, construction and other development costs related to the project. Costs to finance the loan were approximately $55,000 plus legal fees related to document preparation and closing.

The Presbyterian Homes has contributed equity to the project through the purchase of an approximate 10-acre tract of land for the 22 independent living cottages and another 3-acre tract of land for the maintenance building. This equity contribution totals approximately $950,000. It is also assumed that any costs incurred above $55,000,000 will be in the form of an equity contribution to the project. This equity contribution comes from reserves of the Organization.

Project Costs:

Land		$950,000
Construction and Site Work cost related to the project		$48,196,623
Contingency		$6,119,662
Architectural & Engineering Expenses		$2,514,099
Furniture, Fixtures & Equipment		$1,621,905
Permits, Surveys and Other Expenses		$20,793
Miscellaneous		$76,918
	Total:	$59,500,000

All expansion residences have now been sold. The average age of the females moving into the expansion units is 72 years old and for the males the average age is 75 years old. Based on sales it is anticipated that 90% of these units will be occupies by couples.

Management assumes that the existing residences (IL, AL and SN) would maintain 95% occupancy level and the expansion independent living units would begin fill-up in April 2020 and achieve 95% occupancy in June 2020 and remain at 95% occupancy through the forecast period. The following table summarizes the existing and forecasted residences in independent living (IL). It is expected that the cottages and the apartments would be completed in March 2020 and occupied over a period of three months (April 2020 to June 2020).

Utilization of Independent Living Units

Years ended September 30	Existing Residences			Expansion Residences			Total IL Occupancy
	Occupied	Available	% Occupied	Occupied	Available	% Occupied	
2019	282	298	95%	-	-	-	95%
2020	282	298	95%	55	58	95%	95%
2021	282	298	95%	55	58	95%	95%
2022	282	298	95%	55	58	95%	95%
2023	282	298	95%	55	58	95%	95%

The assumed turnover of independent living units for RLSR due to death, withdrawal or transfer to Assisted Living, Memory Support or Skilled Nursing is projected in the table below. It is expected that the existing unit turnover will average 10% based on history of the community. For the new units it is expected that one unit will turn over the year after 95% occupancy of the new units and then increasing by one unit turning over every year thereafter.

Forecasted Turnover Schedule – Independent Living Units

Years ended September 30	Existing ILU's	Project ILU's	Total
2019	30	-	30
2020	30	0	30
2021	30	1	31
2022	30	2	32
2023	30	3	33

Assumed Monthly Move-in Pattern for Projected Expansion ILU's (Net of Move-outs)

Fiscal Year/Month	Monthly Total	Cumulative Total	Occupancy Percentage
2019	-	-	0%
2020			
October	-	-	0%
November	-	-	0%
December	-	-	0%
January	-	-	0%
February	-	-	0%
March	-	-	0%
April	28	28	19%
May	20	48	19%
June	7	55	19%
July	-	55	19%
August	-	55	19%
September	-	55	19%

All assumptions are incorporated into the Five-Year Projection Statements in Exhibit B.

B. Explanation of Material Differences

The threshold for materiality is $2,000,000. (Continued on Page 16)

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

(in thousands of dollars)	2018 Forecast	2018 Audit	Difference	Explanation ($2,000)
Statement of Balance Sheets				
Cash and cash equivalents	6,324	21,721	(15,397)	Note 1
Assets limited as to use, required for current liabilities	1,316	1,374	(58)	
Accounts receivable	1,753	2,949	(1,196)	
Other current assets	653	574	79	
Under bond agreement	-	2	(2)	
Reserves required by state statute	14,408	14,069	339	
Endowment funds	2,611	2,953	(342)	
Residents' cash deposits	2	4	(2)	
Investments	103,579	84,837	18,742	Note 1
Deferred financing and marketing costs	112	112	-	
Interest rate swap asset	1,422	3,095	(1,673)	
Land, buildings and equipment	254,245	259,411	(5,166)	Note 2
Construction in progress	29,000	9,885	19,115	Note 2
Accumulated depreciation	(90,197)	(90,522)	325	
Current maturities of long-term debt	6,268	6,460	(192)	
Accounts payable	1,934	2,778	(844)	
Accrued expenses, excluding interest	1,781	2,151	(370)	
Accrued interest	160	820	(660)	
Estimated refundable entrance fees	937	922	15	
Long-term debt	125,441	98,840	26,601	Note 3
Deferred revenue - nonrefundable fees	34,067	35,097	(1,030)	
Deferred revenue - refundable fees	23,189	22,532	657	
Refundable entrance fees	9,746	9,413	333	
Admission deposits	1,524	4,065	(2,541)	Note 4
Interest rate swap agreement	-	-	-	
Residents' cash deposits	2	4	(2)	
Other	1,368	1,348	20	
Unrestricted net assets	112,447	118,873	(6,426)	Note 6
Assets with donor restrictions	6,364	7,162	(798)	
Statements of Operations				
Amortization of advance fees	10,833	9,702	1,131	
Service fees, residential	27,238	27,775	(537)	
Service fees, assisted living	7,555	7,571	(16)	
Service fees, nursing	17,236	17,764	(528)	
Food service income	319	295	24	
Reimbursed medical	1,447	2,065	(618)	
Other	1,470	1,783	(313)	
Routine services	16,650	17,238	(588)	
Resident services	1,366	1,251	115	
Dietary	7,488	7,358	130	
Environmental services	2,583	2,549	34	
Maintenance	6,935	6,633	302	
Marketing and development	1,509	1,687	(178)	
Administration	10,302	10,076	226	
Depreciation and amortization	7,409	7,751	(342)	
Mortgage interest	3,810	3,055	755	
Miscellaneous, net	217	474	(257)	
Investment income	2,890	6,831	(3,941)	Note 5
Contributions	1,109	1,513	(404)	
Statement of Cash Flows				
Change in net assets	11,828	19,065	(7,237)	Note 6
Advance fees received	12,683	13,384	(701)	
Amortization of advance fees	(10,833)	(9,702)	(1,131)	
Depreciation	7,599	7,550	49	
(Increase) decrease in unrealized appreciation of investments	-	(164)	164	
Change in fair value of interest rate swap agreement		(1,673)	1,673	
Amortization of deferred costs	128	125	3	
Amortization of bond discount	(318)	(326)	8	
Change in trade and other receivables	2,010	1,684	326	
Change in other assets	(12)	67	(79)	
Change in accounts payable and accrued expenses	(1,657)	913	(2,570)	Note 7
Purchase of property and equipment	(35,256)	(21,306)	(13,950)	Note 2
(Purchase) sale of investments	(27,738)	(2,081)	(25,657)	Note 1
Payments of issuance costs	-	(210)	210	
Refunds of refundable fees	(780)	(919)	139	
Principal payments on borrowings	(6,024)	(6,021)	(3)	
Proceeds from long-term borrowings	27,500	1,242	26,258	Note 3

Note 1 - Cash is forecasted to remain constant and excess funds to be invested. Excess funds were held in cash at year end. Total cash and investments of $ 106,558 are less than forecasted unrestricted cash and investments of $ 109,903. This is due to Glenaire purchasing an adjacent piece of property for future expansion from cash reserves. The purchase price of the property was $ 8,500.

Note 2 - The audit numbers include the purchase of the adjacent property at Glenaire. It was forecasted for the expansion and renovation at River Landing to be 50% complete at the end of 2018. Construction did not actually begin until June 2018.

Note 3 - Since construction did not begin until June, very little was drawn down from the construction loan at September 30, 2018.

Note 4 - September 30 audited balance includes the 10% deposits for the new units as well as the monies collected for option selections.

Note 5 - Strong investment performance especially in the equity markets. Current investment policy allows for 60% equities with +/- 10%, PHI's investment manager, Bank of America was over weighted in equities much of the year.

Note 6 - Reflects excess investment income, change in value of interest rate swap, savings in bond interest expense, and excess contributions over that which was forecasted.

Note 7 - Accounts payable, accrued interest expense and accrued other expenses are greater than forecasted.

C. Current Certified Financial Statements *(See Exhibit A Attached)*

Audited financial statements of The Presbyterian Homes, Inc. for the fiscal year ended September 30, 2018, are attached as Exhibit A.

D. Five-Year Projection Statements *(See Exhibit B Attached)*

Five-year forecasted Statements of Financial Position, Statements of Activities and Cash Flows including details of all significant assumptions are attached as Exhibit B.

E. Resident's Agreement/Contract *(See Exhibit C Attached)*

A copy of the current River Landing at Sandy Ridge Residence and Care Agreement, which complies with all contract specifications as per North Carolina General Statute G.S. 58-64-25 (a) and (b), is attached as Exhibit C.

F. Actuarial Summary Report

None required.

G. Interim Financial Statements *(See Exhibit D Attached)*

Interim Financial Statements for the period ended December 31, 2018 are attached as Exhibit D.

Bernard Robinson & Company, L.L.P.

Independent Auditor's Report

To the Board of Directors
The Presbyterian Homes, Inc.
Colfax, North Carolina

We have audited the accompanying combined financial statements of The Presbyterian Homes, Inc. and Its Combined Affiliates (the "Organization"), which comprise the combined statement of financial position as of September 30, 2018, and the related combined statements of operations and changes in net assets, expenses by nature and function, and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of The Presbyterian Homes, Inc. and Its Combined Affiliates as of September 30, 2018, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The Presbyterian Homes, Inc. and Its Combined Affiliates' September 30, 2017 combined financial statements, and our report dated January 11, 2018, expressed an unmodified opinion on those audited combined financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2017, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Bernard Robinson & Company, L.L.P.

Greensboro, North Carolina
January 9, 2019

THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES
Combined Statement of Financial Position
September 30, 2018 (With Comparative Totals as of September 30, 2017)

	2018	2017
Assets		
Current Assets:		
Cash and cash equivalents	**$ 21,721,398**	$ 26,502,480
Assets limited as to use, required for current liabilities	**1,373,619**	1,201,758
Accounts receivable, net of allowance for doubtful accounts **$605,291 in 2018;** $741,265 in 2017	**1,161,464**	1,305,624
Other receivables	**1,756,183**	2,414,767
Unconditional promises to give, net	**32,000**	42,000
Other	**574,075**	640,946
Total current assets	**26,618,739**	32,107,575
Assets limited as to use, net of amount required for current liabilities:		
Under bond agreement	**1,986**	2,750
Reserves required by state statute	**14,069,467**	11,446,140
By donors for permanent endowment funds	**2,953,366**	2,555,169
Residents' cash deposits	**4,273**	1,825
	17,029,092	14,005,884
Investments and other assets:		
Investments	**84,836,523**	78,975,172
Other assets	**111,799**	116,713
Interest rate swap agreement	**3,094,584**	1,421,431
	88,042,906	80,513,316
Property and Equipment:		
Land, buildings and equipment	**259,410,663**	246,299,196
Construction-in-progress	**9,885,027**	1,690,688
	269,295,690	247,989,884
Less accumulated depreciation	**90,521,553**	82,598,994
	178,774,137	165,390,890
Total assets	**$ 310,464,874**	$ 292,017,665

See Notes to Combined Financial Statements

	2018	2017
Liabilities and Net Assets		
Current Liabilities:		
Current maturities of long-term debt	**$ 6,459,815**	$ 6,020,790
Accounts payable	**2,778,367**	2,256,807
Accrued payroll and related expenses	**1,476,894**	1,260,059
Accrued interest	**819,894**	791,651
Other accrued expenses	**673,779**	513,320
Estimated refundable entrance fees	**921,575**	936,917
Total current liabilities	**13,130,324**	11,779,544
Long-term debt, less current maturities and unamortized deferred financing costs	**98,840,389**	104,445,249
Deferred revenue and other liabilities:		
Deferred revenue from entrance fees - non refundable	**35,097,149**	33,416,931
Deferred revenue from entrance fees - refundable	**22,531,940**	22,770,373
Refundable entrance fees	**9,412,926**	9,775,309
Admission deposits	**4,065,410**	1,497,505
Other accrued expenses	**1,347,634**	1,361,457
Residents' cash deposits	**4,273**	1,825
	72,459,332	68,823,400
Total liabilities	**184,430,045**	185,048,193
Net Assets:		
Assets without donor restrictions	**118,872,557**	100,604,539
Assets with donor restrictions	**7,162,272**	6,364,933
Total net assets	**126,034,829**	106,969,472
Total liabilities and net assets	**$ 310,464,874**	$ 292,017,665

THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES
Combined Statement of Operations and Changes in Net Assets
Year Ended September 30, 2018 (With Comparative Totals for the Year Ended September 30, 2017)

	2018	2017
Changes in net assets without donor restrictions:		
Operating revenues:		
Resident fees, including amortization of entrance fees of **$9,702,257** in **2018** and $10,332,811 in 2017	**$ 62,812,843**	$ 61,215,106
Food service income	**294,982**	299,361
Reimbursed medical	**2,064,893**	1,502,497
Golf course revenue	**47,454**	115,889
Management fee	**1,424,139**	1,304,919
Other	**311,992**	298,758
Total operating revenues	**66,956,303**	64,736,530
Operating expenses:		
Routine services	**15,039,008**	13,797,830
Special services	**1,250,719**	1,284,938
Dining services	**7,357,698**	7,455,968
Environmental services	**2,549,295**	2,470,490
Maintenance	**5,908,300**	5,595,176
Project and development	**234,601**	212,675
Marketing	**1,452,421**	1,282,032
Administrative	**10,075,852**	8,874,213
Depreciation and other charges	**7,750,605**	7,249,160
Bond and note interest, and amortization	**3,055,205**	2,655,295
Purchased medical services	**2,199,283**	1,777,817
Miscellaneous, net	**474,443**	736,036
Golf course and grounds expense	**724,703**	733,191
Total operating expenses	**58,072,133**	54,124,821
Increase in net assets without donor restrictions from operations	**8,884,170**	10,611,709
Nonoperating gains:		
Contributions	**489,978**	207,673
Net realized investment income	**6,544,296**	3,296,378
Net unrealized appreciation of investments	**163,203**	4,490,517
Net assets released from restrictions	**494,006**	446,432
Change in fair value of interest rate swap agreement	**1,673,155**	2,021,172
Other, net	**19,210**	44,730
Total nonoperating gains	**9,383,848**	10,506,902
Change in net assets without donor restrictions	**18,268,018**	21,118,611

THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES
Combined Statement of Operations and Changes in Net Assets (Continued)
Year Ended September 30, 2018 (With Comparative Totals for the Year Ended September 30, 2017)

	2018	2017
Changes in net assets with donor restrictions:		
Contributions	**$ 511,845**	$ 345,846
Contributions in perpetual endowment	**511,284**	338,446
Net unrealized appreciation of investments	**351**	196,523
Net realized investment income	**267,865**	362,581
Net assets released from restrictions	**(494,006)**	(446,432)
Increase net assets with donor restrictions	**797,339**	796,964
Changes in net assets	**19,065,357**	21,915,575
Net assets, beginning	**106,969,472**	85,053,897
Net assets, ending	**$126,034,829**	$106,969,472

THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES
Combined Statement of Expenses by Nature and Function (Excluding depreciation and amortization, bond and note interest, and miscellaneous, net)
Year Ended September 30, 2018 (With comparative totals for Year Ended September 30, 2017)

	Routine Services	Special Services	Dining Services	Environmental Services	Maintenance	Project and Development
Salaries and wages	$ 12,379,428	$ 911,589	$ 3,274,598	$ 1,967,047	$ 1,665,724	$ 172,541
Payroll taxes and employee benefits	1,191,821	96,731	298,779	187,376	180,370	19,531
Supplies	779,196	18,934	414,961	206,321	124,936	-
Contracted outside services	7,996	4,601	22,562	598	253,336	3,425
Raw food and nourishments	-	-	3,395,236	-	-	-
Repairs and maintenance, equipment	20,592	22,080	56,033	38,967	105,599	-
Repairs and maintenance, buildings	122	-	409	251	916,617	-
Repairs and maintenance, grounds	-	-	-	-	121,210	-
Gas	-	-	-	-	223,212	-
Electricity	-	-	-	-	1,204,959	-
Water	-	-	-	-	524,141	-
Telephone	4,517	3,657	-	936	13,804	376
Dues and subscriptions	11,402	8,281	1,054	-	682	1,355
Insurance, general	791	-	-	-	-	-
Printing	-	-	-	-	-	33,301
Promotions	91	-	-	-	-	-
Postage	-	-	-	-	-	40
Legal and accounting	15,800	-	-	-	-	-
Consultant's fees	212,996	-	5,830	-	-	-
Travel and seminars	32,993	13,755	2,145	287	32,799	3,279
Employee recruitment and retention	1,315	-	75	-	-	-
Meetings and special events	61,432	58,324	(120,385)	390	12	-
Purchased medical	36,465	-	-	-	-	-
Outside services	280,095	95,675	6,401	146,744	540,142	-
Rent, buildings and equipment	-	-	-	-	-	-
Miscellaneous	1,956	17,092	-	378	757	753
Changes in net assets without restrictions	$ 15,039,008	$ 1,250,719	$ 7,357,698	$ 2,549,295	$ 5,908,300	$ 234,601

THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES
Combined Statement of Expenses by Nature and Function (Excluding depreciation and amortization, bond and note interest, and miscellaneous, net)
Year Ended September 30, 2018 (With comparative totals for Year Ended September 30, 2017)

	Marketing	Administration	Purchased Medical Services	Golf Course	Totals 2018	Totals 2017
Salaries and wages	$ 700,410	$ 4,020,117	$ -	$ 379,873	$ 25,471,327	$ 24,099,813
Payroll taxes and employee benefits	80,699	3,245,015	-	35,378	5,335,700	4,498,062
Supplies	8,655	68,898	176,804	9,528	1,808,233	1,718,049
Contracted outside services	-	789,597	-	26,338	1,108,453	980,525
Raw food and nourishments	-	-	-	-	3,395,236	3,402,151
Repairs and maintenance, equipment	-	53,252	-	17,883	314,406	308,846
Repairs and maintenance, buildings	-	3,655	-	19	921,073	749,422
Repairs and maintenance, grounds	-	2,050	-	130,715	253,975	279,060
Gas	-	272	-	-	223,484	193,161
Electricity	-	6,079	-	10,083	1,221,121	1,216,074
Water	-	1,736	-	3,589	529,466	499,543
Telephone	1,738	145,181	-	756	170,965	131,236
Dues and subscriptions	3,835	81,356	-	605	108,570	98,735
Insurance, general	-	706,841	-	-	707,632	874,635
Printing	146,653	8,550	-	-	188,504	155,617
Promotions	237,998	1,478	-	-	239,567	228,421
Postage	30,102	19,869	-	-	50,011	62,571
Legal and accounting	-	83,586	-	-	99,386	80,814
Consultant's fees	168,391	235,018	-	-	622,235	491,867
Travel and seminars	3,960	146,679	-	3,500	239,397	242,570
Employee recruitment and retention	-	144,234	-	-	145,624	150,890
Meetings and special events	55,035	50,407	-	455	105,670	67,811
Purchased medical	-	-	2,022,479	-	2,058,944	1,630,130
Outside services	14,643	28,236	-	105,729	1,217,665	1,165,597
Rent, buildings and equipment	-	109,993	-	-	109,993	97,948
Miscellaneous	302	123,753	-	252	145,243	60,782
Changes in net assets without restrictions	$ 1,452,421	$ 10,075,852	$ 2,199,283	$ 724,703	$ 46,791,880	$ 43,484,330

THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES
Combined Statement of Cash Flows
Years Ended September 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Changes in net assets	**$ 19,065,357**	$ 21,915,575
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Entrance fees received	**11,288,345**	13,798,121
Entrance fees received - initial units	**2,096,025**	1,562,000
Amortization of entrance fees	**(9,702,257)**	(10,332,811)
Depreciation and amortization	**7,750,605**	7,249,160
Change in fair value of interest rate swap agreement	**(1,673,155)**	(2,021,174)
Realized and unrealized gains on investments and investment income	**(163,556)**	(4,687,042)
Net realized investment income	**(6,812,161)**	(3,658,546)
Investment in perpetual endowment	**(511,284)**	(338,446)
Changes in working capital components:		
(Increase) decrease in:		
Trade and other receivables	**1,683,574**	122,927
Other assets	**66,879**	139,724
Increase (decrease) in:		
Accounts payable and accrued expenses	**913,264**	(3,422,143)
Net cash provided by operating activities	**24,001,636**	20,327,345
Cash flows from investing activities:		
Purchases of property and equipment	**(21,305,806)**	(10,390,764)
Payments on issuance costs	**(210,211)**	(345,998)
(Purchases) redemption of investments, net of proceeds	**(2,080,701)**	89,963,872
Net cash provided by (used in) investing activities	**(23,596,718)**	79,227,110
Cash flows from financing activities:		
Investment in perpetual endowment	**511,284**	338,446
Proceeds from issuance of long-term debt	**1,242,036**	-
Principal payments of long-term debt	**(6,020,790)**	(99,857,524)
Refunds of refundable fees	**(918,530)**	(975,924)
Net cash used in financing activities	**(5,186,000)**	(100,495,002)
Net decrease in cash and cash equivalents	**(4,781,082)**	(940,547)
Cash and cash equivalents, beginning	**26,502,480**	27,443,027
Cash and cash equivalents, ending	**$ 21,721,398**	$ 26,502,480
Supplemental disclosures of cash flow information:		
Cash payments for interest	**$ 3,026,962**	$ 4,501,227

See Notes to Combined Financial Statements

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities and Control

The Presbyterian Homes, Inc. and Glenaire, Inc. (collectively the "Communities") provide housing, health care and other related services to residents. The Presbyterian Homes, Inc. operates as River Landing at Sandy Ridge in Colfax, North Carolina; and as Scotia Village in Laurinburg, North Carolina. Glenaire, Inc. operates in Cary, North Carolina. The Presbyterian Homes Foundation, Inc. is a foundation established to raise funds for support and the future needs of the Communities. PHI Management Services LLC was formed to provide management services to continuing care retirement communities which are not affiliated with The Presbyterian Homes. The Communities, the Foundation and PHI Management Services are collectively referred to as the "Organization".

The Boards of Trustees of Glenaire, Inc. and The Presbyterian Homes Foundation, Inc. are appointed by and serve at the pleasure of the Board of Governors of The Presbyterian Homes, Inc.

A summary of the Organization's significant accounting policies is as follows:

Principles of Combination

The accompanying combined financial statements include the accounts of the above-named entities. All material related-party balances and transactions have been eliminated in the combination.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The Organization excludes from cash and cash equivalents assets limited as to use.

Assets Limited As To Use

Assets limited as to use include assets held by trustees under an indenture agreement; assets which must be held in perpetuity under endowment agreements; unconditional promises to give restricted for purchase of property and equipment, repayment of debt, or financial assistance; assets held as deposits; and the operating reserve required by state statute.

Investments and Fair Value

Investments in all debt and equity securities with a readily determinable market value are measured at fair value. The fair values of mutual funds and equity securities are determined based on quoted net asset values and share prices, respectively. The fair value of debt securities are based on quoted market prices. Changes in fair value of investments, including both realized and unrealized gains and losses, are included in the accompanying combined statements of operations and changes in net assets. In determining realized gains and losses, the cost of investments is determined using the first-in, first-out method. Donated investments are stated at fair value at the date of the gift. Unrealized gains and losses on investments, except those determined to be other than temporarily impaired, are excluded from excess of revenue over expenses. Any other-than-temporary declines are accounted for as a nonoperating loss, whereby the historical cost of the related investment would be adjusted to the then-current fair market value.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

The Communities record accounts receivable at the total unpaid balance which approximates estimated fair value. The Communities determine past-due status on individual accounts based on the billing dates. The Communities estimate their allowance for doubtful accounts based on a combination of factors, including the past historical loss experience and any anticipated effects related to current economic conditions, as well as management's knowledge of the current composition of accounts receivable. Accounts receivable that management believes to be ultimately not collectible are written off upon such determination.

Property and Equipment

Property and equipment are stated at cost or at estimated fair value at the date of donation. Depreciation is determined principally by the straight-line method over the estimated useful lives of the assets, ranging from 3 to 40 years. It is the policy of the Communities to review long-lived assets and intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Paid Annual Leave

After an employee has worked at the Communities for 90 days, they begin to earn paid annual leave ("PAL") time. PAL time may be earned by regular-time employees who work at least 60 hours per pay period. For the first three years of employment, employees may earn up to 23 days of PAL each year, after three years and through five years employees may earn 26 days of PAL each year, and after five years employees may earn 31 days annually. Employees are required to use at least 15 days of PAL each year, with the remaining unused PAL being put into a reserve. Up to 60 days can be accumulated in the reserve. Remaining unused current and reserve PAL is paid to an employee upon proper resignation, retirement or illness. The first 30 days of an employee's PAL reserve can only be used for an extended illness or an employee hardship withdrawal. The second 30 days of an employee's PAL reserve can be used as the employee desires.

At September 30, 2018 and 2017, the total liability for PAL was $2,021,413 and $1,874,779, respectively, and is recorded as other accrued expense. Of this amount, $673,779 and $513,320 is shown as a current liability as of September 30, 2018 and 2017, respectively. The current amount is the amount of PAL that management estimates will be paid out in the next year.

Deferred Financing Costs

Financing costs relative to the permanent financing of the facilities have been deferred and are being amortized using the effective interest method to bond and note interest and amortization on the combined statements of operations and changes in net assets over the terms of the loans. During 2018 and 2017, amortization expense for deferred financing costs was $141,565 and $119,628, respectively.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Financing Costs (Continued)

The following is a schedule by years of the aggregate amortization amounts:

Years Ending September 30,		
2019	$	133,316
2020		124,623
2021		115,191
2022		104,446
2023		93,268
Thereafter		381,035
	$	951,879

Bond Premiums and Discounts

Bond premiums and discounts are being amortized to bond and note interest, and amortization on the combined statements of operations and changes in net assets over the terms of the loans. During 2018 and 2017, the net amortization expense for bond discounts was $318,435 and $325,634, respectively.

The following is a schedule by years of the aggregate amortization:

Years Ending September 30,		
2019	$	315,078
2020		311,759
2021		308,476
2022		305,230
2023		302,019
Thereafter		2,418,669
	$	3,961,231

Interest Rate Swap Agreement

The Organization uses derivatives to manage risks related to interest rate movements. The Organization's interest rate risk strategy is to pay-fixed and receive-variable interest rate swaps. The combination of these swaps and variable-rate bonds creates synthetic fixed-rate debt. The use of synthetic fixed-rate debt has the ability to lower the Organization's borrowing costs associated with the issuance of traditional fixed-rate bonds. The Organization's interest rate swap agreements have not been designated as hedging transactions and are reported at fair value.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Net Assets

The following classification of net assets is presented in the accompanying combined financial statements:

With donor restrictions: All revenues restricted by donors as to either timing or purpose of the related expenditures or required to be maintained in perpetuity as a source of investment income are accounted for in donor restricted net assets. The investment income arising from endowment funds, if any, are accounted for in accordance with donor stipulations. 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.

Without donor restrictions: All revenue not restricted by donors, unrestricted contributions designated by the board and donor restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restrictions.

Changes in Assets Without Restrictions

The combined statement of operations and changes in net assets reflect operating income. Changes in net assets without restrictions that are excluded from operating income, consistent with industry practice, include realized gains and losses on investments, changes in unrealized gains and losses on investments, investment income, income from estates, wills, trusts and bequests, and contributions.

Income Tax Status

The Presbyterian Homes, Inc. and Glenaire, Inc. are nonprofit organizations exempt from income taxes under Internal Revenue Code Section 501(c)(3), and The Presbyterian Homes Foundation, Inc. is an organization exempt from income taxes under Internal Revenue Code Section 501(a). The Organization has determined that it does not have any material unrecognized tax benefits or obligations as of September 30, 2018.

It is the Organization's policy to evaluate all tax positions to identify any that may be considered uncertain. All identified material tax positions are assessed and measured by a more-likely-than-not threshold to determine if the tax position is uncertain and what, if any, the effect of the uncertain tax position may have on the combined financial statements. No material uncertain tax positions were identified for 2018 and 2017.

Resident Fees

Resident fees represent the estimated net realizable amounts from residents, third-party payors, and others for services rendered. Resident fees are recorded as revenue when earned.

Obligation to Provide Future Services

The Communities annually calculate the present value of the net cost of future services and use of facilities to be provided to current residents, and compares that amount with the balance of deferred revenue from entrance fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to income. At September 30, 2018 and 2017, deferred revenue from entrance fees exceeded the present value of the net cost of future services and use of facilities, thus no obligation is recorded.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimated Third-Party Payor Settlements

The Communities have agreements with third-party payors that provide for payments to the Communities at amounts different from their established rates. Payment arrangements include prospectively determined per diem payments. Revenue under third-party payor agreements is subject to audit and retroactive adjustments. Provisions for estimated third-party payor settlements 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.

Entrance Fees

Entrance fees are amortized into revenue on a straight-line basis, based on the actuarially determined remaining life expectancy of the resident. This actuarially determined remaining life expectancy of the resident is adjusted annually. The unamortized portion of the fee is shown on the combined statements of financial position as deferred revenue.

Property Tax Exemption

During 2001, the state of North Carolina passed legislation which provided a property tax exemption for continuing care retirement communities (CCRCs) that expend 5% or more of their operating revenues on benevolent assistance and community service or CCRCs that have financed their facilities with tax-exempt bond financing. Partial exemptions are available for CCRCs which provide some benevolent assistance and community service and CCRCs that have facilities which are partially financed with tax-exempt bond financing. The property tax exemption must be requested each year. Based on the combination of the partial exemptions described above, Management believes that it will qualify for a full property tax exemption for the foreseeable future.

Benevolent Assistance

The Communities have a policy of providing benevolent assistance to residents who are unable to pay. Such residents are identified based on financial information obtained from the resident and subsequent review and analysis. Since the Communities do not expect to collect the normal charges for services provided, estimated charges for benevolent assistance are not included in revenue. Costs associated with services provided were approximately $3,035,000 and $2,789,000 for the years ended September 30, 2018 and 2017, respectively.

Social Accountability

The Communities provide building space to several religious and charitable organizations and a pharmacy school rent free, and a reduced rental rate to a childcare center. The dollar amount of space provided based upon local fair market value rental rates is approximately $467,000 and $277,000 for the years ended September 30, 2018 and 2017, respectively. The Communities also provide numerous charity benefits which include donated volunteer services in the amounts of approximately $132,000 and $81,000 for the years ended September 30, 2018 and 2017, respectively. These contribution amounts are not reflected in the combined statements of operations and changes in net assets.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, receivables and other assets approximate fair value. Investments are reported at fair value as of the date of the combined financial statements. The carrying amount of accounts payable, accrued expenses and other liabilities approximate fair value. The interest rate swap agreement is reported at fair value as of the date of the combined financial statements. Fixed-rate long-term debt is carried at cost net of any unamortized premiums or discounts. The fair value of the fixed-rate long-term debt is approximately $1,804,000 less than the carrying value.

Use of Estimates

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

Subsequent Events

The Organization evaluated the effect of subsequent events through January 9, 2019, which is the date the combined financial statements were available to be issued.

NOTE B - INVESTMENTS

Investments are carried at fair value and consist of the following at September 30, 2018 and 2017:

	2018	2017
Investments:		
Mutual funds:		
Equity funds	$ **5,778,782**	$ 3,558,986
Fixed-income funds	**31,417,359**	30,531,613
Tangible assets	**3,064,134**	2,836,358
Equity securities	**58,645,715**	53,494,355
	98,905,990	90,421,312
Less assets classified as assets limited as to use -		
Operating reserves required by state statute	**14,069,467**	11,446,140
	$ **84,836,523**	$ 78,975,172
Investments included in assets limited as to use:		
Under bond agreement:		
Cash and cash equivalents	$ **1,375,605**	$ 1,204,508
	1,375,605	1,204,508
Less assets limited as to use:		
Required for current liabilities	**1,373,619**	1,201,758
	$ **1,986**	$ 2,750

NOTE B - INVESTMENTS (Continued)

		2018		2017
Permanent endowment funds:				
Equity funds	$	**415,103**	$	492,590
Fixed-income funds		**837,381**		710,590
Tangible assets		**81,816**		64,861
Equity securities		**1,619,066**		1,287,128
	$	**2,953,366**	$	2,555,169

Net realized investment income consists of $4,066,305 and $1,689,755 of realized gains, and $2,745,856 and $1,969,204 of interest and dividends for the years ended September 30, 2018 and 2017, respectively.

The Organization's investments potentially subject it to concentrations of credit risk. The Organization maintains various types of investments that encompass many different companies with varied industrial and geographical characteristics designed to limit exposure to any one industry, company or geographical location. However, as most of the Organization's investments are traded in public markets, they are subject to general fluctuations in the market's overall performance. The Organization retains investment managers who perform periodic evaluations of the relative credit standing of the companies and financial institutions in which the Organization invests. Management believes they employ an investment strategy which does not subject itself to an abnormal amount of risk compared to general market conditions.

Charitable Remainder Trust

One donor has established a charitable remainder trust naming Presbyterian Home of High Point Foundation, Inc., which is now known as The Presbyterian Homes Foundation, Inc., as the beneficiary of the trust. The trust provides for the payment of distributions to the foundation until the year 2021, at which point the trust will be dissolved and all proceeds become the property of Presbyterian Home of High Point Foundation, Inc. Assets held in the trust are carried at fair market value and totaled $1,704,388 and $1,096,503 at September 30, 2018 and 2017, respectively.

NOTE C - PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows:

	2018	2017
Land	**$ 17,764,605**	$ 8,377,495
Land improvements	**3,404,132**	3,287,554
Buildings	**227,146,058**	224,097,250
Equipment, furniture, and other	**11,095,868**	10,536,897
Construction-in-progress	**9,885,027**	1,690,688
	$ 269,295,690	$ 247,989,884

NOTE D - LONG-TERM DEBT

Long-term debt as of September 30, 2018 and 2017 consists of the following:

	2018	2017
North Carolina Medical Care Commission Series 2015 first revenue refunding bonds at a fixed rate of 3.42% per annum due July 1, 2031.	**$ 11,969,402**	$ 13,234,882
North Carolina Medical Care Commission Series 2016A first mortgage revenue bonds at a variable rate of 68% of one-month LIBOR plus 0.9875% per annum due April 1, 2027 swapped to a fixed rate of 2.395%.	**16,510,256**	18,271,665
North Carolina Medical Care Commission Series 2016B tax-exempt bonds at a variable rate of 68% of one-month LIBOR plus 0.8690% per annum due October 1, 2027 swapped to a fixed rate of 2.176%.	**43,349,158**	46,343,059
North Carolina Medical Care Commission Series 2016C tax-exempt bonds with the following maturities and rates:		
Term bonds at 4% due October 1, 2031 priced to yield	**10,000,000**	10,000,000
Term bonds at 5% due October 1, 2031 priced to yield	**15,770,000**	15,770,000
Term bonds at 3% due October 1, 2036 priced to yield	**1,000,000**	1,000,000
Term bonds at 5% due October 1, 2037 priced to yield	**2,450,000**	2,450,000
	29,220,000	29,220,000
Total North Carolina Medical Care Commission non-taxable bonds	**101,048,816**	107,069,606
Entrance fee loan of $20,426,000 payable to a bank, with interest only payments payable through maturity on June 28, 2023. The loan bears interest at the monthly LIBOR rate plus 0.95% (3.03% at September 30, 2018). The loan will be drawn down as spent, or fully funded 24 months from the date of issuance on June 28, 2018.	**1,242,036**	-
Construction loan of $34,574,000 payable to a bank, with interest only payments through July 1, 2020, and interest and principle payments beginning on August 1, 2020 through maturity on July 1, 2035. The loan will be drawn down as spent, or fully funded 24 months from the date of issuance on June 28, 2018. As of September 30, 2018, the Organization had no draws on the construction loan. The Organization entered into a forward rate swap agreement on June 28, 2018, effective July 1, 2020 at a rate of 4.152% through July 1, 2035.	**-**	-
	102,290,852	107,069,606
Less unamortized deferred financing costs	**951,879**	883,233
Less unamortized bond premium	**(3,961,231)**	(4,279,666)
Less current maturities	**6,459,815**	6,020,790
	$ 98,840,389	$ 104,445,249

NOTE D - LONG-TERM DEBT (Continued)

The following is a schedule by years of the aggregate maturities of long-term debt:

Years Ending September 30,	
2019	$ 6,459,815
2020	6,611,580
2021	6,611,278
2022	7,863,591
2023	9,430,965
Thereafter	65,313,623
	$ 102,290,852

The following is a discussion of significant terms and conditions regarding the North Carolina Medical Care Commission (the "Commission") tax-exempt bonds:

On July 15, 2015, The Presbyterian Homes, Inc. entered into a Loan and Security agreement with the NCMCC pursuant to a $14,712,108 First Mortgage Revenue Refunding Bond, Series 2015, to refinance the remaining Series 2005 and Series 2010 existing indebtedness of The Presbyterian Homes, Inc. This is a single bond which was purchased by BB&T Bank. Proceeds from this offering have been used to pay the expenses incurred in connection with the issuance of the bonds.

On April 1, 2016, The Presbyterian Homes, Inc. entered into a Loan and Security agreement with the NCMCC pursuant to a $20,000,000 First Mortgage Revenue Bond, Series 2016A, to finance capital projects. Proceeds from this offering have been used to fund a construction reserve to pay costs related to capital improvements at the Communities, and to pay the expenses incurred in connection with the issuance of the bonds.

On September 29, 2016, The Presbyterian Homes, Inc. entered into a Loan and Security agreement with the NCMCC pursuant to a $48,690,837 First Mortgage Revenue Refunding Bond, Series 2016B, to refinance part of the Series 2006A existing indebtedness of The Presbyterian Homes, Inc. This is a single bond which was purchased by BB&T Bank. Proceeds from this offering will be used to fund a debt service reserve fund for the bonds and to pay the expenses incurred in connection with the bonds.

On September 29, 2016, The Presbyterian Homes, Inc. entered into a Loan and Security agreement with the NCMCC pursuant to a $29,220,000 bond offering, Series 2016C, to refinance the remaining Series 2006A and the Series 2006B existing indebtedness of The Presbyterian Homes, Inc. A portion of the proceeds from this offering have been used to pay a portion of the bond maturities due October 1, 2016, to fund a debt service reserve fund for the bonds, and to pay the expenses incurred in connection with the issuance of the bonds.

The loan agreements contain certain required deposits, payments and covenants, which include limitations on liens, incurrence of additional indebtedness, certain long-term debt service coverage ratios, occupancy percentages, property transfer restrictions, limitations on use to finance operating deficits, and various other covenants and restrictions. All such required deposits are shown as assets limited as to use under bond agreement and are pledged on the loans.

NOTE D - LONG-TERM DEBT (Continued)

Security for the bonds consists of a pledge and assignment to the trustee of all rights, title and interest in and to The Presbyterian Homes, Inc., Glenaire, Inc., and The Presbyterian Homes Foundation Inc.'s ("Obligated Group") promissory notes with the Commission, dated July 15, 2015, April 1, 2016 and September 29, 2016, which evidences the Obligated Group's obligation to repay the NCMCC.

In addition, the Commission assigned to the Trustee its rights as beneficiary under the Obligated Group's pledged assets consisting of gross receipts, accounts, equipment, general intangibles, inventory, documents, instruments and assigns its rights as secured party with respect to its security interest.

The Series 2016 bonds, maturing on or after October 1, 2024, 2025 and 2026, are subject to redemption by the Commission, at the direction of the Obligated Group, at an option of 102%, 101% and 100% of par value, respectively. Additionally, the terms of bonds maturing in 2031 and 2036 are subject to mandatory redemption without premium beginning in 2028 and 2032, respectively.

On June 28, 2018, The Presbyterian Homes, Inc. entered into a credit agreement with Branch Banking and Trust Company to finance the expansion and a renovation to the Wellness Center and Healthcare Center at River Landing at Sandy Ridge. The Entrance Fee Project loan, in the amount of $20,426,000, will be used to finance a portion of the construction of 58 independent living units. The Construction Project Loan, in the amount of $34,574,000, will be used to finance the costs of various expansion projects including a maintenance / transportation building; a clubhouse with dining facilities, meeting space, and a golf pro-shop; an expansion of the existing wellness space; and renovation of the existing healthcare center to convert the physical layout and spaces to the household model.

NOTE E - REFUNDABLE FEES

The Presbyterian Homes, Inc. offers three alternative entrance fee plans which provide refunds to residents from re-occupancy proceeds. Under the standard entrance fee option, prior to 48 months of occupancy, the resident would receive a refund equal to the entrance fee, less 2% per month of occupancy less a 4% non-refundable fee. The 50% refundable plan offers the resident a refund equal to 50% of the entrance fee after 23 months of occupancy. Prior to 23 months of occupancy, the resident is entitled to a refund of the entrance fee, less 2% per month of occupancy, less a 4% non-refundable fee. The 90% refundable plan offers the resident a refund equal to 90% of the entrance fee after 6 months of occupancy. Prior to 6 months of occupancy, the resident is entitled to a refund of the entrance fee, less 1% per month of occupancy, less a 4% non-refundable fee. The estimated amount of entrance fee that is expected to be refunded to current residents is shown on the combined statements of financial position as refundable fees. This amount is estimated using an average of the last eight years' refunds. The total amount of contractual refund obligations under existing contracts totaled approximately $32,866,000 and $33,483,000 at September 30, 2018 and 2017, respectively, and is included in deferred revenue from entrance fees, net of the estimated amount to be refunded to current residents, on the combined statements of financial position.

NOTE F - NET ASSETS

Net assets without donor restrictions contain $25,166,640 and $23,877,906 in board-designated amounts at September 30, 2018 and 2017, respectively. Of these amounts, $92,916 and $87,379 is designated for special maintenance projects as of September 30, 2018 and 2017, respectively. The remaining portion relates to resident assistance in the amount of $25,073,724 and $23,790,527 as of September 30, 2018 and 2017, respectively.

Net assets with donor restrictions are restricted for the following purposes or periods.

	2018	2017
Subject to expenditures for specified purposes or passage of time:		
Principal amount:		
Special maintenance project	$ **480,858**	$ 297,148
Resident assistance	**2,000**	2,000
Any activities of the Organization	**1,168,260**	1,171,231
	1,651,118	1,470,379
Investment activity:		
Net unrealized appreciation of investments whose income is restricted for resident assistance and special maintenance projects	**362,150**	371,883
Undistributed realized appreciation of investments whose income is restricted as to purpose including dividends interest	**1,924,762**	1,804,030
	3,938,030	3,646,292
Subject to the Organization's spending policy and appropriation to support:		
Resident subsidies	**2,508,815**	2,236,024
Maintenance of rose garden	**45,152**	45,152
Healthcare equipment	**29,588**	29,588
Employee scholarship	**400,531**	167,721
Any activities of the Organization	**240,156**	240,156
	$ **7,162,272**	$ 6,364,933

Under the terms of the initial contributions that were used to establish endowments, the Investment Committee of the Board of Governors may buy, sell or otherwise change investments, but the principal from any sales is required to be reinvested.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Purpose restrictions accomplished:	**2018**	2017
Special maintenance expenses	$ **325,202**	$ 366,442
Resident assistance	**88,519**	1,686
Release of assets by trustee	**80,285**	78,304
	$ **494,006**	$ 446,432

NOTE G - ENDOWMENTS

The Communities' and Foundation's endowments (the "endowments") consist of approximately nine individual funds established for a variety of purposes. The endowments include both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters and Strategies. The Organization has adopted investment policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds, while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return.

Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy. The Organization has developed a spending policy for its endowment funds, which appropriates for distribution 3.0% of its invested funds based on the average market value of the trailing twelve quarters at June 30 each year. The intent of using a 12-quarter average is to minimize the likelihood of the principal of the fund being invaded. Any unspent distributable amounts remaining at the end of the fiscal year, which have not been granted or distributed, will be available for expenditure in the following fiscal year. However, in no year should more than 6% be distributed without Board approval.

NOTE G - ENDOWMENTS (Continued)

Endowment net asset composition by type of fund as of September 30, 2018 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Board-designated endowment funds	**$25,166,641**	**$ -**	**$ 25,166,641**
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	**-**	**3,229,926**	**3,229,926**
Accumulated investment gains	**438,178**	**3,456,517**	**3,894,695**
	$25,604,819	**$ 6,686,443**	**$ 32,291,262**

Changes in endowment net assets as of September 30, 2018 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Endowment net assets, beginning	**$24,282,427**	**$ 5,934,635**	**$ 30,217,062**
Contributions	**208,085**	**511,284**	**719,369**
Investment income	**1,682,443**	**345,376**	**2,027,819**
Net appreciation	**(458,135)**	**38,836**	**(419,299)**
Appropriated	**(110,001)**	**(143,688)**	**(253,689)**
Endowment net assets, ending	**$25,604,819**	**$ 6,686,443**	**$ 32,291,262**

Endowment net asset composition by type of fund as of September 30, 2017 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Board-designated endowment funds	$23,877,906	$ -	$ 23,877,906
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	2,718,641	2,718,641
Accumulated investment gains	404,521	3,215,994	3,620,515
	$24,282,427	$ 5,934,635	$ 30,217,062

NOTE G - ENDOWMENTS (Continued)

Changes in endowment net assets as of September 30, 2017 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Endowment net assets, beginning	$22,439,672	$ 5,026,202	$ 27,465,874
Contributions	-	338,446	338,446
Investment income	22,900	1,097,526	1,120,426
Net depreciation	37,994	1,557,923	1,595,917
Appropriated	1,781,862	(2,085,463)	(303,601)
Endowment net assets, ending	$24,282,428	$ 5,934,634	$ 30,217,062

NOTE H - CREDIT RISK

The Organization maintains demand deposits and certificates of deposit with financial institutions and investments in the North Carolina Cash Management Trust. The balances of certain demand deposit accounts at times may exceed the federally insured amount. The Organization has not experienced any loss as a result of these holdings.

In addition to providing services to private pay residents, the Communities also serve residents covered under various third-party payor programs including Medicaid and Medicare programs. As of September 30, 2018 and 2017, approximately 32% and 35%, respectively, of the Communities' unreserved accounts receivable were due from these programs.

NOTE I - JOINT VENTURE AGREEMENT

In April 2016, The Presbyterian Homes, Inc. ("PHI") entered into a Joint Venture Agreement with DHIC, Inc. ("DHIC") to form Capital Towers III, LLC ("Joint Venture"), whereby PHI and DHIC will combine their abilities, skills and experience to renovate the Capital Towers I ("CTI") and Capital Towers II ("CTII") communities located in Raleigh, North Carolina and to provide high quality affordable senior housing to benefit the citizens of Wake County. One of the primary duties of the Joint Venture is to secure tax credits to help fund the project. Once the tax credits have been awarded, it is the intention of both PHI and DHIC to sell them to a tax credit investor who will become a 99.90% owner in the Joint Venture. Both PHI and DHIC will retain 0.05% ownership of the Joint Venture.

On May 9, 2016, the Joint Venture entered into an Option to Lease and Option to Purchase Agreement for CTI and CTII. The Option was originally effective until December 1, 2017, and has been extended until December 31, 2018, unless terminated earlier. If exercised, the Joint Venture will purchase the properties at a combined price of $4,250,000 and pay a ground lease fee of a combined $6,250,000 through the issuance of a promissory note bearing interest at a rate of 0% and maturing one month longer than the term of the first lien mortgage loan to be obtained by the Joint Venture in connection with the rehabilitation work to be completed by the Joint Venture. There are no mandatory payments during the term of the loan and a balloon payment of all outstanding principal and interest shall be due at maturity. In no event shall the maturity exceed 43 years. The decision to exercise the option agreement is dependent upon the Joint Venture securing the appropriate financing and tax credits to finance the rehabilitation project.

NOTE J - COMMITMENTS

At September 30, 2018, the remaining construction commitments outstanding for the Communities are:

Community/Project:		Amount
Glenaire:	- Community Center	$ 451,000
	- 12 Acre Expansion	6,840,000
River Landing:	- Cottages Phase 1	9,284,000
	- Clubhouse	5,965,000
	- Healthcare Renovation	308,000
	- Hybrid Homes	17,739,000
	- Maintenance Building	400,000
	- Wellness Center	263,000
	- Gate Houses	184,000
	- Sitework	4,035,000
	- General Conditions	1,397,000
	- 100 Acre Wood/Bridge	171,000
	- Annexation and Zoning	14,000
Management Service Office	- Office Expansion	706,000
Scotia Village	- Master Planning	2,000
	Total	$ 47,759,000

NOTE K - FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under Topic 820 - *Fair Value Measurement* are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

NOTE K - FAIR VALUE MEASUREMENTS (Continued)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets limited as to use measured at fair value. There have been no changes in the methodologies used during the year.

Common stocks, U.S. government securities and international, corporate and municipal bonds: Valued at the closing price reported on the active market on which the individual securities are traded.

Money market funds, mutual funds, and closed end funds: Valued at the net asset value of shares held by the Organization at year end.

Charitable gift annuities: Valued at the net present value of the anticipated residual value of the original charitable gift.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level the fair value hierarchy of the Organization's financial assets and liabilities accounted for at fair value on a recurring basis as of September 30, 2018 and 2017.

	2018			
	Level 1	Level 2	Level 3	Fair Value
Investments:				
Equity securities:				
U.S.	**$ 54,431,620**	**$ 5,091,875**	**$ -**	**$ 59,523,495**
International	**7,328,290**	-	-	**7,328,290**
Fixed-income:				
Asset-backed	-	**5,123,868**	-	**5,123,868**
Certificates of deposit	-	**385,139**	-	**385,139**
Corporate bonds	-	**29,498,562**	-	**29,498,562**
Cash and cash equivalents	**1,375,607**	-	-	**1,375,607**
Interest rate swap asset	-	-	**3,094,584**	**3,094,584**
	$ 63,135,517	**$ 40,099,444**	**$ 3,094,584**	**$ 106,329,545**

NOTE K - FAIR VALUE MEASUREMENTS (Continued)

	2017			
	Level 1	Level 2	Level 3	Fair Value
Investments:				
Equity securities:				
U.S.	$ 48,660,766	$ 2,905,077	$ -	$ 51,565,843
International	7,730,589	-	-	7,730,589
Fixed-income:				
Asset-backed	-	4,645,324	-	4,645,324
Certificates of deposit	-	385,140	-	385,140
Corporate bonds	-	28,649,582	-	28,649,582
Cash and cash equivalents	1,204,511	-	-	1,204,511
Interest rate swap asset	-	-	1,421,431	1,421,431
	$ 57,595,866	$ 36,585,123	$ 1,421,431	$ 95,602,420

A reconciliation of the beginning and ending balances of the Organization's Level 3 investments is as follows:

Beginning balance	$ 1,421,431
Change in value of interest rate swap	1,673,153
Ending balance	$ 3,094,584

NOTE L - ASSETS LIQUIDITY

The following reflects the Organization's financial assets as of the combined statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the combined statement of financial position date. Amounts not available include amounts set aside for long-term investing in the quasi-endowment that could be drawn upon if the governing board approves that action.

Financial assets, at year end	$ 127,910,279
Less those unavailable for general expenditures within one year, due to contractual or donor-imposed restrictions:	
Restricted by donor with purpose restrictions	2,953,366
Assets limited as to use	1,377,892
Board designations: Quasi-endowment fund for long-term investing	25,604,819
Financial assets available to meet cash needs for general expenditures within one year	$ 97,974,202

NOTE L - ASSETS LIQUIDITY (Continued)

The Organization's investments potentially subject it to concentrations of credit risk. The Organization maintains various types of investments that encompass many different companies with varied industrial and geographical characteristics designed to limit exposure to any one industry, company or geographical location. However, as most of the Organization's investments are traded in public markets, they are subject to general fluctuations in the market's overall performance. The Organization retains investment managers who perform periodic evaluations of the relative credit standing of the companies and financial institutions in which the Organization invests.

NOTE M - RETIREMENT PLAN

The Organization offers a 401(k) plan to their employees to promote tax-deferred savings. The plan covers substantially all employees who are age 21 or older. The Organization contributes 100 percent of the first 3 percent, plus 50 percent of the next 2 percent of the participant's contribution to the plan. The Organization's contributions relating to the plan were approximately $559,000 and $514,000 in 2018 and 2017, respectively.

NOTE N - RECLASSIFICATIONS

In the current year, the Organization began reporting time restricted investments of approximately $1,171,000 in Note G - Endowments, which were previously excluded. For the prior year ended September 30, 2017, Note G to the financial statements has been reclassified to include these time restricted investments. The following is a summary of the changes to the previously reported balance for September 30, 2017 due to this reclassification.

	As Previously Reported	As Reclassified
Endowment net assets composition:		
Accumulated investment gains with donor restrictions	$ 2,044,763	$ 3,215,994
Changes in endowment net assets:		
Endowment net assets, beginning with donor restrictions	3,854,971	5,026,202

SUPPLEMENTARY INFORMATION

Bernard Robinson & Company, L.L.P.

Independent Auditor's Report
on the Supplementary Information

To the Board of Directors
The Presbyterian Homes, Inc.
Colfax, North Carolina

We have audited the combined financial statements of The Presbyterian Homes, Inc. and Its Combined Affiliates as of and for the year ended September 30, 2018, and have issued our report thereon dated January 9, 2019, which contained an unmodified opinion on those combined financial statements. Our audit was performed for the purpose of forming an opinion on the combined financial statements as a whole. The combining statement of financial position, property and equipment information, combining statement of operations and changes in unrestricted net assets, and combining statement of cash flows as of and for the year ended September 30, 2018 are presented for the purposes of additional analysis and are not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Bernard Robinson & Company, L.L.P.

Greensboro, North Carolina
January 9, 2019

THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES
Combining Statement of Financial Position
September 30, 2018

	Scotia Village	River Landing	Management Services Office	The Presbyterian Homes, Inc.	Glenaire, Inc.	Presbyterian Homes Foundation, Inc.	Obligated Group	PHI Management Services LLC	Combining Entries	Total
Assets										
Current Assets:										
Cash and cash equivalents	$ 2,351,146	$ 14,881,195	$ 743,610	$ 17,975,951	$ 1,631,566	$ 2,075,738	$ 21,683,255	$ 38,143	$ -	$ 21,721,398
Assets limited as to use, required for current liabilities	124,552	1,023,586	-	1,148,138	225,481	-	1,373,619	-	-	1,373,619
Accounts receivable, net	317,518	167,939	-	485,457	676,007	-	1,161,464	-	-	1,161,464
Other receivables	384,877	628,516	139,107	1,152,500	487,910	-	1,640,410	115,773	-	1,756,183
Unconditional promises to give, net	-	-	-	-	-	32,000	32,000	-	-	32,000
Other	81,903	272,726	14,794	369,423	204,652	-	574,075	-	-	574,075
Due from other divisions	140,372	641,459	-	781,831	141,955	-	923,786	-	(923,786)	-
Total current assets	3,400,368	17,615,421	897,511	21,913,300	3,367,571	2,107,738	27,388,609	153,916	(923,786)	26,618,739
Assets limited as to use:										
Under bond agreement	413	1,000	-	1,413	573	-	1,986	-	-	1,986
Reserves required by state statute	2,924,680	6,060,089	-	8,984,769	5,084,698	-	14,069,467	-	-	14,069,467
By donors for permanent endowment funds	-	304,407	-	304,407	-	2,648,959	2,953,366	-	-	2,953,366
Residents' cash deposits	1,143	-	-	1,143	3,130	-	4,273	-	-	4,273
	2,926,236	6,365,496	-	9,291,732	5,088,401	2,648,959	17,029,092	-	-	17,029,092
Investments and other assets:										
Investments	3,432,026	32,001,150	-	35,433,176	13,961,595	35,441,752	84,836,523	-	-	84,836,523
Other assets	47,985	23,786	-	71,771	40,028	-	111,799	-	-	111,799
Interest rate swap agreement	342,646	2,337,475	-	2,680,121	414,463	-	3,094,584	-	-	3,094,584
	3,822,657	34,362,411	-	38,185,068	14,416,086	35,441,752	88,042,906	-	-	88,042,906
Property and Equipment:										
Land, buildings and equipment	42,254,739	117,281,671	2,508,604	162,045,014	97,365,649	-	259,410,663	-	-	259,410,663
Construction-in-progress	313,849	7,256,712	129,219	7,699,780	2,185,247	-	9,885,027	-	-	9,885,027
	42,568,588	124,538,383	2,637,823	169,744,794	99,550,896	-	269,295,690	-	-	269,295,690
Less accumulated depreciation	17,007,461	39,105,360	1,425,866	57,538,687	32,982,866	-	90,521,553	-	-	90,521,553
	25,561,127	85,433,023	1,211,957	112,206,107	66,568,030	-	178,774,137	-	-	178,774,137
Total assets	$ 35,710,388	$ 143,776,351	$ 2,109,468	$ 181,596,207	$ 89,440,088	$ 40,198,449	$ 311,234,744	$ 153,916	$ (923,786)	$ 310,464,874

THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES
Combining Statement of Financial Position (Continued)
September 30, 2018

Liabilities and Net Assets	Scotia Village	River Landing	Management Services Office	The Presbyterian Homes, Inc.	Glenaire, Inc.	Presbyterian Homes Foundation, Inc.	Obligated Group	PHI Management Services LLC	Combining Entries	Total
Current Liabilities:										
Current maturities of long-term debt	$ 757,609	$ 3,689,935	$ -	$ 4,447,544	$ 2,012,271	$ -	$ 6,459,815	$ -	$ -	$ 6,459,815
Accounts payable	359,472	1,652,500	41,639	2,053,611	606,540	-	2,660,151	118,216	-	2,778,367
Accrued payroll and related expenses	256,554	444,900	332,767	1,034,221	442,673	-	1,476,894	-	-	1,476,894
Accrued interest	59,600	704,063	-	763,663	56,231	-	819,894	-	-	819,894
Other accrued expenses	152,031	225,449	143,481	520,961	152,818	-	673,779	-	-	673,779
Estimated refundable entrance fees	190,604	490,430	-	681,034	240,541	-	921,575	-	-	921,575
Due to other divisions	67	-	(67)	-	4,600	919,186	923,786	-	(923,786)	-
Total current liabilities	1,775,937	7,207,277	517,820	9,501,034	3,515,674	919,186	13,935,894	118,216	(923,786)	13,130,324
Long-term debt, less current maturities and unamortized debt issuance costs	9,252,883	73,722,325	-	82,975,208	15,865,181	-	98,840,389	-	-	98,840,389
Deferred revenue and other liabilities:										
Deferred revenue from entrance fees:										
Non refundable	5,201,793	18,012,440	-	23,214,233	11,882,916	-	35,097,149	-	-	35,097,149
Refundable	3,995,153	9,952,062	-	13,947,215	8,584,725	-	22,531,940	-	-	22,531,940
Refundable entrance fees	427,243	4,079,450	-	4,506,693	4,906,233	-	9,412,926	-	-	9,412,926
Admission deposits	448,660	3,041,250	-	3,489,910	575,500	-	4,065,410	-	-	4,065,410
Other accrued expenses	245,072	465,393	286,898	997,363	350,271	-	1,347,634	-	-	1,347,634
Residents' cash deposits	1,143	-	-	1,143	3,130	-	4,273	-	-	4,273
	10,319,064	35,550,595	286,898	46,156,557	26,302,775	-	72,459,332	-	-	72,459,332
Total liabilities	21,347,884	116,480,197	804,718	138,632,799	45,683,630	919,186	185,235,615	118,216	(923,786)	184,430,045
Net Assets:										
Assets without donor restrictions	14,362,504	26,467,886	1,304,750	42,135,140	43,756,458	32,945,259	118,836,857	35,700	-	118,872,557
Assets with donor restrictions	-	828,268	-	828,268	-	6,334,004	7,162,272	-	-	7,162,272
Total net assets	14,362,504	27,296,154	1,304,750	42,963,408	43,756,458	39,279,263	125,999,129	35,700	-	126,034,829
Total liabilities and net assets	$ 35,710,388	$ 143,776,351	$ 2,109,468	$ 181,596,207	$ 89,440,088	$ 40,198,449	$ 311,234,744	$ 153,916	$ (923,786)	$ 310,464,874

THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES
Property and Equipment Information
September 30, 2018

	Assets				Accumulated Depreciation				
	Balance October 1, 2017	Acquisitions	Transfers and Retirements	Balance September 30, 2018	Balance October 1, 2017	Acquisitions	Transfers and Retirements	Balance September 30, 2018	Book Value September 30, 2018
Scotia Village:									
Land	$ 201,635	$ -	$ -	$ 201,635	$ -	$ -	$ -	$ -	$ 201,635
Land improvements	920,419	32,658	-	953,077	627,525	44,359	-	671,884	281,193
Buildings	38,260,586	1,327,218	-	39,587,804	13,896,017	1,374,733	-	15,270,750	24,317,054
Equipment, furniture and other equipment	1,106,753	81,795	-	1,188,548	660,916	119,681	-	780,597	407,951
Vehicles	323,675	-	-	323,675	257,613	26,617	-	284,230	39,445
Construction-in-progress	185,328	128,521	-	313,849	-	-	-	-	313,849
	40,998,396	1,570,192	-	42,568,588	15,442,071	1,565,390	-	17,007,461	25,561,127
River Landing:									
Land	3,809,277	813,996	-	4,623,273	-	-	-	-	4,623,273
Land improvements	1,356,186	-	-	1,356,186	834,704	59,268	-	893,972	462,214
Buildings	106,863,751	767,982	-	107,631,733	32,844,853	2,916,814	-	35,761,667	71,870,066
Equipment, furniture and other equipment	2,819,014	156,083	-	2,975,097	1,685,374	289,436	-	1,974,810	1,000,287
Vehicles	645,786	49,596	-	695,382	391,560	83,351	-	474,911	220,471
Construction-in-progress	1,266,403	5,990,309	-	7,256,712	-	-	-	-	7,256,712
	116,760,417	7,777,966	-	124,538,383	35,756,491	3,348,869	-	39,105,360	85,433,023
Management Services Office:									
Land	-	22,623	-	22,623	-	-	-	-	22,623
Buildings	923,944	-	-	923,944	141,441	24,991	-	166,432	757,512
Equipment, furniture and other equipment	1,376,571	39,859	-	1,416,430	991,111	159,730	-	1,150,841	265,589
Vehicles	145,607	-	-	145,607	91,491	17,102	-	108,593	37,014
Construction-in-progress	8,424	120,795	-	129,219	-	-	-	-	129,219
	2,454,546	183,277	-	2,637,823	1,224,043	201,823	-	1,425,866	1,211,957
Glenaire:									
Land	4,366,582	8,550,492	-	12,917,074	-	-	-	-	12,917,074
Land improvements	1,010,949	83,920	-	1,094,869	434,107	51,072	-	485,179	609,690
Buildings	78,048,969	953,608	-	79,002,577	27,217,811	2,363,297	-	29,581,108	49,421,469
Equipment, furniture and other equipment	3,722,292	158,557	-	3,880,849	2,166,934	354,694	-	2,521,628	1,359,221
Vehicles	397,200	73,080	-	470,280	357,537	37,414	-	394,951	75,329
Construction-in-progress	230,533	1,954,714	-	2,185,247	-	-	-	-	2,185,247
	87,776,525	11,774,371	-	99,550,896	30,176,389	2,806,477	-	32,982,866	66,568,030
	$ 247,989,884	$ 21,305,806	$ -	$ 269,295,690	$ 82,598,994	$ 7,922,559	$ -	$ 90,521,553	$ 178,774,137

THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES
Combining Statement of Operations and Changes in Unrestricted Net Assets
Year Ended September 30, 2018

	Scotia Village	River Landing	Management Services Office	The Presbyterian Homes Inc.	Glenaire, Inc.	Presbyterian Homes Foundation, Inc.	Obligated Group	PHI Management Services LLC	Combining Entries	Total
Changes in unrestricted net assets										
Operating revenues:										
Resident services:										
Amortized entry fees	$ 1,364,219	$ 5,015,430	$ -	$ 6,379,649	$ 3,322,608	$ -	$ 9,702,257	$ -	$ -	$ 9,702,257
Service fees, residential	4,765,222	13,778,793	-	18,544,015	9,231,566	-	27,775,581	-	-	27,775,581
Service fees, assisted living	1,237,923	3,577,566	-	4,815,489	2,755,854	-	7,571,343	-	-	7,571,343
Service fees, nursing	4,304,742	6,149,424	-	10,454,166	7,309,496	-	17,763,662	-	-	17,763,662
	11,672,106	28,521,213	-	40,193,319	22,619,524	-	62,812,843	-	-	62,812,843
Food service income	60,021	119,567	-	179,588	115,394	-	294,982	-	-	294,982
Reimbursed medical	493,461	375,606	-	869,067	1,195,826	-	2,064,893	-	-	2,064,893
Golf course revenue	-	47,454	-	47,454	-	-	47,454	-	-	47,454
Management fee	-	-	-	-	-	-	-	1,424,139	-	1,424,139
Other	87,297	131,418	-	218,715	93,277	-	311,992	-	-	311,992
Total operating revenues	12,312,885	29,195,258	-	41,508,143	24,024,021	-	65,532,164	1,424,139	-	66,956,303
Operating expenses:										
Routine services	3,396,352	5,628,312	-	9,024,664	6,014,344	-	15,039,008	-	-	15,039,008
Special services	418,376	373,798	-	792,174	458,545	-	1,250,719	-	-	1,250,719
Dining services	1,391,768	3,212,177	-	4,603,945	2,760,738	-	7,364,683	(6,985)	-	7,357,698
Environmental services	648,103	908,466	-	1,556,569	992,726	-	2,549,295	-	-	2,549,295
Maintenance	1,294,481	2,525,744	-	3,820,225	2,088,075	-	5,908,300	-	-	5,908,300
Project and development	-	-	234,601	234,601	-	-	234,601	-	-	234,601
Marketing	413,494	675,212	-	1,088,706	363,715	-	1,452,421	-	-	1,452,421
Administration	1,665,058	2,316,357	3,452,618	7,434,033	2,348,028	-	9,782,061	293,791	-	10,075,852
Depreciation and other charges	1,559,648	3,164,305	201,823	4,925,776	2,824,829	-	7,750,605	-	-	7,750,605
Bond and note interest, and amortization	269,269	2,266,246	-	2,535,515	519,690	-	3,055,205	-	-	3,055,205
Purchased medical services	524,906	349,968	-	874,874	1,324,409	-	2,199,283	-	-	2,199,283
Miscellaneous, net	80,800	111,138	1	191,939	210,682	71,822	474,443	-	-	474,443
Allocation of management services office expense, net	480,516	1,075,830	(3,584,989)	(2,028,643)	905,160	-	(1,123,483)	1,123,483	-	-
Golf course expense	-	724,703	-	724,703	-	-	724,703	-	-	724,703
Total operating expenses	12,142,771	23,332,256	304,054	35,779,081	20,810,941	71,822	56,661,844	1,410,289	-	58,072,133
Increase (decrease) in net assets without donor restrictions from operations	170,114	5,863,002	(304,054)	5,729,062	3,213,080	(71,822)	8,870,320	13,850	-	8,884,170

THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES
Combining Statement of Operations and Changes in Unrestricted Net Assets (Continued)
Year Ended September 30, 2018

	Scotia Village	River Landing	Management Services Office	The Presbyterian Homes Inc.	Glenaire, Inc.	Presbyterian Homes Foundation, Inc.	Obligated Group	PHI Management Services LLC	Combining Entries	Total
Nonoperating gains (losses):										
Contributions	$ -	$ -	$ -	$ -	$ -	$ 489,978	$ 489,978	$ -	$ -	$ 489,978
Grant income (expense)	194,368	743,732	-	938,100	273,928	(1,212,016)	12	-	-	12
Net realized investment income	390,738	2,260,983	3,111	2,654,832	1,397,907	2,491,557	6,544,296	-	-	6,544,296
Net unrealized income on investments	43,798	359,653	-	403,451	(75,002)	(165,246)	163,203	-	-	163,203
Net assets released from restrictions	-	-	-	-	-	494,006	494,006	-	-	494,006
Transfers of assets between communities	(35,792)	(79,303)	183,282	68,187	(67,395)	(16)	776	(776)	-	-
Change in fair value of interest rate swap agreement	232,979	1,109,432	-	1,342,411	330,744	-	1,673,155	-	-	1,673,155
Other, net	3,504	4,288	10,014	17,806	1,392	-	19,198	-	-	19,198
Total nonoperating gains	829,595	4,398,785	196,407	5,424,787	1,861,574	2,098,263	9,384,624	(776)	-	9,383,848
Change in net assets without donor restrictions	999,709	10,261,787	(107,647)	11,153,849	5,074,654	2,026,441	18,254,944	13,074	-	18,268,018
Changes in net assets with donor restrictions:										
Contributions	-	-	-	-	-	511,845	511,845	-	-	511,845
Contributions in perpetual endowment	-	-	-	-	-	511,284	511,284	-	-	511,284
Net increase (decrease) in unrealized losses on investments	-	6,493	-	6,493	-	(6,142)	351	-	-	351
Net realized investment income	-	37,323	-	37,323	-	230,542	267,865	-	-	267,865
Net assets released from restrictions	-	-	-	-	-	(494,006)	(494,006)	-	-	(494,006)
Change in net assets with donor restrictions	-	43,816	-	43,816	-	753,523	797,339	-	-	797,339
Change in net assets	999,709	10,305,603	(107,647)	11,197,665	5,074,654	2,779,964	19,052,283	13,074	-	19,065,357
Net assets, beginning	13,362,795	16,990,551	1,412,397	31,765,743	38,681,804	36,499,299	106,946,846	22,626	-	106,969,472
Net assets, ending	$ 14,362,504	$ 27,296,154	$ 1,304,750	$ 42,963,408	$ 43,756,458	$ 39,279,263	$ 125,999,129	$ 35,700	$ -	$ 126,034,829

THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES
Combining Statement of Cash Flows
Year Ended September 30, 2018

	Scotia Village	River Landing	Management Services Office	The Presbyterian Homes, Inc.	Glenaire, Inc.	Presbyterian Homes Foundation, Inc.	Obligated Group	PHI Management Services LLC	Combining Entries	Total
Cash flows from operating activities:										
Change in net assets	$ 999,709	$ 10,305,603	$ (107,647)	$ 11,197,665	$ 5,074,654	$ 2,779,964	$ 19,052,283	$ 13,074	$ -	$ 19,065,357
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:										
Entrance fees received	2,469,480	6,110,985	-	8,580,465	2,707,880	-	11,288,345	-	-	11,288,345
Entrance fees received - initial units	-	2,096,025	-	2,096,025	-	-	2,096,025	-	-	2,096,025
Amortization of entrance fees	(1,364,219)	(5,015,430)	-	(6,379,649)	(3,322,608)	-	(9,702,257)	-	-	(9,702,257)
Depreciation and amortization	1,559,648	3,164,305	201,823	4,925,776	2,824,829	-	7,750,605	-	-	7,750,605
Change in fair value of interest rate swap agreement	(232,979)	(1,109,432)	-	(1,342,411)	(330,744)	-	(1,673,155)	-	-	(1,673,155)
Realized and unrealized gains (losses) on investments and investment income	(43,798)	(366,146)	-	(409,944)	75,002	171,386	(163,556)	-	-	(163,556)
Net realized investment income	(390,738)	(2,298,306)	(3,111)	(2,692,155)	(1,397,907)	(2,722,099)	(6,812,161)	-	-	(6,812,161)
Investment in perpetual endowment	-	-	-	-	-	(511,284)	(511,284)	-	-	(511,284)
Changes in working capital components:										
(Increase) decrease in:										
Trade and other receivables	(434,794)	802,622	189,545	557,373	1,231,974	10,000	1,799,347	(115,773)	-	1,683,574
Other assets	105,924	(19,163)	(681)	86,080	(19,201)	-	66,879	-	-	66,879
Due from other divisions	52,967	49,217	-	102,184	3,878	-	106,062	-	(106,062)	-
Increase (decrease) in:										
Accounts payable	(34,693)	874,302	8,062	847,671	(120,452)	(10,002)	717,217	(195,659)	-	521,558
Accrued expenses	36,944	96,744	154,800	288,488	103,218	-	391,706	-	-	391,706
Due to other divisions	67	-	(67)	-	4,600	(110,662)	(106,062)	-	106,062	-
Net cash provided by (used in) operating activities	2,723,518	14,691,326	442,724	17,857,568	6,835,123	(392,697)	24,299,994	(298,358)	-	24,001,636
Cash flows from investing activities:										
Purchases of property and equipment	(1,570,192)	(7,777,966)	(183,277)	(9,531,435)	(11,774,371)	-	(21,305,806)	-	-	(21,305,806)
Payments on issuance costs	-	(210,211)	-	(210,211)	-	-	(210,211)	-	-	(210,211)
Purchases of investments	(5,826,339)	(16,000,961)	-	(21,827,300)	(10,461,938)	(14,589,601)	(46,878,839)	-	-	(46,878,839)
Proceeds from investments	4,233,892	15,497,672	3,111	19,734,675	10,341,402	14,722,061	44,798,138	-	-	44,798,138
Net cash provided by (used in) investing activities	(3,162,639)	(8,491,466)	(180,166)	(11,834,271)	(11,894,907)	132,460	(23,596,718)	-	-	(23,596,718)
Cash flows from financing activities:										
Investment in perpetual endowment	-	-	-	-	-	511,284	511,284	-	-	511,284
Proceeds from issuance of long-term debt		1,242,036		1,242,036			1,242,036			1,242,036
Principal payments of long-term debt	(735,143)	(3,495,241)	-	(4,230,384)	(1,790,406)	-	(6,020,790)	-	-	(6,020,790)
Refunds of refundable fees	(338,550)	(251,930)	-	(590,480)	(328,050)	-	(918,530)	-	-	(918,530)
Net cash provided by (used in) financing activities	(1,073,693)	(2,505,135)	-	(3,578,828)	(2,118,456)	511,284	(5,186,000)	-	-	(5,186,000)
Net increase (decrease) in cash and cash equivalents	(1,512,814)	3,694,725	262,558	2,444,469	(7,178,240)	251,047	(4,482,724)	(298,358)	-	(4,781,082)
Cash and cash equivalents, beginning	3,863,960	11,186,470	481,052	15,531,482	8,809,806	1,824,691	26,165,979	336,501	-	26,502,480
Cash and cash equivalents, ending	$ 2,351,146	$ 14,881,195	$ 743,610	$ 17,975,951	$ 1,631,566	$ 2,075,738	$ 21,683,255	$ 38,143	$ -	$ 21,721,398

Exhibit A

THE PRESBYTERIAN HOMES, INC.
AND ITS COMBINED AFFILIATES

COMBINED FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018
With Comparative Totals for the Year Ended September 30, 2017

Table of Contents

Exhibit B

PRESBYTERIAN HOMES, INC.
AND ITS COMBINED AFFILIATES

COMPILED FORECAST

FOR THE YEARS ENDING
SEPTEMBER 30, 2019 THROUGH 2023

THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES
Compiled Forecast
Table of Contents

Bernard Robinson & Company, L.L.P.

To the Board of Governors
The Presbyterian Homes, Inc.
High Point, North Carolina

Management is responsible for the accompanying forecast of The Presbyterian Homes, Inc. (the "Organization"), which comprises the forecasted combined statements of financial position as of September 30, 2019, 2020, 2021, 2022 and 2023 and the forecasted combined statements of operations and changes in net assets, and cash flows for the years then ending, including the related summaries of significant assumptions and accounting policies in accordance with guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants (AICPA). We have performed the 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.

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

Bernard Robinson & Company, L.L.P.

Greensboro, North Carolina
February 20, 2019

THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES
Forecasted Combined Statements of Financial Position
September 30, 2019 through 2023

(In Thousands of Dollars)

	2019	2020	2021	2022	2023
Assets					
Current Assets:					
Cash and cash equivalents	$ 6,400	$ 6,422	$ 6,434	$ 6,452	$ 6,468
Assets limited as to use, required for current liabilities	1,467	22,034	1,514	1,693	1,689
Accounts receivable, net	1,181	1,201	1,222	1,243	1,265
Other receivables	669	672	659	684	689
Other current assets	585	596	632	623	636
Total Current Assets	10,302	30,925	10,461	10,695	10,747
Assets Limited As to Use:					
Unconditional promises to give	22	12	-	-	-
Reserves required by state statute	15,036	15,801	16,451	16,853	16,699
Endowment funds	2,953	2,953	2,953	2,953	2,953
Residents' cash deposits	4	4	4	4	4
	18,015	18,770	19,408	19,810	19,656
Investments, Deferred Costs and Other Assets:					
Investments	102,649	84,882	114,013	122,465	132,401
Deferred CON costs, net	106	100	94	88	82
Interest rate swap agreement	3,094	3,094	3,094	3,094	3,094
	105,849	88,076	117,201	125,647	135,577
Property and Equipment:					
Land, buildings and equipment	277,217	342,100	347,191	352,051	356,635
Construction in progress	29,000	-	-	-	-
	306,217	342,100	347,191	352,051	356,635
Less accumulated depreciation	96,879	106,022	115,572	125,212	134,975
Total Assets	$ 343,504	$ 373,849	$ 378,689	$ 382,991	$ 387,640
Liabilities and Net Assets					
Current Liabilities:					
Current maturities of long-term debt	$ 27,461	$ 8,310	$ 9,636	$ 10,040	$ 10,269
Accounts payable	2,661	2,661	2,662	2,663	2,665
Accrued expenses, excluding interest	1,484	1,491	1,498	1,505	1,512
Accrued interest	922	907	887	866	843
Other accrued expenses	678	681	682	686	687
Estimated refundable entrance fees	922	922	922	922	922
Total Current Liabilities	34,128	14,972	16,287	16,682	16,898
Long-Term Debt	98,073	116,459	106,633	96,394	85,917
Deferred Revenue and Other Liabilities:					
Deferred revenue - nonrefundable fees	35,532	44,797	44,164	43,660	43,309
Deferred revenue - refundable fees	22,830	27,986	27,658	27,385	27,187
Refundable entrance fees	9,567	11,705	11,587	11,484	11,403
Admission deposits	4,100	5,638	5,517	5,425	5,369
Other accrued expenses	1,354	1,360	1,365	1,373	1,379
Residents' cash deposits	4	4	4	4	4
	73,387	91,490	90,295	89,331	88,651
Total Liabilities	205,588	222,921	213,215	202,407	191,466
Net Assets:					
Assets without donor restrictions	130,754	143,766	158,312	173,422	189,012
Assets with donor restrictions	7,162	7,162	7,162	7,162	7,162
Total Net Assets	137,916	150,928	165,474	180,584	196,174
Total Liabilities and Net Assets	$ 343,504	$ 373,849	$ 378,689	$ 382,991	$ 387,640

THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES
Forecasted Combined Statements of Operations and Changes in Net Assets
Years Ending September 30, 2019 through 2023

	(In Thousands of Dollars)				
	2019	2020	2021	2022	2023
Changes in Net Assets without Donor Restrictions:					
Revenue:					
Amortization of advance fees	$ 10,745	$ 12,990	$ 13,176	$ 13,357	$ 13,502
Service fees, residential	28,246	30,499	33,142	34,014	34,823
Service fees, assisted living	7,458	7,709	7,966	8,232	8,337
Service fees, nursing	17,697	18,140	18,641	19,067	19,554
Adult day care	150	150	150	150	150
Food service income	313	313	313	313	313
Reimbursed medical	1,813	1,813	1,813	1,813	1,813
Golf course revenue	25	25	25	25	25
Other	1,591	1,633	1,672	1,715	1,757
Total operating revenue	68,038	73,272	76,898	78,686	80,274
Expenses:					
Routine services	15,714	16,212	16,730	17,265	17,816
Special services	1,414	1,459	1,539	1,612	1,633
Dining services	7,863	8,422	9,128	9,505	9,763
Environmental services	2,664	2,817	2,983	3,079	3,175
Maintenance	5,987	6,310	6,687	6,855	7,027
Marketing	1,487	1,538	1,599	1,637	1,674
Administration	11,395	11,747	12,135	12,492	12,862
Depreciation and amortization	6,182	8,966	9,367	9,446	9,560
Bond interest and amortization	5,033	4,570	4,042	3,799	3,534
Purchased medical services	2,051	2,051	2,051	2,051	2,051
Golf course and grounds expense	790	811	834	857	881
Miscellaneous, net	208	209	213	213	216
Total operating expenses	60,788	65,112	67,308	68,811	70,192
Operating income	7,250	8,160	9,590	9,875	10,082
Nonoperating income:					
Contributions	1,033	1,033	1,033	1,033	1,033
Net realized investment income	3,634	3,819	3,923	4,202	4,475
Net nonoperating income	4,667	4,852	4,956	5,235	5,508
Changes in net assets without donor restrictions	11,917	13,012	14,546	15,110	15,590
Net assets, beginning	125,999	137,916	150,928	165,474	180,584
Net assets, ending	$ 137,916	$ 150,928	$ 165,474	$ 180,584	$ 196,174

THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES
Forecasted Combined Statements of Cash Flows
Years Ending September 30, 2019 through 2023

(In Thousands of Dollars)

	2019	2020	2021	2022	2023
Cash flows from operating activities:					
Changes in net assets	$ 11,917	$ 13,012	$ 14,546	$ 15,110	$ 15,590
Adjustments to reconcile changes in net assets to net cash provided by operating activities:					
Entrance fees received	12,484	31,905	12,793	13,202	13,634
Amortization of entrance fees	(10,745)	(12,990)	(13,176)	(13,357)	(13,502)
Depreciation	6,358	9,142	9,550	9,640	9,762
Amortization of deferred CON costs	6	6	6	6	6
Amortization of deferred financing costs	133	128	119	105	93
Amortization of bond premium	(315)	(311)	(308)	(305)	(301)
Changes in working capital:					
(Increase) decrease in:					
Trade and other receivables	952	(23)	(8)	(46)	(27)
Unconditional promises to give	10	10	12	-	-
Other assets	(10)	(11)	(36)	9	(13)
Increase (decrease) in:					
Decrease in accounts payable and accrued expenses	(797)	1	(6)	(1)	(7)
Net cash provided by operating activities	19,993	40,869	23,492	24,363	25,235
Cash flows from investing activities:					
Purchases of property and equipment	(36,921)	(35,883)	(5,091)	(4,860)	(4,584)
Net proceeds (purchases) of investments	(18,872)	(3,565)	(9,261)	(9,033)	(9,778)
Net cash provided by (used in) investing activities	(55,793)	(39,448)	(14,352)	(13,893)	(14,362)
Cash flows used in financing activities:					
Principal payments on long-term debt	(6,462)	(27,461)	(8,311)	(9,635)	(10,040)
Proceeds from long-term borrowings	26,879	26,879	-	-	-
Refunds of refundable fees	(817)	(817)	(817)	(817)	(817)
Net cash provided by (used in) financing activities	19,600	(1,399)	(9,128)	(10,452)	(10,857)
Net increase (decrease) in cash and cash equivalents	(16,200)	22	12	18	16
Cash and cash equivalents, beginning	22,600	6,400	6,422	6,434	6,452
Cash and cash equivalents, ending	$ 6,400	$ 6,422	$ 6,434	$ 6,452	$ 6,468
Supplemental disclosure of cash flow information:					
Cash payments for interest	$ 4,930	$ 4,977	$ 4,515	$ 3,996	$ 4,417

NOTE 1 - BASIS OF PRESENTATION

The accompanying financial forecast presents, to the best of the knowledge and belief of the management ("Management") of The Presbyterian Homes, Inc. and Glenaire, Inc.'s (collectively, the "Communities") expected combined financial position, changes in net assets, and cash flows as of and for each of the five years ending through September 30, 2023. Accordingly, the combined forecast reflects Management's judgment as of February 20, 2019, of the expected conditions and its expected course of action during the forecast period.

The assumptions disclosed herein are those which Management believes are significant to the combined forecast. Management recognizes 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.

Management's purpose in releasing this combined financial forecast is for inclusion in the Communities' disclosure statement in accordance with Chapter 58, Article 64, of the North Carolina General Statutes. Accordingly, this report should not be used for any other purpose.

NOTE 2 - BACKGROUND OF THE ORGANIZATION

The Communities provide housing, health care and other related services to residents. The Presbyterian Homes, Inc. operates as River Landing at Sandy Ridge in Colfax, North Carolina and as Scotia Village in Laurinburg, North Carolina. Glenaire, Inc. operates in Cary, North Carolina. The Presbyterian Homes Foundation, Inc. is a foundation established to raise funds for support and the future needs of the Communities. The Communities and the Foundation are collectively referred to as the "Organization".

The Boards of Trustees of Glenaire, Inc. and The Presbyterian Homes Foundation, Inc. are appointed by and serve at the pleasure of the Board of Governors of The Presbyterian Homes, Inc.

Principles of Combination

The accompanying forecasted combined financial statements include the accounts of the above-named entities. All material related-party balances and transactions have been eliminated in combination.

A summary of the Organization's significant accounting policies is as follow:

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES AND ASSUMPTIONS

Classification of Net Assets

The following classification of net assets is presented in the accompanying forecasted combined financial statements:

Without donor restrictions: All revenue not restricted by donors, unrestricted contributions designated by the board and donor restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restrictions.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES AND ASSUMPTIONS (Continued)

Classification of Net Assets (Continued)

With donor restrictions: All revenues restricted by donors as to either timing or purpose of the related expenditures or required to be maintained in perpetuity as a source of investment income are accounted for in donor restricted net assets. The investment income arising from endowment funds, if any, are accounted for in accordance with donor stipulations. 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.

Changes in Assets Without Restrictions

The forecasted combined statement of operations and changes in net assets reflect operating income. Changes in net assets without restrictions that are excluded from operating income, consistent with industry practice, include realized gains and losses on investments, changes in unrealized gains and losses on investments, investment income, income from estates, wills, trusts and bequests, and contributions.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The Organization excludes from cash and cash equivalents assets limited as to use.

Accounts Receivable

The Communities record accounts receivable at the total unpaid balance which approximates estimated fair value. The Communities determine past-due status on individual accounts based on the billing dates. The Communities estimate their allowance for doubtful accounts based on a combination of factors, including the past historical loss experience and any anticipated effects related to current economic conditions, as well as Management's knowledge of the current composition of accounts receivable. Accounts receivable that Management believes to be ultimately not collectible are written off upon such determination.

Assets Limited As To Use

Assets limited as to use include assets held by trustees under an indenture agreement, assets which must be held in perpetuity under endowment agreements, unconditional promises to give restricted for purchase of property and equipment, repayment of debt, or financial assistance, assets held as deposits, and the operating reserve required by State statute.

Resident Fees

Resident fees represent the estimated net realizable amounts from patients, third-party payors, and others for services rendered. Resident fees are recorded as revenue when earned.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES AND ASSUMPTIONS (Continued)

Estimated Third-Party Payor Settlements

The Communities have agreements with third-party payors that provide for payments to the Communities at amounts different from their established rates. Payment arrangements include prospectively determined per diem payments. Revenue under third-party payor agreements is subject to audit and retroactive adjustment. Provisions for estimated third-party payor settlements 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.

Investments

Investments in all debt and equity securities with a readily determinable market value are measured at fair value. The fair values of mutual funds and equity securities are determined based on quoted net asset values and share prices, respectively. The fair value of debt securities are based on quoted market prices. Changes in fair value of investments, including both realized and unrealized gains and losses, are included in the accompanying forecasted combined statements of operations and changes in net assets. In determining realized gains and losses, the cost of investments is determined using the first-in, first-out method. Donated investments are stated at fair value at the date of the gift. Unrealized gains and losses on investments, except those determined to be other than temporarily impaired, are excluded from excess of revenue over expenses. Any other than temporary declines are accounted for as a nonoperating loss, whereby the historical cost of the related investment would be adjusted to the then-current fair market value.

Property and Equipment

Property and equipment are stated at cost or at estimated fair value at the date of donation. Depreciation is determined principally by the straight-line method over the estimated useful lives of the assets, ranging from 3 to 40 years. It is the policy of the Communities to review long-lived assets and intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Deferred Financing Costs

Financing costs relative to the permanent financing of the facilities have been deferred and are being amortized, using the effective interest method, over the terms of the related financing and are netted against the related outstanding debt associated with the financing cost.

Income Tax Status

The Communities are not-for-profit organizations exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and the Foundation is an organization exempt from income taxes under the Internal Revenue Code Section 501(a).

It is the Organization's policy to evaluate all tax positions to identify any that may be considered uncertain. All identified material tax positions are assessed and measured by a more-likely-than-not threshold to determine if the tax position is uncertain and what, if any, the effect of the uncertain tax position may have on the forecasted combined financial statements. No material uncertain tax positions are expected during the forecast period. Any changes in the amount of a tax position will be recognized in the period the change occurs.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES AND ASSUMPTIONS (Continued)

Entrance Fees

Entrance fees are amortized into revenue on a straight-line basis, based on the actuarially determined remaining life expectancy of the resident. This actuarially determined remaining life expectancy of the resident is adjusted annually. The unamortized portion of the fee is shown on the forecasted combined statements of financial position as deferred revenue.

Refundable Fees

The Organization offers three alternative entrance fee plans which provide refunds to residents from re-occupancy proceeds. Under the standard entrance fee option, prior to 48 months of occupancy, the resident would receive a refund equal to the entrance fee, less 2% per month of occupancy less a 4% non-refundable fee. The 50% refundable plan offers the resident a refund equal to 50% of the entrance fee after 23 months of occupancy. Prior to 23 months of occupancy, the resident is entitled to a refund of the entrance fee, less 2% per month of occupancy less a 4% non-refundable fee. The 90% refundable plan offers the resident a refund equal to 90% of the entrance fee after 6 months of occupancy. Prior to 6 months of occupancy, the resident is entitled to a refund of the entrance fee, less 1% per month of occupancy less a 4% non-refundable fee. The estimated amount of entrance fees that are expected to be refunded to current residents is shown on the forecasted combined statements of financial position as Estimated Refundable Entrance Fees. This amount is estimated using an average of the last five years' refunds. The total amount of contractual refund obligations under existing contracts is included in deferred revenue from entrance fees - refundable and refundable entrance fees on the forecasted combined statements of financial position.

Obligation to Provide Future Services

The Communities annually calculate the present value of the net cost of future services and use of facilities to be provided to current residents, and compares that amount with the balance of deferred revenue from entrance fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to income.

Paid Annual Leave

After an employee has worked at the Communities for 90 days, they begin to earn paid annual leave ("PAL") time. PAL time may be earned by regular-time employees who work at least 60 hours per pay period. For the first three years of employment, employees may earn up to 23 days of PAL each year, after three years and through five years employees may earn 26 days of PAL each year, and after five years employees may earn 31 days annually. Employees are required to use at least 15 days of PAL each year, with the remaining unused PAL being put into a reserve. Up to 60 days can be accumulated in the reserve. Remaining unused current and reserved PAL is paid to an employee upon proper resignation, retirement or illness. The first 30 days of an employee's PAL reserve can only be used for an extended illness. The second 30 days of an employee's PAL reserve can be used as the employee desires.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES AND ASSUMPTIONS (Continued)

Property Tax Exemption

During 2001, the state of North Carolina passed legislation which provided a property tax exemption for continuing care retirement communities (CCRCs) that expend 5% or more of their operating revenues on charity care and community service or CCRCs that have financed their facilities with tax exempt bond financing. Partial exemptions are available for CCRCs which provide some charity care and community service and CCRCs that have facilities which are partially financed with tax-exempt bond financing. The property tax exemption must be requested each year. Based on the combination of the partial exemptions described above, Management believes that it will qualify for a full property tax exemption for the foreseeable future.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, receivables and other assets approximate fair value. Investments are reported at fair value as of the date of the forecasted combined financial statements. The carrying amount of accounts payable, accrued expenses and other liabilities approximate fair value. Fixed-rate long-term debt is carried at cost net of any unamortized premiums or discounts.

Benevolent Assistance

The Communities have a policy of providing benevolent assistance to residents who are unable to pay. Such residents are identified based on financial information obtained from the resident and subsequent review and analysis. Since the Communities do not expect to collect the normal charges for services provided, estimated charges for benevolent assistance are not included in revenue.

Social Accountability

The Communities provide building space to several religious organizations and pharmacy school rent free and to a childcare center at a reduced rate.

Revenues

Amortized entry fees: Residents' entry fees are amortized into revenue based on the actuarially determined remaining life expectancy of the resident, which is estimated to be ten years.

Service fees: Forecasted service fee revenues from existing facilities are based on the forecasted utilization of the facility and the service fees assumed to be in effect during the forecast period. The following schedules of fees are currently in effect at the facilities:

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES AND ASSUMPTIONS (Continued)

Glenaire, Inc.

The following schedule summarizes the types of units, entrance fees, and the current monthly or daily fees at Glenaire, Inc.:

		Monthly Fees	
Unit Type	Entrance Fees	First Person	Second Person
Independent living studio	\$65,000-\$70,000	\$2,445	N/A
One bedroom	\$120,000-\$150,000	\$2,863	\$1,093
One bedroom w/study	\$150,000-\$160,000	\$3,348	\$1,093
Two bedrooms	\$191,000-\$195,000	\$3,348	\$1,093
Two bedrooms w/den	\$270,000-\$367,000	\$3,635-\$4,454	\$1,093
Cottage (2 br)	\$259,000-\$283,000	\$3,469	\$1,093
Cottage (2 br) expanded	\$328,000-\$358,000	\$3,841	\$1,093
Health Center:			
Residential assisted	\$20,800	\$3,939	N/A
Medical assisted living	\$17,650	\$5,860	N/A
Nursing	\$12,475	\$304/Day	N/A

Occupancy is forecasted at 96% in independent living, 90% in assisted living and 93% in nursing.

Service fees are forecasted to increase approximately 2.75% to 3.0%.

Management is currently exploring a renovation of its community center and independent living common space. Glenaire has also purchased an adjacent piece of property and is planning for the construction of 192 independent living apartment units, 40 assisted living units, an expanded adult day care center and the programs and services to support the expansion. The project team is working toward schematic design pricing which will lead to a schematic design financial projection. It is anticipated that the construction could begin in the fall of 2020. The current financial projections do not include any costs associated with the planned expansion.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES AND ASSUMPTIONS (Continued)

River Landing at Sandy Ridge

All residents that transferred from The Presbyterian Homes of High Point who were paying a "Lifecare" fee will continue with this program at a revised monthly fee of $3,472.

The following schedule summarizes the types of units, entrance fees, and the current monthly or daily fees at River Landing at Sandy Ridge:

		Monthly Fees	
Unit Type	Entrance Fees	First Person	Second Person
Apartments:			
One bedroom	$124,000	$2,939	$1,248
Two bedroom	$170,000	$3,616	$1,248
Three bedroom	$236,000	$3,843	$1,248
Three bedroom deluxe	$310,000	$4,327	$1,248
Townhouses:			
Two bedroom	$201,000	$3,635	$1,248
Three bedroom	$265,000	$3,883	$1,248
Villas:			
Two bedroom	$217,000	$3,687	$1,248
Three bedroom	$279,000	$3,931	$1,248
Cottages:			
Two bedroom	$265,000	$3,782	$1,248
Three bedroom	$359,000	$3,978	$1,248
Assisted Living:			
Studio	$20,000	$4,882	N/A
One bedroom	$25,000	$5,996	N/A
Skilled nursing	$11,500	$333/day	N/A
Alzheimer's healthcare	$11,500	$7,732	N/A

Occupancy is forecasted at 95% in independent living, 95% in assisted living and 95% in nursing.

Service fees are forecasted to increase approximately 2.75% to 3.0%.

River Landing is currently adding 58 additional independent living accommodations, a maintenance building, a clubhouse with golf check-in, meeting space, an additional dining venue, expansion of the wellness center and a renovation of its healthcare center into the household model of care.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES AND ASSUMPTIONS (Continued)

Scotia Village

The following schedule summarizes the types of units, entrance fees, and the current monthly or daily fees at Scotia Village:

		Monthly Fees	
Unit Type	Entrance Fees	First Person	Second Person
Apartments:			
Efficiency	$42,000	$2,318	N/A
Expanded efficiency	$46,000	$2,490	N/A
One bedroom	$63,000	$2,636	$976
Expanded one bedroom	$77,000	$2,776	$976
Deluxe one bedroom	$97,000	$2,791	$976
Two bedroom	$128,000	$3,070	$976
Deluxe two bedroom	$137,000	$3,207	$976
Expanded two bedroom	$174,000	$3,325	$976
Clustered cottages:			
One bedroom	$95,000	$2,855	$976
Two bedroom	$150,000	$3,135	$976
Expanded two bedroom	$154,000	$3,429	$976
Villas:			
Two bedroom	$199,000	$3,310	$976
Three bedroom	$235,000	$3,422	$976
Single family home:			
Single family home (2 br)	$257,000	$3,432	$976
Single family home (3 br)	$311,000	$3,565	$976
Assisted living:			
Assisted living I	$15,000	$4,300	N/A
Assisted living II	$18,000-$20,000	$4,940-$5,671	$4,216
Skilled nursing	$10,000	$281/day	N/A
Alzheimer's healthcare	$10,000	$286/day	N/A

Occupancy is forecasted at 94% in independent living, 93% in assisted living and 91% in nursing.

Service fees are forecasted to increase approximately 2.75% to 3.0%.

Other Revenues

Investment income is based on current rates of return on forecasted investment balances in each year.

Adult day care, food service income, golf course revenue and other revenue sources are forecasted to remain consistent during the forecast period.

Reimbursed medical reflects income on ancillaries in nursing and is forecasted to remain consistent during the forecast period.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES AND ASSUMPTIONS (Continued)

Expenses

Operating expenses are projected to increase approximately 2% to 3.5% annually.

The provision for depreciation is based on the current depreciation schedule and projected property and equipment additions. The provision is computed on the straight-line method using a 40-year life on buildings, 30-year life on building improvements, 10-year life on furniture and equipment, and 3 years on other equipment.

Financing expenses of $131,250, $170,944 and $751,205 incurred in conjunction with issuance of the 2015 bank-qualified debt, the 2016B bonds, and the 2016C bonds, respectively, have been deferred and are assumed to be amortized over the respective lives of the issues.

Nonoperating Gains

Forecasted amounts from contributions represent estimates of support from the Foundations and other fund-raising efforts.

Funds Held by Trustee

A summary of assets (in thousands of dollars) held by the trustee at the end of each year as required by the Loan and Security Agreement is as follows:

	2019	2020	2021	2022	2023
Interest	$ 992	$ 907	$ 887	$ 866	$ 843
Principal	545	21,127	627	827	846
	$ 1,537	$ 22,034	$ 1,514	$ 1,693	$ 1,689

NOTE 4 - LONG-TERM DEBT

For purposes of this combined forecast, it has been assumed that the historical carrying value of long-term debt equals the fair value of such debt.

Long-term debt, consists of the following:

On July 15, 2015, The Presbyterian Homes, Inc. entered into a Loan and Security Agreement with the North Carolina Medical Care Commission pursuant to a $14,712,108 First Mortgage Revenue Refunding Bond, Series 2015, to refinance part of the Series 2005 and Series 2010 existing indebtedness of The Presbyterian Homes, Inc. This is a single bond which qualifies as Bank Qualified Debt and was purchased by BB&T Bank. Proceeds from this offering have been used to pay the expenses incurred in connection with the issuance of the bonds.

On April 1, 2016, The Presbyterian Homes, Inc. entered into a Loan and Security Agreement with the North Carolina Medical Care Commission pursuant to a $20,000,000 First Mortgage Revenue Bond, Series 2016, to refinance capital projects. Proceeds from this offering have been used to fund a construction reserve to pay costs related to capital improvements at the Communities, and to pay the expenses incurred in connection with the issuance of the bonds.

NOTE 4 - LONG-TERM DEBT (Continued)

On September 29, 2016, The Presbyterian Homes, Inc. entered into a Loan and Security Agreement with the North Carolina Medical Care Commission pursuant to a $48,690,837 First Mortgage Revenue Refunding Bond, Series 2016B, to refinance part of the Series 2006A existing indebtedness of The Presbyterian Homes, Inc. This is a single bond which qualifies as Bank Qualified Debt and was purchased by BB&T Bank. Proceeds from this offering have been used to pay the expenses incurred in connection with the issuance of the bonds.

On September 29, 2016, The Presbyterian Homes, Inc. entered into a Loan and Security Agreement with the North Carolina Medical Care Commission pursuant to a $29,220,000 bond offering, Series 2016C, to refinance the remaining Series 2006 A and B existing indebtedness of The Presbyterian Homes, Inc. A portion of the proceeds from this offering have been used to pay a portion of the bond maturities due October 1, 2016, to fund a debt service reserve fund for the bonds and to pay the expenses incurred in connection with the issuance of the bonds.

The loan agreements contain certain required deposits, payments and covenants, which include limitations on liens, incurrence of additional indebtedness, certain long-term debt service coverage ratios, occupancy percentage, property transfer restrictions, limitations on use to finance operating deficits, and various other covenants and restrictions. All such required deposits are shown as assets limited as to use under bond agreement and are pledged on the loans.

Security for the bonds consists of a pledge and assignment to the trustee of all rights, title and interest in and to The Presbyterian Homes, Inc., Glenaire, Inc. and The Presbyterian Homes Foundation, Inc.'s ("Obligated Group") promissory notes, which evidences the Obligated Group's obligation to repay the North Carolina Medical Care Commission ("Commission") dated July 15, 2015, April 1, 2016 and September 29, 2016. In addition, the Commission assigned to the Trustee its rights as beneficiary under the Obligated Group's deed of trust, which grants the trustee first priority deed of trust on the site and any buildings or improvements, and assigns its rights as a secured party with respect to its security interest.

The Series 2016 bonds maturing on or after October 1, 2024, 2025 and 2026, are subject to redemption by the Commission, at the direction of the Obligated Group, at an option of 102, 101 and 100% of par value, respectively. Additionally, the terms of the bonds maturing in 2031 and 2036 are subject to mandatory redemption without premium beginning in 2028 and 2032, respectively.

On June 28, 2018, The Presbyterian Homes, Inc. entered into a credit agreement with Branch Banking and Trust Company to finance the expansion and a renovation to the Wellness Center and Healthcare Center at River Landing at Sandy Ridge. The Entrance Fee Project loan, in the amount of $20,426,000, will be used to finance a portion of the construction of 58 independent living units. The Construction Project Loan, in the amount of $34,574,000, will be used to finance the costs of various expansion projects including a maintenance/transportation building; a clubhouse with dining facilities, meeting space, and a golf pro-shop; an expansion of the existing wellness space; and renovation of the existing healthcare center to convert the physical layout and spaces to the household model.

NOTE 4 - LONG-TERM DEBT (Continued)

Bonds payable to the North Carolina Medical Care Commission and Bank Qualified Debt as of October 1, 2018 are expected to be as follows:

Series 2015	
Fixed rate of 3.42% per annum due July 1, 2031	$11,969,402
Series 2016A	
Variable rate swapped to fixed rate of 2.395% due April 1, 2027	$16,510,256
Series 2016B	
Variable rate swapped to fixed rate of 2.176% due October 1, 2027	$43,349,158
Series 2016C	
Term bonds at rates between 3 and 5% due October 1, 2037	$29,220,000
Entrance Fee Loan	
Monthly LIBOR plus .95%	$ 1,242,036
Construction Loan	
Forward rate swap agreement of 4.152% due July 1, 2035	$ -

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

Under the terms of the initial contributions that were used to establish the endowments, only the income earned by the assets may be spent. The Investment Committee of the Board of Governors may buy, sell or otherwise change investments, but all proceeds from any sale are required to be reinvested.

NOTE 6 - CURRENT ASSETS AND CURRENT LIABILITIES

Balances in receivables and other assets and payables and accrued expenses are based on balances at September 30, 2018, adjusted for increases in revenues and expenses.

NOTE 7 - PROPERTY AND EQUIPMENT

The following table summarizes the activity related to property and equipment during the forecast period as follows (in thousands of dollars):

	2019	2020	2021	2022	2023
Beginning balance, cost	$ 269,296	$ 306,217	$ 342,100	$ 347,191	$ 352,051
Purchases:					
Routine	7,921	6,883	5,091	4,860	4,584
River Landing Projects	29,000	29,000	-	-	-
Property and equipment, cost	306,217	342,100	347,191	352,051	356,635
Accumulated depreciation	96,879	106,022	115,572	125,212	134,975
	$ 209,338	$ 236,078	$ 231,619	$ 226,839	$ 221,660

NOTE 7 - PROPERTY AND EQUIPMENT (Continued)

River Landing Projects

The Presbyterian Homes, Inc. is in the process of expanding and renovating its River Landing at Sandy Ridge community. Its expansion plans include the addition of 17 three bedroom cottages, and 5 two bedroom cottages on approximately 13 acres of undeveloped land, 36 apartment homes with under building parking, which will consist of 24 two bedroom apartments, and 12 three bedroom apartments. Additionally, the expansion will include the addition of a maintenance facility for golf and grounds as well as vehicle storage, a clubhouse to include a dining venue and resident meeting space as well as an expansion and improvement of the existing resident wellness center. Also planned is the renovation of the health center into the household model of care with the addition of a healthcare dining venue and multi-purpose resident space. Construction is estimated to be completed in May 2021.

Expected completion dates:

Maintenance Building	January 2019
Cottages	March 2020
Apartments	March 2020
Clubhouse	May 2020
Healthcare Renovation	May 2021

The expansion and renovations that was financed, was $55,000,000, after a $4,500,000 projected equity contribution. Project costs were financed with taxable bank debt financed over a 30-year period with a 2-year construction period of interest only, followed by a 10-year term. The projected interest rate is 5%. The $59,500,000 total project costs include design, engineering, marketing, construction and other development costs related to the project.

The Presbyterian Homes has contributed equity to the project through the purchase of an approximate 10-acre tract of land for the 22 independent living cottages and another 3-acre tract of land for the maintenance building. This equity contribution totals approximately $950,000. It is also assumed that any costs incurred above $55,000,000 will be in the form of an equity contribution to the project. This equity contribution comes from reserves of the Organization.

Project costs:

Land	$ 950,000
Construction and Site Work cost, related to the project	48,196,623
Contingency	6,119,662
Architectural and Engineering expenses	2,514,099
Furniture, Fixtures and Equipment	1,621,905
Permits, Surveys and Other expenses	20,793
Miscellaneous	76,918
	$59,500,000

NOTE 8 - EXPENSES BY NATURE AND FUNCTION

Expenses by nature and functions (excluding depreciation and amortization, bond and note interest and miscellaneous, net) consist of the following for the forecasted periods:

	2019	2020	2021	2022	2023
Salaries and wages	$ 27,358	$ 28,468	$ 29,753	$ 30,677	$ 31,524
Payroll taxes and employee benefits	5,104	5,311	5,551	5,724	5,882
Supplies	1,950	2,029	2,121	2,186	2,247
Contracted outside services	1,111	1,156	1,208	1,245	1,280
Raw food and nourishments	3,860	4,017	4,198	4,329	4,448
Repairs and maintenance, equipment	350	365	381	393	404
Repairs and maintenance, buildings	849	884	923	952	978
Repairs and maintenance, grounds	316	329	344	354	364
Gas	217	226	236	244	250
Electricity	1,382	1,438	1,503	1,550	1,593
Water	568	591	617	637	654
Telephone	148	154	161	166	171
Dues and subscriptions	114	118	123	127	131
Insurance, general	992	1,032	1,079	1,113	1,143
Printing	178	185	193	199	205
Promotions	262	272	285	293	301
Postage	69	72	75	77	80
Legal and accounting	94	98	102	105	108
Consultant's fees	558	580	607	625	643
Travel and seminars	276	288	301	310	319
Employee recruitment and retention	173	180	188	194	199
Meetings and special events	79	82	86	89	91
Purchased medical	1,851	1,926	2,013	2,076	2,133
Outside services	1,323	1,377	1,439	1,483	1,524
Rent, buildings and equipment	114	118	123	127	131
Miscellaneous	69	71	76	78	79
Total expenses by function	$ 49,365	$ 51,367	$ 53,686	$ 55,353	$ 56,882

Expenses by function for the forecasted periods is expected to be utilized by nature as 40% for direct services and 60% for general and administration.

Exhibit C

River Landing at Sandy Ridge

A Division of The Presbyterian Homes, Inc.

RESIDENCE AND CARE AGREEMENT

THIS RESIDENCE AND CARE AGREEMENT ("Agreement"), is made and entered into this ____ day of ________________, 20_____ by and between ______________________________________ residents of ______________________ County, State of ____________________, hereinafter referred to as "Resident" (if husband and wife, or two other persons enter into this Agreement, the term "Resident" shall apply to them collectively unless the context otherwise requires) and THE PRESBYTERIAN HOMES, INC., a North Carolina non-profit corporation, hereinafter referred to as "PHI."

WITNESSETH:

WHEREAS, PHI, is associated with the Synod of the Mid-Atlantic of the Presbyterian Church (U.S.A.) (the "Synod") by a covenant relationship. The covenant relationship provides that the Synod on behalf of the church offers its encouragement in The Presbyterian Homes, Inc.'s ministry. The Presbyterian Homes, Inc. affirms its purpose and commitment to its mission of services to older adults on behalf of the church; and

WHEREAS, the Resident agrees to pay to PHI an initial entrance fee and other fees upon the terms and conditions as provided in this Agreement; and

WHEREAS, PHI, in consideration of the foregoing and the execution of this agreement by Resident, agrees that the Resident may occupy a Living Accommodation (as hereafter defined) for residential purposes only at the continuing care retirement community known as "River Landing at Sandy Ridge" located at 1575 John Knox Drive, Colfax, North Carolina (hereafter "RLSR") and Resident may use and enjoy the facilities, programs and services provided at RLSR subject to the terms and conditions of this Agreement; and

WHEREAS, PHI is certified in the Medicare/Medicaid Programs, PHI reserves the right to withdraw from one or both programs if deemed advisable by PHI. Additionally, the provisions of this Agreement are subject to changes in State and Federal Law, as may be applicable.

NOW, THEREFORE, Resident and PHI agree as follows:

1. **ACCOMMODATIONS AND SERVICES**

Subject to the terms and conditions set forth in this Agreement including PHI's right to change such Living Accommodation as provided herein, PHI agrees to provide the Resident the Living Accommodation, services and programs at RLSR described as follows:

(a) **<u>Living Accommodation.</u>**
Type: ____

Residence Number: ______________________________
Description: ______________________________

(b) **Utilities**. PHI will furnish heating, air conditioning, water, sewer, electricity, and trash removal to all Residents in apartment buildings. Residents in cottages, villas, and town homes will be responsible for the cost of heating, air conditioning, and electricity. The Resident is responsible for all television, telephone, and internet installation charges and all related monthly service charges (collectively "Communication Services") whether provided by independent third party providers or provided by PHI on behalf of residents. If any Communication Services are provided by PHI on behalf of Resident, Resident agrees to pay PHI's standard monthly service charges applicable for such services which Resident agrees are subject to adjustment from time to time. Any Communication Services not included within PHI's standard package shall be the sole responsibility of Resident.

(c) **Furnishings**. PHI will provide wall-to-wall carpeting in the Living Accommodation, a television system, emergency signal equipment, and other fixtures and appliances as described in the literature published by PHI regarding RLSR. All other furniture and furnishings for the Living Accommodation shall be provided by the Resident.

(d) **Meals**. PHI will make available to Residents three nutritionally well-balanced meals each day. PHI provides a meal allowance of $400 per month per Resident for residents in apartments and $250 per month per Resident for those in cottages, villas, town homes and hybrid apartments. This meal allowance is already included in the monthly service fee. The meal allowance will be charged based on meals consumed by the Resident at the current prevailing meal prices as published or posted for Residents. If Resident exceeds the meal allowance in any given month, the additional cost above the allowance will be added to Resident's next monthly statement. Any allowance remaining at the end of the month is forfeited and cannot be carried over to subsequent months. Meals containing substitute or special diets will be provided when approved by the Resident's physician. An extra charge may be made at PHI's discretion for special dietary meals.

In the event the Resident resides outside PHI's facilities for a period of fourteen (14) or more consecutive days, PHI shall provide a meal credit beginning with the 15th day. The amount of credit shall be determined by PHI.

(e) **Housekeeping Services**. PHI will provide housekeeping services such as vacuum cleaning, dusting, cleaning of baths and kitchens, and trash removal on a weekly basis.

(f) **Laundry**. PHI will change Resident's bed and bath linens on a regular basis. Convenient laundry facilities will be provided free of charge for personal laundry.

(g) **Maintenance and Repairs**. PHI will maintain and keep in repair the improvements, furnishings and equipment owned by PHI. The Resident will be responsible for the cost of repairing any damage to property of PHI caused by the negligence or other act of the Resident or any guest or invitee of the Resident, ordinary wear and tear excepted. Any structural or physical change or redecoration of any kind to the Living Accommodation will require the written approval of PHI.

The cost of any change, including any subsequent cost to return the Living Accommodation to its original condition in the event of such change, or cost of redecoration, will be paid by the Resident upon ten (10) days written notice. Any such improvement or change will be owned by PHI and will not be considered in determining the amount of any refund to the Resident upon termination of this Agreement.

(h) **Groundskeeping**. PHI will furnish basic groundskeeping service for the grounds of RLSR, including lawn, tree, and shrubbery care. Subject to approval by PHI, Resident may plant and maintain certain areas designated by PHI for such purpose.

(i) **Parking**. PHI will provide parking areas for the Residents' personal vehicle (limited to one vehicle for each individual Resident) and parking for guests.

(j) **Common Facilities**. PHI will provide common facilities for the use and benefit of all Residents such as a central dining room, central kitchen, living room, post office, multi-purpose room, Chapel, lounges, and sitting areas.

(k) **Transportation**. PHI will provide limited local transportation for residents on a regular, scheduled basis. Certain charges may apply depending on the destination. Additional charges may be made for transportation for special, personal, or group trips.

(l) **Activities**. Social, recreational, spiritual, educational, and cultural activities will be planned for the Residents.

(m) **Nursing and Health Care**. PHI will provide nursing and health care for each Resident as follows:

(i) A Health Center will be provided for the benefit of the Residents. The Health Center will consist of accommodations, equipment, and staffing necessary for assisted living and skilled nursing care. PHI will use its best efforts to provide private accommodations when the Resident requires assisted living care. Depending on availability, private or semi-private accommodations will be provided when the resident requires skilled nursing care. Notwithstanding the foregoing, PHI reserves the right from time to time to temporarily place Resident in reasonably comparable healthcare facilities outside of River Landing in the event either assisted living or skilled nursing accommodations are not currently available due to demand.

(ii) A twenty-four (24) hour nursing staff will be maintained in the Health Center. The Health Center is staffed to provide general duty nursing care which means that nurses and other staff must attend to multiple residents with various needs. The nursing care is not intended to provide individual attention to any one specific Resident on a regular basis or for prolonged periods of time. The Resident, subject to approval of PHI, is responsible for acquiring (hiring, termination, and compensation) the assistance of private duty sitters or nurses if the Resident requires or prefers individual and/or full-time care and assistance. Private duty sitters, nurses, or other third parties hired by Resident must abide by all rules and regulations of PHI and PHI reserves the right to bar any such parties from PHI's facilities at any time.

(iii) The overall coordination and provision of health care services by PHI will be provided by a Medical Director who will be a licensed physician selected by PHI.

(iv) Charges for Health Care accommodations and services in this Paragraph shall be set forth in Paragraph 2(e). of this Agreement. Other health care services will be made available to the Resident at the Resident's expense including, but not limited to, pharmacy services, laboratory tests, physical therapy, occupational therapy, and rehabilitative treatments.

(v) RLSR has open staff privileges and a Resident may select a duly licensed physician of their choice; however, a Medical Director is provided by the facility for those wishing to use their services. Resident is responsible for all charges for services provided by the Medical Director or any other physicians.

(vi) Residents have the right by law (NC General Statute 90-21.16(6)) to elect the officially recognized "Do Not Resuscitate Order" as certified by the Resident's attending physician.

2. FINANCIAL ARRANGEMENTS

(a) **Entrance Fee Options.** Resident agrees to pay PHI an Entrance Fee as a condition of becoming a Resident at RLSR. Resident shall choose one of the following options, amounts, and amortization schedules as to the Entrance Fee to be paid:

Entrance Fee Option	Amount of Entrance Fee	Amortization Schedule
1. Standard	$________________	2% per month for 48 months less a 4% non-refundable fee
2. 50% Refundable	$________________	2% per month for 23 months less a 4% non-refundable fee. Refund never less than 50%

3. 90% Refundable	$________________	1% per month for 6 months less a 4% non-refundable fee. Refund never less than 90%

Resident agrees to pay PHI an Entrance Fee deposit of $________________ which shall be ten percent (10%) of the required Entrance Fee as designated above. The Entrance Fee deposit will be due and payable upon signing of this Agreement. The balance of the Entrance Fee will be due and payable no later than ten (10) days prior to Residents projected Admission Date. Residents projected Admission Date is ________________, 20____. Resident must take occupancy of the Living Accommodation no later than **thirty (30)** days after the projected Admission Date.

(b) **Monthly Charge**. In addition to the Entrance Fee and any other charges provided for under this Agreement, Resident agrees to pay a monthly charge during the term of this Agreement which shall be payable in advance by the 15th day of each month ("Monthly Charge"). As of the date of this Agreement, PHI projects that the Monthly Charge associated with the Living Accommodation will be approximately $________ per month, and an additional $_______ per month if a second Resident occupies the Living Accommodation. The Monthly Charge may be adjusted by PHI prior to occupancy of the Living Accommodation by the Resident if changes in the projected costs of providing the services at RLSR so require. The Monthly Charge is also subject to change during the term of this Agreement as described in Paragraph 2(c) below.

(c) **Adjustments in the Monthly Charge**. The Monthly Charge is assessed to provide the Living Accommodations, facilities, meals, programs and services described in this Agreement and is intended to meet the cost of insurance, maintenance, administration, staffing, and other expenses including debt service associated with the operation and management of PHI and RLSR. PHI shall have the authority to adjust the Monthly Charge from time to time during the term of this Agreement as PHI in its discretion deems necessary in order to reflect changes in the costs of providing the facilities, programs and services described herein consistent with operating on a sound financial basis and maintaining the quality of services called for herein. PHI shall have the right to adjust the Monthly Charge pursuant to this Agreement notwithstanding Resident's voluntary or involuntary absence from the facility. In the event that it should be determined that PHI is required to pay ad valorem taxes upon its property, the Monthly Charge may be adjusted to reflect the amount of such taxes. Any increase in the Monthly Charge may be made by PHI upon thirty (30) days written notice to the Resident. In the event Resident resides outside of PHI's facilities for a period of fourteen (14) or more consecutive days, PHI shall provide credit for meals. The amount of credit shall be determined by PHI in its sole discretion.

(d) **Monthly Statement.** PHI will furnish the Resident with a monthly statement on or about the tenth of the month showing the total amount of fees and other charges owed by the

Resident, which shall be payable by the 15th day of the month. PHI may charge interest at the rate of 1½% per month (18% APR) or the maximum annual rate as allowed by law on any unpaid balance owed by the Resident thirty (30) days after the monthly statement is furnished.

(e) **<u>Health Center Fees and Charges</u>**

(i) PHI shall establish and publish per diem rates for accommodations and services in the Health Center, such rates will take into account rates being charged in other comparable nursing centers and the costs of operation of RLSR.

(ii) If a Resident is transferred to the Health Center for nursing care, Resident shall continue to pay the Monthly Charge associated with the type of Living Accommodation described in Paragraph 1(a) of this Agreement for the first 14 days (whether or not consecutive) of occupancy (to be known as "grace days") in the Health Center each year (the term "year" as used herein means each applicable calendar year during the continuance of this Agreement). During such 14-day period ("grace days"), the Resident will not be required to pay a per diem charge for occupancy in the Health Center but shall pay for other services not normally covered by the Monthly Charge or by the per diem charge for Residents. Credit for any unused portion of the 14 "grace days" per year may not be carried forward to successive years. However, in those circumstances where Resident has insurance (including but not limited to Medicare) that will pay the per diem charge for occupancy in the Health Center, Resident shall first be required to use all applicable insurance benefits to satisfy the customary per diem charge for occupancy prior to the application of any grace days in any given year.

(iii) In the event that a Resident shall occupy an accommodation for nursing care within the Health Center for more than 14 "grace days" in any year, then upon the expiration of such 14 "grace days", Resident shall thereafter pay 80 percent of the amount of the published per diem rate for nursing care accommodation occupied by the Resident, plus charges for other services not included in such per diem rate. Following the 14 "grace days", the Resident shall have the option of surrendering the Living Accommodation, at which time the Monthly Charge shall be terminated. If the Living Accommodation is not surrendered, the Resident shall be responsible for both the Living Accommodation Monthly Charge and the applicable per diem rate for the nursing care accommodations. The Resident shall have no right to occupy the Living Accommodation more than ninety (90) days after the expiration of the 14 "grace days" without the approval of PHI and Resident agrees to surrender the Living Accommodation to PHI upon request on or after such ninety (90) day period unless otherwise approved by PHI. If required to vacate the Living Accommodation, as determined in the sole discretion of PHI, Resident agrees to fully cooperate in relocating his/her personal property and effects from such residence. Should PHI subsequently determine upon the opinion of the Medical Director and the Executive Director of RLSR that Resident can resume occupancy in a residential living accommodation, the Resident will have priority to a comparable accommodation, as determined by PHI, as soon as it becomes available. When one of two Residents occupying the same Living Accommodation is transferred to the Health Center, the Resident remaining in the Living Accommodation shall continue to pay the Monthly Charge in effect associated with such Living Accommodation based on single occupancy.

(f) **Non-Refundable Pet Fee**. Resident agrees to abide by River Landing's rules and regulations concerning pets as amended or adopted from time to time. Resident agrees that if Resident is entitled to have a pet in their Living Accommodation and elects to do so, Resident agrees to pay PHI a $500.00 **non-refundable** pet fee ("Pet Fee") for purposes of refurbishing the Living Accommodation after termination of this Agreement. The Pet Fee shall be due and payable at the time Resident is required to pay the balance of their Entrance Fee.

3. ADMISSIONS REQUIREMENTS

A Resident will become qualified for admission to RLSR upon satisfaction of the following provisions:

(a) **Age**. The admission requirements for residence at RLSR are nondiscriminatory except as to age, and RLSR is open to both married and single men and women of all races and religions and without regard to place of former residence. Admission is restricted to persons sixty-two (62) years of age or older, except that in the case of a married couple or roommates, one spouse/roommate must have attained the age of at least sixty-two (62) years old and the other spouse/roommate must have attained the age of at least fifty-five (55) years old.

(b) **Personal Interview**. Resident agrees to interview with representatives of RLSR prior to consideration for residency at RLSR. Upon review of all information required to be furnished under this Agreement, additional personal interviews may be requested by PHI and Resident agrees to fully cooperate with PHI's representatives and employees during such process.

(c) **Application, Health History, and Financial Statement**. Resident shall submit within 30 days of execution of this Agreement for review by the Admissions Committee appointed by PHI, an Application for Admission, a Personal Health History, and a Confidential Financial Statement, all on forms furnished by PHI. During the term of this Agreement, PHI reserves the right to require Resident and Resident agrees to provide PHI with an updated Confidential Financial Statement within 60 days upon written request, provided however, PHI will not require Resident to provide an updated

Confidential Financial Statement more than one time in any 12 month period.

(d) **Notification**. PHI shall review the Application for Admission, the Personal Health History, the Confidential Financial Statement, and the results of the personal interviews and will notify Resident whether Resident meets the admission requirements as determined in PHI's sole discretion. If Resident does not meet PHI's admissions requirements, this Agreement shall be null and void and Resident shall receive a refund of any Entrance Fee deposit previously paid.

(e) **Health Requirements**. Prior to admission for residency at RLSR, Resident shall submit a report of a physical examination of the Resident made by a physician selected by the Resident within sixty (60) days of the projected occupancy date. Such report shall include a statement by such physician that the Resident is in good health and is able to take care of himself or herself in normal living activities. PHI may require the Resident to have another physical examination by the Medical Director or by another physician approved by PHI. The Resident shall be responsible for the costs of such physical examinations. If the health of Resident as disclosed by such physical examination differs materially from that disclosed in any Resident's Application for Admission or Personal Health History, PHI shall have the right to decline admission of the Resident and/or to terminate this Agreement, or at the discretion of PHI, permit Resident to take occupancy at RLSR in suitable accommodations to the needs of Resident.

(f) **Financial Requirements**. The Resident must have assets and income which will be sufficient under foreseeable circumstances to pay the financial obligations of the Resident under this Agreement and to meet ordinary living expenses of the Resident. PHI may require the Resident to furnish current financial information at any time prior to occupancy.

(g) **Representations**. The Resident affirms that the representations made in the Application for Admission, Personal Health History and Confidential Financial Statement are true, correct, and complete and will be relied upon by PHI as a basis for entering into this Agreement.

4. TERMS OF RESIDENCY

(a) **Rights of Resident**. The Resident has the right to occupy and enjoy the Living Accommodation described in Paragraph 1(a) of this Agreement subject to Resident's transfer to the Health Center pursuant to Paragraphs 2(e) and 5(a), or the termination provisions of this Agreement, or any other term or condition of this Agreement. It is understood that this Agreement does not transfer or grant any interest in the real or personal property owned by PHI other than the right to use or occupy the Living Accommodation in accordance with the terms hereof. The Resident agrees that the rights of the Resident under this Agreement are subject to and subordinate to the rights of a lender under any mortgage or deed of trust now or hereafter executed by PHI or its affiliates creating a lien on any property of PHI.

(b) **Rules and Regulations**. The Resident will abide by PHI's rules and regulations and such reasonable amendments, modifications, and changes of the rules and regulations as may hereafter be adopted by PHI in the exercise of its sole discretion. Resident acknowledges that PHI has a "Tobacco Free Campus Policy" which prohibits the use of tobacco products anywhere on PHI's campuses including Resident's Living Accommodation.

(c) **Changes in Living Accommodations**. PHI has the right to change the Living Accommodation to meet the requirements of any applicable statutes, laws, rules or regulations. The Living Accommodation may not be used in any manner in violation of any zoning ordinances or other governmental law or regulation.

(d) **Visitors**. Except for short term visitors or guests, no person other than the Resident may reside in the Living Accommodation without the written approval of PHI.

(e) **Loss of Property**. PHI shall not be responsible for the loss of any property belonging to the Resident due to theft, mysterious disappearance, fire or any other cause. It is understood that the Resident will have the responsibility of providing any desired insurance protection covering any such loss.

(f) **Occupancy by Two Residents**. In the event that two Residents occupy a Living Accommodation under the terms of this Agreement, upon the permanent transfer to the Health Center or the death of one such Resident, or in the event of the termination of this Agreement with respect to one of such Resident, the Agreement shall continue in effect as to the remaining or surviving Resident. The remaining Resident may request a transfer to another type of living accommodation, subject to availability, pursuant to Paragraph 5(e) of this Agreement. The remaining or surviving Resident will thereafter pay the Monthly Charge for one Resident associated with the independent Living Accommodation occupied by the Resident.

(g) **Medical Insurance**. The Resident shall maintain Medicare Part A, Medicare Part B, and one supplemental health insurance policy or equivalent insurance coverage acceptable to PHI with evidence of such coverage to be provided to PHI upon execution of this Agreement and thereafter from time to time upon request.

(h) **Marriage During Occupancy**. If a Resident while occupying a Living Accommodation marries another Resident or elects to share a Living Accommodation with a person who is also a Resident, the two Residents may occupy the Living Accommodation of either Resident and shall surrender the Living Accommodation not to be occupied by them. No refund will be payable with respect to the Living Accommodation surrendered. Such Residents will pay the Monthly Charge for double occupancy associated with the Living Accommodation occupied by them. In the event that a Resident shall marry or elect to share a Living Accommodation with a person who is not a Resident of RLSR, the non-resident spouse/cohabitant may become a Resident if such spouse/cohabitant meets all of the then current requirements for admission to RLSR, enters into a then current version of the Residence and Care Agreement with PHI and pays an Entrance Fee in an amount determined by PHI in its discretion but in any event no more than two-thirds (2/3) of the then current Entrance Fee associated with the type of Living Accommodation to be occupied by the Resident and non-resident spouse/cohabitant. If the Resident's spouse/cohabitant shall not meet the requirements of RLSR for admission as a Resident, the current Resident may terminate this Agreement pursuant to Paragraph 7.

(i) **Right of Entry**. Resident hereby authorizes PHI, including its employees and agents of RLSR, to enter the Living Accommodation for purposes of housekeeping, repairs, maintenance, inspection, and in the event of an emergency.

5. **TRANSFER OR CHANGES IN LEVELS OF CARE**

(a) **Transfer to Health Center**. The Resident agrees that PHI shall have the authority to determine whether the Resident should be transferred from the Resident's Living Accommodation to the Health Center or from one level of care to another level of care within the Health Center. Such determination shall be based on the professional opinion of RLSR's Medical Director and the Executive Director of RLSR and shall be made only after consultation to the extent practical with the Resident, a representative of the Resident's family or the sponsor of the Resident, and Resident's attending physician.

(b) **Transfer to Hospital or Other Facility**. If it is determined that the Resident needs care beyond that which can be provided by the facility and personnel of RLSR, the Resident may be transferred to a hospital, center or institution equipped to give such care, which care will be at the expense of the Resident. Such transfer of the Resident will be made upon orders from RLSR's Medical Director after consultation to the extent possible with the Resident, a representative of the Resident's family or the sponsor of the Resident, and the Resident's attending physician.

(c) **Surrender of Living Accommodation**. If a determination is made by PHI that any transfer described in Paragraph 5(a) or 5(b) is permanent, the Resident agrees to surrender the Living Accommodation or the accommodation in the Health Center occupied by the Resident upon 30 days prior written notice from PHI to Resident. If PHI subsequently determines upon the opinion of the Medical Director and the Executive Director that the Resident can resume occupancy in accommodations comparable to those occupied by the Resident prior to such transfer, the Resident shall have priority to such accommodations as soon as they become available.

(d) **No Refund for Changes in Levels of Care**. Resident acknowledges and agrees that any transfer from one level of care to another within RLSR (including without limitation a transfer from Resident's current Living Accommodation to assisted or skilled nursing) shall not be deemed a termination of this Agreement nor entitle Resident to a refund or partial refund of their Entrance Fee.

(e) **Requests for Moves Within Independent Living**. PHI will evaluate and consider a Resident's request to move from one Living Accommodation to another within Independent Living. The determination to allow a Resident to move is within the sole discretion of PHI. The following conditions will apply to the following types of moves:

(i) **Downgrade Move** – If a Resident requests a transfer to a smaller living accommodation ("Downgrade Move") within Independent Living , no additional Entrance Fee will be required and no Entrance Fee refund will be due Resident. A Downgrade Move will require Resident to pay a refurbishment fee of $2,500 prior to the move and Resident shall be responsible for their own cost of moving.

(ii) **Lateral Move** – If a Resident requests a transfer to a similar living accommodation of similar pricing ("Lateral Move") within Independent Living, no additional Entrance Fee payments will be required and no Entrance Fee refund will be due Resident. A Lateral Move will require Resident to pay the actual cost of refurbishing for the living accommodation vacated upon invoice by PHI and Resident shall be responsible for their own cost of moving.

(iii) **Upgrade Move** – If a Resident requests (a) a transfer to a larger living accommodation than originally received under their residency contract; or (b) a lateral transfer to a newly constructed accommodation; ("Upgrade Move") within Independent Living, Resident shall pay an additional Entrance Fee prior to their move. The additional Entrance Fee is the difference between the current published Entrance Fee of the new accommodation less the Entrance Fee actually paid (exclusive of any unit upgrade charges) for the living accommodation being vacated. An Upgrade Move will require Resident to pay the actual cost of refurbishing for the accommodation vacated upon invoice by PHI and Resident shall be responsible for their own cost of moving. There will be no refund of Resident's initial Entrance Fee.

6. RIGHT OF RESCISSION

(a) **First Thirty Days**. Notwithstanding anything herein to the contrary, Resident may rescind this Agreement within thirty (30) days following the execution of this Agreement (the "Rescission Period"), in which event Resident shall receive a refund of any money paid to PHI except for any such other nonstandard charges the Resident and PHI agree in advance shall be nonrefundable. Resident acknowledges that he/she has received, prior to execution of this Agreement, a copy of RLSR's current Disclosure Statement that meets the requirements of Section 58-64-20, et seq. of the North Carolina General Statutes. Resident is not required to move into the Living Accommodation before the expiration of the Rescission Period. If Resident moves into the Living Accommodation during the Rescission Period and rescinds this Agreement during such thirty (30) day period, Resident will receive a refund of any money paid to PHI less a service charge as follows:

(i) **Entrance Fee**. Resident shall receive a refund of the Entrance Fee paid to PHI less a service charge as determined by PHI not to exceed the greater of one thousand dollars ($1,000) or two percent (2%) of the Entrance Fee.

(ii) **Monthly Charge**. Resident's refund shall be further reduced by the prorated Monthly Charge applicable for the period Resident occupied his/her Living Accommodation.

(iii) **Nonstandard Costs**. Resident's refund shall be further reduced by any nonstandard costs, if any, specifically incurred by PHI at the request of Resident consistent with terms and conditions of this Agreement.

Any refund due under this paragraph 6(a), shall be paid within sixty (60) days of termination of this agreement.

7. TERMINATION AND REFUND PROVISIONS

(a) **Termination After Rescission Period, Prior to Occupancy**. This Agreement may be terminated by Resident at any time for any reason prior to Resident taking occupancy at RLSR and after the Rescission Period as set forth in Paragraph 6 by Resident giving written notice to PHI. This Agreement may be terminated by PHI at any time prior to the date that the Resident takes occupancy if PHI determines that the Resident does not meet the physical, mental, or financial requirements for admission. In the event of such termination, Resident shall receive a refund of the Entrance Fee paid by the Resident, less five percent (5%) of the total Entrance Fee as described in Paragraph 2(a) which is the nonrefundable portion of the Entrance Fee: However, if the Resident or the Resident's spouse or roommate dies prior to occupancy, or if on account of illness, injury, incapacity, or financial reversal is precluded from occupying the living accommodation, the contract is automatically terminated. In the event of such termination the full amount of the Entrance Fee paid will be refunded. Any refund due under this paragraph 7(a), shall be paid within sixty (60) days of termination of this Agreement.

(b) **Termination During Residency Trial Period**. The first sixty (60) days of residency at RLSR will be considered to be on a trial basis. During such sixty (60) day period, the Resident will have the right to terminate this Agreement by giving PHI written notice of such termination and Resident shall receive a refund of the Entrance Fee paid less 4%

thereof as a non-refundable fee. During such sixty (60) day period, PHI shall have the right to terminate this Agreement based on PHI's determination that Resident's physical or mental condition or emotional adjustment will not permit adaptation to the living environment at RLSR. In the event of such termination by PHI as previously described, PHI will refund the full Entrance Fee paid to PHI within sixty (60) days after the Living Accommodation has been vacated.

(c) **Termination After Trial Period**. At any time after the expiration of the first sixty (60) days of residence at RLSR, the Resident may terminate the Agreement by giving PHI thirty (30) days prior written notice of such termination. In the event of such termination, the Resident may be entitled to receive a partial refund. Any partial refund shall be determined and paid as follows: Resident shall receive a refund in an amount equal to the Entrance Fee paid to PHI less the applicable Amortization percentage set forth in Paragraph 2(a) for the type of Entrance Fee Option selected by Resident thereof for each full calendar month or portion thereof which has elapsed from Resident's Admission Date to the effective date of termination and less four percent (4%) which is the nonrefundable portion of the Entrance Fee. For avoidance of doubt, all Entrance Fee refunds are calculated assuming and based upon full calendar months. Any portion of a calendar month (whether relating to the month of Resident's Admission Date or the month of Resident's termination date of this Agreement) shall be deemed to be full and separate calendar months for purposes of calculating any Entrance Fee refund.

The refund shall be made in accordance with the terms set forth in Paragraph 7(f) below. Subject to Paragraph 7(g), Residents who selected the 50% or 90% Refund Option shall receive a refund of no less than 50% or 90%, as applicable, of the Entrance Fee paid to PHI.

(d) **Termination Upon Death**. This Agreement shall automatically terminate upon the death of the Resident, provided, however, in the event that two Residents occupy a Living Accommodation under the terms of this Agreement, the Agreement shall continue in effect as to the remaining or surviving Resident. A refund, if applicable, shall be determined in accordance with Paragraph 7(c) above and shall be paid to the Estate of the Resident in accordance with Paragraph 7(f) below.

(e) **Termination By PHI**. PHI may terminate this Agreement at any time if there has been a material misrepresentation or omission made by the Resident in the Resident's Application for Admission, Personal Health History or Confidential Financial Statement; if a material change in the Resident's health takes place before occupancy (Admission Date); if the Resident fails to make payment to PHI of any fees or charges due RLSR within sixty (60) days of the date when due; if the Resident does not abide by the rules and regulations adopted by PHI as determined by PHI; or Resident breaches any of the terms and conditions of this Agreement. In the event of termination for any of such causes the Resident may be entitled to a partial refund of the Entrance Fee paid by the Resident determined in accordance and paid in the same manner as provided in Paragraph 7(c) above.

(f) **<u>Refund After Living Accommodation Reserved.</u>** Any refund due the Resident under Paragraphs 7(c), 7(d), or 7(e) above will be made at such time as such Resident's Living Accommodation shall have been reserved by a prospective Resident and such prospective Resident shall have paid to PHI such prospective Resident's Entrance Fee. No interest shall be due or payable on any amount refunded pursuant to this Paragraph 7.

(g) **<u>Monthly Charge & Nonstandard Costs</u>**. Resident's refund under Paragraphs 7(a) through 7(e) shall be reduced and offset by the amount of all unpaid Monthly Charges and other amounts due and owing PHI applicable for the period Resident occupied his/her Living Accommodation. Resident's refund shall also be reduced by any nonstandard costs, if any, specifically incurred by PHI at the request of Resident consistent with terms and conditions of this Agreement. Notwithstanding the termination of this Agreement, Resident (including a deceased Resident) shall be deemed to occupy their Living Accommodation so long as Resident's possessions remain in their Living Accommodation and Resident's Monthly Charge shall continue to accrue as normal. In the event of the death of a Resident, Resident's family or sponsor shall have no more than sixty (60) days to remove Resident's possessions from the Living Accommodation.

(h) **<u>Condition of Accommodation</u>**. At the effective date of termination of this Agreement, the Resident shall vacate the Living Accommodation and shall leave it in good condition except for normal wear and tear. The Resident shall be liable to PHI for any cost incurred in restoring the Living Accommodation to good condition, except for normal wear and tear, and such cost may at the election of PHI be offset against any refund due, if any.

(i) **<u>Additions and/or Renovations to Facility; Facility Closing</u>**. From time to time, PHI may require additions and/or renovations to the RLSR facility. PHI will use reasonable efforts to minimize the disturbance to its residents, provided however, Resident agrees to cooperate with PHI in such efforts and if necessary relocate to substantially comparable living accommodations under the terms and conditions of this Agreement. In addition, if it shall become necessary to close or otherwise cease ordinary operations at the RLSR facility, as determined in the sole discretion of PHI's management, Resident agrees to allow PHI to relocate Resident to substantially comparable facilities managed by PHI within the same general locality and Resident agrees that this Agreement shall remain in full force and effect with respect to such continuing care retirement facility. Resident agrees that any transfer of residency under this paragraph 7(i) shall not cause a termination of this Agreement nor entitle Resident to a full or partial refund of their Entrance Fee.

8. **FINANCIAL ASSISTANCE**

(a) **Policy**. PHI declares that it is the policy of PHI that this Agreement will not be terminated solely because of the Resident's financial inability to continue to pay the Monthly Charge or other charges payable hereunder by reasons of circumstances beyond the Resident's control, provided, however, this declaration shall not be construed as qualifying the right of PHI to terminate this Agreement in accordance with the terms hereof. In the event that a Resident presents facts which in the sole opinion of PHI justify special financial consideration, PHI will give careful consideration to subsidizing in whole or in part the Monthly Charge and other charges payable by the Resident hereunder so long as such subsidy can be made without impairing the ability of PHI to attain its objectives while operating on a sound financial basis. Any determination by PHI with regard to the granting of financial assistance shall be within the sole discretion of PHI as set forth under a separate written agreement between PHI and the Resident regarding such financial assistance. If PHI requests, Resident agrees to apply for Medicaid, public assistance, or any other reasonably available public benefit program to offset Resident's Monthly Charge or other charges payable hereunder.

(b) **Endowment**. PHI has an endowment fund, the income of which will be used to assist Residents who would otherwise not be able to live at RLSR because of financial considerations. The income from such fund may be used for the purposes of providing financial assistance in accordance with the provision of this section.

9. **MISCELLANEOUS PROVISIONS**

(a) **Will, Durable Power of Attorney**. Resident is responsible for having made and executed a valid will providing for the distribution of his/her assets and personal effects, such will or other document of instruction shall include adequate provisions regarding proper burial or cremation. Resident shall notify the Executive Director of RLSR as to the name, address, and telephone number of his/her personal representative. Resident further agrees to execute a valid continuing durable Power-of-Attorney and a health care Power-of-Attorney. Resident shall notify the Executive Director as to the name, address, and telephone number of such designated Attorney(s)-in-Fact.

(b) **Assignment**. The rights and privileges of the Resident under this Agreement to the facilities, services and programs of RLSR are personal to the Resident and may not be transferred or assigned by the Resident or otherwise. PHI reserves the right to transfer or assign this Agreement without the consent of Resident. Except as set forth herein, this Agreement shall bind and inure to the benefit of the successors and assigns of PHI and the heirs, executors, personal representatives, any Attorney-In-Fact, and administrators of the Resident.

(c) **Management of RLSR**. The absolute rights of management of RLSR are reserved by

PHI, its Board of Governors and its administrators as delegated by said Board of Governors. PHI reserves the right to accept or reject any person for residency. Residents do not have the right to determine admissions or terms of admission of any other Resident.

(d) **Entire Agreement**. This Agreement constitutes the entire agreement between PHI and Resident relating to the subject matter hereof and supersedes all prior negotiations and agreements relative thereto. This Agreement may not be modified or amended except in writing signed by each of the parties. PHI shall not be liable or bound in any manner by any statements, representations or promises made by any person representing or assuming to represent PHI, unless such statements, representations or promises are set forth in this Agreement.

(e) **Waiver**. Any provision herein may be waived only in writing signed by the party or parties against whom or which enforcement of such waiver is sought. The failure of either party at any time to require the performance by the other party of any provision shall in no way affect the full right to require such performance at any time thereafter, nor shall the waiver by either party of a breach of any provision be taken or held to be a waiver of any succeeding breach of such provision or a waiver of the provision itself or a waiver of any other provision of this Agreement.

(f) **Guardianship**. If the Resident becomes legally incompetent, or is unable to properly care for himself or herself or his or her property, and if the Resident has made no other designation of a person or legal entity to serve as his or her guardian, then the Resident hereby agrees that PHI or its designee may initiate legal proceedings relating to Resident's competence and may act as Resident's legal guardian when qualified according to law. Resident agrees to pay to PHI and its designee any attorneys' fees and other expenses incurred in connection with any such guardianship upon demand.

(g) **Transfer of Property**. The Resident agrees not to make any gift or other transfer of property for less than adequate consideration for the purpose of evading the Resident's obligations under this Agreement or if such gift or transfer would render such Resident unable to meet such obligations.

(h) **Attorney's Fees, Costs of Collection**. Resident acknowledges and agrees that he/she shall be obligated to reimburse PHI for all costs associated with collection of any charges or fees due pursuant to this Agreement, including the cost of reasonable attorney's fees incurred by PHI as allowed by applicable law.

(i) **Savings Clause**. If any provision of this Agreement in any way contravenes the laws of any state or jurisdiction, such provision shall be deemed not to be a part of this Agreement in that jurisdiction, and Resident agrees to remain bound by all remaining provisions. If any portion of this Agreement shall be deemed to be illegal or should it violate public policy, it is agreed that it shall be interpreted to be legally binding and enforceable to the maximum reasonable extent allowed by law.

(j) **Survival**. The termination of this Agreement shall not affect the rights and remedies of PHI and the obligations of Resident under this Agreement incurred prior to such termination, all of the foregoing shall survive such termination including but not limited to all payment obligations of Resident.

(k) **Governing Law; Venue**. This Agreement shall be governed by the laws of the State of North Carolina. Resident agrees that venue for any legal action or proceeding relating to this Agreement shall be solely in the state or federal courts sitting in Guilford County, North Carolina, and Resident hereby knowingly and voluntarily submits to the jurisdiction of each such court in any such action or proceeding.

(l) **Notices**. Any notices, consents, or other communications to PHI or RLSR (collectively "notices") shall be in writing and addressed as follows:

The Presbyterian Homes, Inc.
Attn: President
2109 Sandy Ridge Road
Colfax, NC 27235

The address of Resident for purposes of giving notice is the address appearing after the signature of the Resident below prior to Resident taking occupancy of the Living Accommodation. Following occupancy, Resident's notice address shall be the address of the Living Accommodation as set forth in Paragraph 1(a).

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year above written.

THE PRESBYTERIAN HOMES, INC.

By:________________________________

Name: ________________________

Title: ________________________

River Landing at Sandy Ridge,
an operating division of
The Presbyterian Homes, Inc.

____
Witness

RESIDENT(S):

__________________________________(Seal)

Print Name:__________________________

____
Witness

RESIDENT(S):

__________________________________(Seal)

Print Name:__________________________

____
Witness

____
Current Address (Number and Street)

____
City, State, Zip Code

____
Telephone Number

Exhibit D

THE PRESBYTERIAN HOMES, INC
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2018

ASSETS	
CURRENT ASSETS:	
CASH & SHORT-TERM INVESTMENTS	$17,888,124
TRUSTEE HELD FUNDS REQUIRED FOR CURRENT LIABILITIES	1,050,937
ACCOUNTS RECEIVABLE	2,556,687
REFUNDABLE SALES TAX	264,145
INVENTORIES-OPERATING SUPPLIES	54,732
PREPAID EXPENSES	641,266
TOTAL CURRENT ASSETS	22,455,891
OTHER ASSETS:	
TRUSTEE HELD FUNDS:	
INTEREST & PRINCIPAL FUND	6,618
TOTAL TRUSTEE HELD FUNDS	6,618
CASH-MEMBERS DEPOSITORY ACCOUNTS	2,274
INVESTMENTS	95,595,433
DEFERRED EXPENSES	1,036,107
SWAP ASSET	1,893,341
TOTAL OTHER ASSETS	98,527,155
PROPERTY PLANT & EQUIPMENT	181,581,446
TOTAL ASSETS	$ 302,571,110

THE PRESBYTERIAN HOMES, INC
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2018

LIABILITIES AND FUND BALANCE	
CURRENT LIABILITIES:	
CURRENT MATURITIES OF LONG-TERM DEBT	$ 6,459,815
ACCOUNTS PAYABLE	1,734,457
ACCRUED PAYROLL	616,479
ACCRUED PERSONNEL COSTS AND WITHHOLDINGS	1,009,771
ACCRUED INTEREST PAYABLE	492,813
TOTAL CURRENT LIABILITIES	10,313,335
LONG-TERM DEBT	
LONG-TERM DEBT	100,291,870
TOTAL LONG-TERM DEBT	100,291,870
DEFERRED REVENUE AND OTHER LIABILITIES:	
REFUNDABLE ENTRY FEES	39,123,122
NONREFUNDABLE ENTRY FEES	32,865,115
MEMBERS DEPOSITORY ACCOUNTS	2,274
RESERVE PAL	1,347,634
TOTAL DEFERRED INCOME AND OTHER LIABILITIES	73,338,145
FUND BALANCE:	
RESTRICTED - ENDOWMENT	304,407
RESTRICTED	2,919,836
UNRESTRICTED	115,403,517
TOTAL FUND BALANCE	118,627,760
TOTAL LIABILITIES AND FUND BALANCE	$ 302,571,110

THE PRESBYTERIAN HOMES, INC.
STATEMENT OF REVENUE & EXPENSES
FOR THE TWO MONTH PERIOD ENDED DECEMBER 31, 2018

REVENUE:	
SERVICE FEES-RESIDENTIAL	7,087,013
SERVICE FEES-ASSISTED LIVING	1,927,373
SERVICE FEES-NURSING	4,309,532
ADULT DAY CARE	37,484
DINING SERVICE REVENUE	102,632
REIMBURSED MEDICAL	523,723
BEAUTY SHOP	17,237
GOLF COURSE	-
OTHER	364,084
TOTAL OPERATING REVENUE	14,369,078
EXPENSES:	
ADMINISTRATION	2,562,734
RESIDENT SERVICES	183,415
WELLNESS	140,391
ENVIRONMENTAL SERVICES	657,054
DINING SERVICES	2,005,102
MAINTENANCE	1,449,204
GOLF COURSE / GROUNDS	203,570
NURSING	3,858,265
ADULT DAY CARE	32,098
PURCHASED MEDICAL SERVICES	579,042
MARKETING	468,130
BEAUTY SHOP	13,327
OTHER	62,630
TOTAL OPERATING EXPENSES	12,214,962
OPERATING INCOME (LOSS)	2,154,116
NONOPERATING REVENUE (EXPENSES)	
AMORTIZED ENTRY FEES	2,186,997
DIVIDEND AND INTEREST INCOME	2,007,289
DEPRECIATION AND AMORTIZATION	(1,926,503)
CONTRIBUTIONS	481,637
INVESTMENT INCOME - REALIZED GAINS (LOSSES)	(26,069)
INVESTMENT INCOME - UNREALIZED GAINS (LOSSES)	(10,291,213)
BOND AND NOTE INTEREST	(783,040)
INTEREST RATE SWAP ACTIVITY	(1,201,244)
OTHER	26,753
TOTAL NONOPERATING REVENUE (EXPENSE)	(9,525,393)
EXCESS (DEFICIT) OF REVENUE OVER EXPENSES AND NONOPERATING INCOME (EXPENSE)	$ (7,371,277)

THE PRESBYTERIAN HOMES, INC
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTH PERIOD ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
OPERATING INCOME (LOSS)	$ 2,154,116
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO	
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:	
ADVANCE FEES RECEIVED, NET OF REFUNDS	2,213,736
NET CHANGE IN TRUSTEE HELD FUNDS REQUIRED FOR CURRENT LIABILITIES	322,681
BOND AND NOTE INTEREST	(783,040)
CHANGE IN WORKING CAPITAL COMPONENTS:	
(INCREASE) DECREASE IN:	
TRADE AND OTHER RECEIVEABLES	163,396
OTHER ASSETS	(121,923)
INCREASE (DECREASE) IN ACCOUNTS PAYABLE AND	
ACCRUED EXPENSES	(1,772,526)
NET CASH PROVDED BY (USED IN)	
OPERATING ACTIVITIES	2,176,440
CASH FLOWS FROM INVESTING ACTIVITIES	
PAYMENTS FOR PROPERTY AND EQUIPMENT	(4,785,013)
DIVIDEND AND INTEREST INCOME	2,007,289
NET CHANGE IN INVESTMENTS	(2,338,759)
NET CHANGE IN TRUSTEE HELD FUNDS	(4,632)
CONTRIBUTIONS	481,637
NET CASH PROVIDED BY (USED IN)	
INVESTING ACTIVITIES	(4,639,478)
CASH FLOWS FROM FINANCING ACTIVITIES	
NET, PRINCIPAL RECEIPTS (PAYMENTS) ON LONG-TERM BORROWINGS	578,373
OTHER, NET	26,753
NET CASH PROVIDED BY (USED IN)	
FINANCING ACTIVITIES	605,126
NET INCREASE (DECREASE) IN CASH	
AND CASH EQUIVALENTS	(1,857,912)
CASH AND CASH EQUIVALENTS:	
BEGINNING	19,746,036
ENDING	$ 17,888,124

Exhibit E

THE PRESBYTERIAN HOMES, INC.

Non-Conflict of Interest Statement

Except with the prior approval of the Board of Governors of The Presbyterian Homes, Inc., no Trustee or Director of an operating division or affiliate of The Presbyterian Homes, Inc. or a member of the Board of Governors of The Presbyterian Homes, Inc. shall perform for any personal gain or remuneration services for The Presbyterian Homes, Inc. or any of its operating divisions or affiliates, directly or indirectly, as a principal, employee, consultant or in any other capacity which promises compensation of any kind.

Except with the prior approval of the Board of Governors of The Presbyterian Homes, Inc., no Trustee or Director of an operating division or affiliate of The Presbyterian Homes, Inc. or a member of the Board of Governors of The Presbyterian Homes, Inc. shall have any beneficial interest in or substantial obligation to any supplier of goods and services to The Presbyterian Homes, Inc. or any of its operating divisions or affiliates.

Except with the prior approval of the Board of Governors of The Presbyterian Homes, Inc., no Trustee or Director of an operating division or affiliate of The Presbyterian Homes, Inc. or, Trustee or Director of The Presbyterian Homes, Inc. shall accept any gift, entertainment, service, loan or promise of future benefit its from any persons who may either personally or whose employees might benefit or appear to benefit it from such Board of Trustees or Board of Governors connection with The Presbyterian Homes, Inc. or any of its operating divisions or affiliates.

This policy statement is not intended to apply to gifts and/or similar entertainment clearly of nominal value that are unquestionably in keeping with good business ethics and do not obligate the recipient.

Any matter or question of interpretation that arises relating to this policy shall be referred to the Board of Governors of The Presbyterian Homes, Inc. for a decision. Prior to obtaining the approval of the Board of Governors of The Presbyterian Homes, Inc. of a matter described herein, full disclosure of all particulars relating to the matter under consideration shall be made. All parties interested in the matter under consideration shall not participate in or be present during the deliberations of the Board of Governors concerning the matter under consideration, and shall abstain from voting on such matter.

I have read the foregoing non-conflict of interest statement and agree to abide by it.

Print Name: ______________________________

Signature: ______________________________

Date: ______________________________

THE PRESBYTERIAN HOMES, INC.

Policy of the Board of Governors
Regarding Decision Making, Ethics
and Conflicts of Interest

Decision Making

- Board members should respect the orderly process by which recommendations for discussion and action flow from established committees to the Executive Committee for review and referral, as deemed appropriate, to the Board;
- Board members should, in turn, direct information coming to them and their own initiatives to either the President for immediate action or to the proper committees for consideration;
- Board members should keep in mind at all times the fiduciary nature of their roles and the obligations to treat all matters of Board business with discretion and confidence;
- Board members should endeavor to make policy decisions only after being fully informed and after discussion and debate has occurred;
- Board members should never surrender independent judgment to that of other individuals or special interest groups;
- Board members should focus on policy issues alone, refraining from delving into operational matters entrusted to the President and the management team;

Ethics

- Board members should ensure that their own decisions and actions and those of The Presbyterian Homes, Inc. are consistent at all times with the highest principles of ethical conduct; this includes the obligation to report instances of perceived misconduct or otherwise unethical or illegal conduct.;

Conflicts of Interest

- Board members should indicate annually by their signature that they are personally in compliance with non-conflict of interest principles and practices;

- Board members should avoid being placed in positions of conflict of interest, yet whenever the potential for such occurs, actual or perceived, it should be disclosed and resolved;

- Board members should seek guidance from other Board members in regard to potential or self-perceived conflicts of interest;

- Board members should never use their position for personal gain or benefit.

Orientation

- Board members will take part in the orientation process after which time said individual has been nominated and approved by trustees. The President will provide the orientation to include but not be limited to: introduction to The Presbyterian Homes, Inc., the four communities it manages, by-laws, mission, PHI and the retirement communities foundations, financials and staff.

Education

- Board members will take part in annual educational sessions to ensure members are made aware of the current industry trends, opportunities and challenges.

Exit Surveys

- Board members will be provided with exit interview survey upon completion of their term to evaluate Board effectiveness, efficiency and processes.