

# DISCLOSURE STATEMENT

March 1, 2019

The Forest at Duke

2701 Pickett Road  
Durham, NC 27705

919-490-8000

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

- **this Disclosure Statement may be delivered until revised, but not after July 26, 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.**

## **I. ORGANIZATION INTRODUCTION AND INFORMATION**

The provider of services is The Forest at Duke, Inc. an independent, not-for-profit corporation formed solely to develop, own, and manage The Forest at Duke. The Forest at Duke, Inc. has no formal affiliations with any religious, charitable, or other not-for-profit organization. The community has programmatic affiliations with Duke University and Duke University Medical Center to provide services and activities to the residents of The Forest at Duke. The Forest at Duke, Inc. has received recognition of income tax exemption under section 501(c)(3) of the Internal Revenue Code. The Forest at Duke is pledged to the letter and spirit of U.S. policy for the achievement of equal housing opportunity throughout the nation. We encourage, support, and are committed to operating a community where there are no barriers or discrimination because of race, color, religion, sex, handicap, familial status or national origin. The community address is 2701 Pickett Road, Durham, NC 27705.

In 2007, The Forest at Duke was awarded a BBB+ credit rating by Fitch Ratings, which was upgraded in 2017 to an A-. The Forest also achieved accreditation from CCAC/CARF (Continuing Care Accreditation Commission/Commission on Accreditation of Rehabilitation Facilities) in 2007. In 2017, The Forest earned another five year accreditation term.

The Forest at Duke is Medicare Part A certified.

## **II. FACILITY INTRODUCTION AND INFORMATION**

The Forest at Duke is located on 47 acres just south of Duke University on Pickett Road. The community consists of 154 apartments in three and four-story buildings, 95 one-story cottages, a community center of approximately 40,000 square feet, and a Health and Wellness Center of approximately 98,365 square feet all designed to accommodate approximately 400 residents. As of December 31, 2018, 313 residents live in the independent living residences, 47 residents receive skilled nursing care and 27 residents receive adult care services. The community center houses a formal dining room, café, living room and social lounge, an arts and crafts studio, an auditorium, library, classroom, beauty and barber shop, swimming pool, fitness areas and gift shop. The Health and Wellness Center currently consists of an outpatient clinic, 34 licensed adult care beds (assisted living), and 58 licensed nursing beds (skilled nursing care). Construction began in August 1990 and the building opened for occupancy on September 1, 1992. An expansion and renovation of the facility was completed in 2004 and included the construction of a 34 bed adult care addition, renovation and reconfiguration of the community center, dining room and common areas, redecoration of existing adult care and skilled nursing areas and the phased reclassification of existing adult care beds to skilled nursing beds. The Forest at Duke is owned by The Forest at Duke, Inc., a not-for-profit, independent corporation managed by a Board of Directors and a professional management staff.

The Community recently completed the renovation to the campus, which included additional parking, enhanced dining and fitness venues as well as other interior program modifications.

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**A. The Board of Directors and Officers****1. George Brothers, Jr., MD**

4202 Champaign Drive  
Durham, NC 27707  
POSITION: Director

Dr. Brothers earned his BA from Brown University and his MD from Tufts University. His medical residency was served at Boston City Hospital, after which he completed a fellowship in rheumatology at UNC. He is board certified in both internal medicine and rheumatology. He is a past chairman of the Board of Trustees of Durham Regional Hospital.

**2. Jane Brown**

1312 Dollar Avenue  
Durham, NC 27701  
POSITION: Director

As a Senior Strategic Advisor for Mosaic Health Solutions, Ms. Brown is responsible for deals from end to end including sourcing opportunities, negotiating transactions, and growing portfolio companies. Prior to Mosaic Health Solutions, Ms. Brown was a strategic business lead responsible for growing patient care services generating over \$400mm in revenue at a premier academic medical center. Passionate about making health care better, Ms. Brown's career spans from starting a nonprofit to spurring innovation in women's health to guiding C-level health care executives develop new ways to care for patients as a PricewaterhouseCoopers consultant. Ms. Brown has an MBA with a concentration in health sector management from the Fuqua School of Business at Duke University and received her bachelor's degree in psychology from Franklin and Marshall College. Outside of the office, Ms. Brown enjoys gardening and travelling with her husband and three daughters.

**3. Harvey Cohen, MD**

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

Dr. Cohen currently serves in several professional roles at Duke University Medical Center in Durham, NC, including Walter Kempner Professor, Director, Center for the Study of Aging and Human Development, Chair Emeritus, Department of Medicine, Principal Investigator of the Duke Claude Pepper Older Americans Independence Center, and of the Partnership for Anemia: Clinical and Translational Trials in the Elderly (PACTTE). He received his medical degree, cum laude, from Downstate Medical College of the State University of New York (SUNY). He served his internship in medicine at Duke University Medical Center, where he was later a resident and a Fellow in Hematology-Oncology. He was also a staff associate for the National Institutes of Health, National Institute of Arthritis and Metabolic Diseases. Dr. Cohen chairs the Cancer in the Elderly Committee for The Alliance for Clinical Trials in Oncology, and co-chaired the Task Force on Cancer and Aging for the American Association

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for Cancer Research. He is President of the American Federation for Aging Research and a past President of the American Geriatrics Society, the Gerontological Society of America and the International Society of Geriatric Oncology. He has published extensively with more than 300 peer reviewed papers as well as book chapters on topics in geriatrics and hematology/oncology. His current interests are geriatric assessment, biologic basis of functional decline, and cancer and hematologic problems in the elderly.

4. **Anthony Galanos, MA, MD**  
Duke University Medical Center  
Box 3003  
Durham, NC 27710  
POSITION: Director

Dr. Galanos is a Professor of Medicine and Associate Professor in the School of Nursing at Duke University and Medical Director for the Inpatient Palliative Care program at Duke University Health System. Dr. Galanos is also a Senior Research Fellow at the Center for the Study of Aging and Human Development. Dr. Galanos served as The Forest's first Medical Director from 1992-2005, and served six years on The Forest at Duke Board of Directors. He received a medical degree from the University of South Alabama in Mobile, Alabama.

5. **Michelle Harper**  
Savii Inc.  
117 Cobblepoint Way  
Holly Springs, NC 27540  
POSITION: Director, Secretary

Ms. Harper serves as President and CEO of Savii Inc., a software company located in Raleigh, NC. With over a decade of health & information technology experience, her career goal is to make technology usable for the end-user, regardless of technical ability. Previously, she served as Sr. Product Manager for Home Care Software Solutions based in Cary, NC and Director of Sales & Marketing at eCast Corporation, both of which focused on health technologies and allowed her to leverage her experience in operations, including strategic planning, sales, marketing, customer relations, and project management. Ms. Harper is active in the Triangle startup community serving as mentor for the Citrix Innovators Program and a Reviewer for the NC Idea Grant program. In 2004, she graduated from East Tennessee State University with a M.A. in History and from Emory & Henry College in 2002 with a B.A. in History with a minor concentration in Mathematics and has work published in International Social Science Review. Ms. Harper serves alongside her husband, Pastor Greg Harper, at their church in Holly Springs and is a proud grandmother to four grandchildren.



**6. Mike Hill**

324 Blackwell Street, #1130  
Durham, NC 27701  
POSITION: Director

Mr. Hill served as Vice President and General Counsel for Capitol Broadcasting Company from 1991-2007. While at Capitol, he was directly responsible for the development of greater than 1.2 million square feet of real estate projects, including the largest historical rehabilitation project in the history of the State of North Carolina. Mr. Hill also developed new ballparks for Capitol's minor league baseball teams in Durham, North Carolina and Myrtle Beach, South Carolina. He left Capitol Broadcasting Company to form D3 Development in October 2007. Mr. Hill is a 1983 graduate from Yale College and a 1987 graduate of the University of South Carolina School of Law.

**7. Russell Jones**

30 Pond View Court  
Durham, NC 27705  
POSITION: Director  
President of the Residents' Association

Mr. Jones has been a resident at The Forest since 2013. He received his BA degree in economics from Claremont McKenna College and a MA degree in economics from the University of Illinois at Champaign/Urbana. After three and a half years of active duty in the U.S. Navy, he earned a PhD in economics from the University of California at Santa Barbara. He has held a joint appointment with the Economics and Environmental Studies Departments at the University of California/Santa Barbara, was an International Economist at the U.S. Department of Commerce, served as Manager of the Corporate Planning and Economics Department at Pennzoil Corporation, and as Senior Economic Advisor at the American Petroleum Institute he focused on energy and environmental legislative and regulatory issues. Prior to moving to The Forest, he was Treasurer of the Villamay Community Association in Alexandria, VA. At The Forest, he served on the Resident Association Board from 2014-2017 as Director for the Facility Services Committee, Chair of the Grounds Committee and Chair of the Building and Safety Committee, with responsibility for oversight of the Rose Clippers, the Greenhouse Group and the Woodshop Committee. Additionally, he was Chair of the Ad Hoc Interior Gardens Committee, member of the Finance Committee, the Patriotic Events Committee, and the Website Advisory Committee. With five other "Ducks", he assisted in organizing the "Getting-Your-Ducks-in-a-Row" program. In 2017, he was elected as President of the Residents' Association.

**8. Chuck Kennedy**

3528 Darwin Road  
Durham, NC 27707  
POSITION: Director

A Durham native, Mr. Kennedy graduated from Guilford College with a bachelor's degree in criminal justice in 1981. He entered the insurance industry that same year with the Life

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Insurance Company of Virginia. In 1985, he joined Home Insurance Agency, where he managed their employee benefit division. A 1996 merger transformed Home Insurance Agency into CSC Corporation. Two years later, he left to form Admark Benefits Group, Inc., and later joined Banyan Consulting Group, now Hub International, in 2012. Mr. Kennedy is an elder at The Summit Church of Durham and is a member of the National Association of Health Underwriters and the Hope Valley Country Club.

**9. Arnie Lerman**

57 Forest at Duke Drive  
Durham, NC 27705  
POSITION: Director  
Resident of The Forest at Duke

Mr. Lerman has been a Forest resident since December 2010. He received his BA from Hamilton College, and an LL.B from Yale Law. Mr. Lerman spent his professional career practicing law in Washington D.C. with Washington DC Law Practice (1955-1993) and as partner at Partner, Wilmer, Cutler & Pickering (1962-1993). He practiced in diverse areas including banking, finance, regulatory and legislative issues, structuring businesses, funding development, strategic planning and commercial transactions. His expertise was also used advising business executives and boards, engaging in business transactions, and making appearances before courts, agencies and Congress. Mr. Lerman has also enjoyed working with non-profit organizations at various times since 1992, including Academy Art Museum (trustee), Delmarva Foundation for Medical Care (Director), Quality Health Foundation (Director, Chair), Chesapeake Chamber Music, Inc. (Director), Chesapeake Music Chamber Competition (Director, Chair & Founder), Temple B'nai Israel—Finance and Long Range Planning (Director) and Judea Reform Congregation Durham—Finance Committee. He served in the US Army between 1953 and 1955.

**10. Heather Smith Linton, CPA**

Linton & Associates, PA  
5011 Southpark Drive, # 100  
Durham, NC 27713  
POSITION: Director

Ms. Linton founded Linton & Associates, PA, an accounting and consulting firm specializing in helping individuals and owners of closely-held businesses, in 1989. She received her B.A. summa cum laude in philosophy and art history from the University of Delaware and her MBA from the University of North Carolina at Chapel Hill. Ms. Linton is a Certified Financial Planner™ (CFP®), and Certified Divorce Financial Analyst (CDFA). Ms. Linton's professional activities have included serving as President of the North Carolina Association of CPAs (NCACPA) and representing North Carolina as a member of the American Institute of CPAs (AICPA) Council and CPA Vision Team. She is a member of the Durham-Orange Estate Planning Council, Financial Planning Association, and Institute for Certified Divorce Financial Analysts. Ms. Linton was recognized by CPA Magazine in 2009 as one of the top 40 Tax Advisors to know during the recession. Ms. Linton has been involved in several community activities including currently serving on the Foundation Board for North Carolina Central

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University and the local board of Wells Fargo Bank, the finance committee for the Ellerbee Creek Watershed Association and the Durham Central Park Co-housing Community. Past board service includes the Durham Arts Council, Durham Technical Community College Foundation, Durham Communities in Schools, Chapel Hill Country Club, and the Durham Chamber of Commerce. Ms. Linton's publishing credentials include her authorship of the *Streetwise Guide to Business Valuation* (Adams Media, 2004) and *Protecting Your Financial Security When Getting a Divorce* (McGraw-Hill, 2004). In addition, she has written numerous articles on financial and tax issues. She has been quoted by many high-profile and local publications including: *The New York Times*, *CBS MarketWatch*, *Wall Street Journal*, *Bloomberg Wealth Manager*, *Business North Carolina*, and the *Triangle Business Journal*. Ms. Linton's communication experience includes talks and seminars about tax and financial planning topics such as estate planning, tax planning, divorce planning strategies and business valuation. She has been an invited speaker at national and state-wide professional conferences as well as seminars for the general public. She has appeared on several radio and television programs to talk about taxes and financial and divorce planning.

#### **11. Dean McCumber**

4 Silver Maple Court  
Durham, NC 27705  
POSITION: Director  
Resident of The Forest at Duke

Mr. McCumber had a diverse 30-year research and technical-management career at Bell Laboratories when it was at the peak of its prominence. During the period immediately preceding the breakup of the Bell System he was appointed to represent Bell Labs in a small AT&T group supporting the Chairman on reorganization and legislative options, and during the breakup transition he served in the Office of the AT&T President. After retiring from Bell Labs, he was recruited to Duke in 1992 as Director of Undergraduate Studies (DUS) in Electrical Engineering to advise and teach undergraduates. At Duke, he organized departmental Self Studies for three successive planning and engineering-accreditation cycles. Education: Bachelors and Masters degrees in Electrical Engineering, Yale University; Two years active duty as an engineering officer, USS Tripoli, U.S. Navy; PhD in Theoretical (Mathematical) Physics, Harvard University; Two years NSF Postdoctoral Fellow in Theoretical Physics (École Normale Supérieure, Paris, France and Institute for Theoretical Physics (Niels Bohr Institute), Copenhagen, Denmark).

#### **12. David H. Pottenger**

Morgan Stanley Wealth Management  
3511 Shannon Road, Suite 300  
Durham, NC 27707  
POSITION: Director, Chair

Mr. Pottenger is the Senior Vice President/Portfolio Manager with Morgan Stanley Smith Barney. He holds a BA from Davidson College, 1979. He has been very active in the greater Durham community through his current and past board work with Urban Ministries of Durham

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(Board Chair), YMCA of Durham, Lakewood YMCA (Board Chair), Hope Valley Country Club (President), Executive Service Corps, Westminster Presbyterian Church.

**13. Alice Sharpe**

208 Rigsbee Avenue, Unit 106  
Durham, NC 27701  
POSITION: Director, Vice Chair

Ms. Sharpe, a Durham native and 1971 Duke graduate, is a realtor, broker with Berkshire Hathaway Home Services. Ms. Sharpe has a background in retail management, having worked 13 years for a major retailer. She then formed and operated her own events planning company after returning to Durham. She became actively involved in the revitalization of downtown Durham, serving as the Downtown Events Coordinator for the City of Durham prior to being named the Economic Development Coordinator for the City working in the Office of Economic and Employment Development. Ms. Sharpe is a past president of the Junior League of Durham and Orange Counties, a past chair of Downtown Durham Incorporated (DDI), and past president and board member of Durham Central Park. She is a current board member of the Historic Stagville Foundation, Preservation Durham and the Museum of Durham History.

**14. Casey Steinbacher**

312 Blackwell Street  
Durham, NC 27701  
POSITION: Director

Ms. Steinbacher, CEO of Casey's Company and former CEO of the Greater Durham Chamber of Commerce, serves as Executive Director of Made in Durham. Ms. Steinbacher was a founding member of Made in Durham's board of directors while she was the Chamber's chief executive. She left the Chamber to form a consulting company that focuses on urban innovation. She recently returned to the board to chair the Management Committee and took the helm of Made in Durham in November 2017. She holds a bachelor's degree in urban development from Pennsylvania State University and is widely recognized as a national expert in urban innovation strategies.

**15. Chuck Wilson**

CT Wilson Construction  
150 Golden Drive, Suite 200  
Durham, NC 27705  
POSITION: Director

After graduating from North Carolina State University with a Bachelor's Degree in Civil Engineering, Mr. Wilson served as a Damage Control Officer and Engineering Officer on two different ships in the US Navy before taking a management position at CT Wilson Construction. Since 1983, Charles T. Wilson, Jr. has been the President and Treasurer of CT Wilson Construction Company. Mr. Wilson has held nearly every position within the company and currently oversees the company's corporate operations. He is active in his church and serves on numerous boards for both civic and industry affiliated organizations as an advocate

for education, minority participation, workforce development, and healthcare. He is a Durham native and a proud grandfather of three.

**16. Allison Zollicoffer**  
4211 Amesbury Lane  
Durham, NC 27707  
POSITION: Director

Mr. Zollicoffer is an independent financial consultant providing a range of "CFO" type services to smaller businesses. He is currently working with several small businesses, revenues ranging from \$1 to \$45 million, on a variety of different issues. Allison's goal is to help companies identify and focus on what is important in their business and its impact on the financial condition of the company. His background includes 17 years in banking/financial services and five years in private industry (textiles). His banking experience includes retail banking, commercial/corporate banking and capital markets (Wachovia and First Union). His private industry experience is five years of work at Harriet & Henderson Yarns, a privately held textile company with \$120-\$180 million in revenue. During his first three years at Harriet & Henderson, he was responsible for strategic planning and special projects. This included analysis of various projects (capital expenditures, joint ventures and acquisitions), centralization of purchasing, disposition of trucking operations and negotiation of various corporate development opportunities. Additionally, during the last two years, he headed the sales and marketing function as well as headed a cost cutting team. Allison served on the Harriet & Henderson's Board of Directors from 1992 until January 2004 and at various times chaired the Audit Committee and co-chaired the Strategic Planning Committee. He has his MBA (UNC 1986) and has passed the CPA exam (Fall 1985, first attempt).

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

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

**B. Professional Staff and Consultants**

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

- 1. Anita L. Holt, MPH, President/CEO:** Ms. Holt joined The Forest at Duke in January 2015. Ms. Holt is a seasoned professional in the field of aging services with more than 25

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years of executive leadership in continuing care and senior living communities. She is an advocate of innovation and strategic service and program development which responds to the emerging needs of older adults. Ms. Holt holds a Master of Public Health from Boston University/SPH and is a proud graduate of Northeastern University.

2. **Lee Ann Bailey-Clayton, Director of Health Services:** Ms. Bailey-Clayton's 29-year career has been firmly planted in the medical field of acute care and long term care, with nearly 20 of those years being tenured here, with The Forest at Duke. Her professional interests include dementia care and communication, human behavior and team member morale and development. Ms. Bailey-Clayton is a graduate of Appalachian State University with a Bachelor's of Social Work degree. In 2016, she went on to achieve her North Carolina Nursing Home Administrator's license. As an accomplished leader and mentor, Ms. Bailey-Clayton was awarded the North Carolina Emerging Leader Award from Leading Age North Carolina in 2018. In 2016, she became a Certified Alzheimer's Disease and Dementia Care Trainer.
3. **Art Ernteman, Director of Dining Services:** Mr. Ernteman joined The Forest at Duke in August 2018. Mr. Ernteman is an operations and management professional with over 15 years of experience in overseeing multi-million dollar operating budgets, developing award-winning business models, and leading large and diverse teams of professionals. He has proven success in innovations such as bringing farmer's markets to the residents, building collaborative activities and relationships with residents, and strengthening menu offerings. Mr. Ernteman has a Bachelor of Science in Business Administration from the University of North Carolina at Greensboro.
4. **Karen E. Henry, CPA, Director of Finance, CFO and Treasurer:** Ms. Henry has served as the Director of Finance since June 2005 and also serves as the Treasurer and the CFO to the Corporation. As Director of Finance, Ms. Henry is responsible for the accounting and financial administration of The Forest, as well as assisting the CEO with budgeting and strategic planning. Ms. Henry has a Bachelor of Science in Business Administration with a major in Accounting from Shippensburg University of Pennsylvania and is a Certified Public Accountant (CPA). She began her career as an audit professional with KPMG LLP, Harrisburg, PA and continued in internal audit with Hershey Foods Corporation, Hershey, PA. She then spent five years in the clinical research industry at Quintiles Transnational Corporation in increasing roles of responsibility (Financial Analyst, Senior Manager, Associate Director) in the Consolidation/SEC/Financial Reporting Department and most recently as Senior Manager/Controller at Constella Group. Ms. Henry is also a member of the NC Association of CPAs.
5. **Andrea McDade, Director of Human Resources:** Ms. McDade joined The Forest at Duke as Director of Human Resources in June 2015. Ms. McDade is a North Carolina native with over ten years' experience working in the healthcare industry. In 2001, she began her career path in senior living working at Evergreens Senior Healthcare as a Social Worker. Later, in an endeavor to make a greater impact on the lives of residents and employees, Ms. McDade transitioned to the field of Human Resources (HR). She is passionate about providing an optimal level of service to promote an exceptional customer service experience. Academically, Ms. McDade has a Bachelor of Arts degree in Sociology from North Carolina Agricultural and

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Technical State University, and graduate degrees in Master of Human Resource Management (MHRM) and Master of Business Administration (MBA) from Keller Graduate School of Management of DeVry University. Additionally, she has a graduate certificate in Human Resource Management, and is certified with the Society for Human Resource Management (SHRM-CP), and the HR Certification Institute (Professional in Human Resources). Throughout her HR career, Ms. McDade has held the positions of Coordinator, Analyst, Manager, and Director. Most recently, prior to joining the Leadership Team at The Forest at Duke, she held the positions of Regional Director, Human Resources at Brookdale Senior Living Solutions, and Divisional Director, Human Resources at Emeritus Senior Living. In her roles with Brookdale and Emeritus, Ms. McDade was the HR leader for geographically dispersed communities within the Continuing Care Retirement Community (CCRC) Division.

6. **Sandy Mouras, Director of Resident Life:** Ms. Mouras joined The Forest at Duke in September 2011. As Director of Resident Life, she is responsible for developing distinct, vibrant programs and services in independent living which support the interest and needs of the residents to be engaged and supported in pursuits both internal and external to the community. In 2017, Ms. Mouras was selected as a fellow with the Leading Age NC Leadership Academy. She holds a BA from James Madison University and is a proud member of the Urban Ministries of Durham Board of Directors.
7. **April Ravelli, Director of Sales and Marketing:** Ms. Ravelli has served as Director of Sales and Marketing since September 2018. She brings a depth of more than 15 years of experience as an accomplished leader in digital marketing, advertising, and branding. In addition to directing the sales and marketing for independent living at The Forest, she provides oversight and branding control of all marketing materials, advertising and media placement. Ms. Ravelli has a bachelor's degree in English Literature from the University of North Carolina at Wilmington. She also holds a Certificate in Digital Marketing from North Carolina State University. Prior to The Forest at Duke, she served as the Executive Director of One World Market, a 25 year old Durham not-for-profit organization.
8. **Nathan Summers, Director of General Services:** Mr. Summers joined The Forest at Duke in April 2016, bringing more than 15 years of experience in the senior living industry. During his 25 year career, Mr. Summers has led teams in all service areas including maintenance, security, housekeeping, landscaping and administration. He was recognized in 2015 by North Carolina Leading Age for "Excellence in Customer Service". As a Certified Aging Services Professional, Mr. Summers has worked with various project development teams and with post-construction implementations which included major renovations to the historic Pinehurst Country Club in preparation for the 1999 Men's U.S. Open Golf Championship and the renovation of the 100 year old five-story Pine Needles Hotel for senior living apartments. He was also influential in assisting two communities achieve accreditation from CCAC/CARF.
9. **Heidi K. White, MD, MHS, MEd, Medical Director:** Dr. White has served as the Medical Director at The Forest since October 2017. Dr. White is an Associate Professor of Medicine in the Division of Geriatrics, Department of Medicine of the Duke University School of Medicine. She serves as Vice Chief for Clinical Affairs of the Geriatrics Division. Her expertise pertains to geriatric medicine, long-term care medicine, curriculum development in

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these areas and clinical research pertaining to dementia and long-term care. She serves on the AGS Clinical Practice and Models of Care Committee and is the current President of AMDA, The Society for Post-Acute and Long-Term Care Medicine.

**Consulting Professionals:**

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

**Progressive Computer Systems:** Computer consultants, 615 Eastowne Drive, Chapel Hill, NC 27514.

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

**Sanders, Walsh & Eaton, LLC:** Accounting services, P.O. Box 1427, West Chatham, MA 02269-1427.

**Ziegler Capital Management, LLC:** Investment advisors, 70 West Madison Street, Suite 2400, Chicago, IL 60602.

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



### III. POLICIES

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

Generally, all residents of the independent living units at The Forest at Duke are required to live independently at the time of admission and to have the financial resources to pay the Entry and Monthly Service Fees. Residents must be 65 years of age at the time of admission. In the case of co-residents, one resident may be as young as 62 years old. Residents are also required to subscribe to Medicare Parts A and B and to maintain supplemental health insurance acceptable to The Forest. The process for admission, and the financial and medical requirements are specifically outlined in the forms for admission given to every person interested in applying. Once an individual is approved for admission, has paid a 15% deposit on the Entry Fee, and signed the Residence and Care Agreement, admission is guaranteed regardless of a change in the resident's health status between the time of the signing of the Agreement and the Date of Occupancy. The Forest always maintains the right to reevaluate a prospective resident's health or financial status prior to admission. Residents whose health status changes prior to occupancy such that they require direct admission to the Health and Wellness Center (as determined by The Forest) will be required to pay the fees in Section V.D. 2 and 3 of the Disclosure Statement. Prospective residents should review all admission forms and the Residence and Care Agreement (contract for services) prior to making a deposit for admission.

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

#### B. Cancellation/Termination

- 1. Cancellation of Contract Prior to Occupancy:** The \$1,000 priority deposit, without interest, is always refundable in the event the resident decides not to move into The Forest at Duke. The Residence and Care Agreement, Section VI makes the following provisions regarding cancellation:

**Withdrawal Within the 30 Day Right of Rescission Period:** The resident may rescind this agreement prior to the Date of Occupancy, or after occupancy, by giving written notice to The Forest within the later of thirty (30) days of the execution of the Residence and Care Agreement or of the date that you received the Disclosure Statement as required by Section 58-64-1, et. seg. of the North Carolina General Statutes. Resident

will receive a full refund equal to all funds paid toward the Entry Fee without interest, less any non-standard costs incurred by The Forest at the resident's request. Resident will be paid within sixty (60) days of receipt of the written notice to terminate. The resident is not required to take occupancy before the end of the 30 day trial period.

**Withdrawal After the Thirty Day Right of Rescission Period:** After the thirty day rescission period (and prior to Date of Occupancy), if the resident withdraws from the Residence and Care Agreement, the resident will receive a refund equal to the funds paid toward the Entry Fee (without interest) less an Administrative Fee equal to 2% of the Entry Fee based on the Amortized Plan for the independent living residence selected, less any non-standard costs incurred by The Forest at the request of the resident. The refund will be paid within sixty (60) days of receipt of the written notice to terminate.

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

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

## **2. Cancellation of Contract After Occupancy:**

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

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## Conditions of Termination After Occupancy

**A. Termination by the Resident:** The terms of this section apply only after the thirty-day right of rescission period, and after the Date of Occupancy. The Agreement may be terminated by you in accordance with the following conditions:

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

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

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

## Conditions for Refund After Occupancy

**A. Termination of Agreement by Resident:** You are entitled to a refund of the Residence Fee less an amount calculated in accordance with the Residence Fee Refund Plan chosen by you. For purposes of computing the refund amount, the termination date will be the date your residence is vacated by you, and all of your personal property has been removed from the residence, and a walk-through has been completed by you or your designee and management. Residence Fees will not be pro-rated for a period less than one month.

**B. Termination of Agreement by The Forest:** If The Forest terminates this Agreement pursuant to Paragraph B above, you shall be entitled to a refund of the Residence Fee less an amount calculated in accordance with the Residence Fee Refund Plan chosen by you. For purposes of computing the refund amount, the termination date will be the date that your residence is vacated by you, and all of your personal property has been removed from the residence, and a walk-through has been completed by you or your designee and management. Residence Fees will not be pro-rated for a period less than one month.

**C. Payment of Refunds:** Any refund of the Residence Fee will be paid after all outstanding charges due to The Forest by you have been paid, your personal belongings have been removed, and a final walk-through has been completed. Such payment shall be deferred until thirty (30) days after the independent living residence formerly occupied by you is re-occupied and a full Entry Fee is received for the residence. Refunds will be paid to you, or in the event of your death, to your estate.

**D. Release upon Termination:** Upon termination of this Agreement, The Forest is released from any further obligations to you except for the payment of any refund which may be due under this paragraph.

With respect to the calculation of refunds, Section II.D of the Residence and Care Agreement makes the following provisions:

**Residence Fee Refund Plans:** Three Residence Fee Plans are available to the resident according to the terms listed below. A Residence Fee Refund Plan must be declared by the resident when the 15% deposit is paid, but may be changed up to the date of payment of the final balance. The terms in this section apply to refunds made after the Date of Occupancy.

1. The **Amortized Residence Fee** accrues to The Forest at a rate of 2% per month beginning with the first day of the month of the Date of Occupancy or portion thereof. The resident may be due a refund of the Residence Fee paid less a sum equal to 2% times the number of months (or partial months) of occupancy less any costs owed The Forest by the resident, and less any amount necessary to restore the residence to an acceptable condition (except for reasonable wear and tear). Refunds will be payable to the resident only after all outstanding charges due to The Forest by the resident have been paid, and after the residence has been vacated and the resident has removed all personal belongings. Additionally, any refund of the Residence Fee is deferred until thirty (30) days after the independent living residence formerly occupied by the resident is re-occupied and a full Entry Fee is received for the unit. Refunds are paid to the resident or in the event of the resident's death, to the resident's estate.
2. The **50% Refundable Residence Fee** will accrue to The Forest at a rate of 2% per month beginning with the first day of the month of the Date of Occupancy or portion thereof until 50% of the Residence Fee has been accrued by The Forest. Thereafter, any refund to the resident will be limited to 50% of the Residence Fee

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originally paid less a sum equal to any costs owed The Forest by the resident, and less any amount necessary to restore the residence to an acceptable condition (except for reasonable wear and tear). Refunds will be payable to the resident only after all outstanding charges due to The Forest by the resident have been paid, and after the residence has been vacated and the resident has removed all personal belongings. Additionally, any refund of the Residence Fee is deferred until thirty (30) days after the independent residence formerly occupied by the resident is re-occupied and a full Entry Fee is received for the unit.

3. The **90% Refundable Residence Fee** will accrue to The Forest at a rate of 2% per month beginning with the first day of the month of the Date of Occupancy or portion thereof until 10% of the Residence Fee has been accrued by The Forest. Thereafter any refund to the resident will be limited to 90% of the Residence Fee originally paid less a sum equal to any costs owed The Forest by the resident, and less any amount necessary to restore the residence to an acceptable condition (except for reasonable wear and tear). Refunds will be payable to the resident only after all outstanding charges due to The Forest by the resident have been paid, and after the residence has been vacated and the resident has removed all personal belongings. Additionally, any refund of the Residence Fee is deferred until thirty (30) days after the formerly occupied independent living residence is re-occupied and a full Entry Fee is received for the unit.

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

### **C. Moves/Transfers**

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

The resident may transfer from one independent living residence to another, or from an independent living residence to the assisted living or nursing section of the community, on a permanent or temporary basis. All changes in the living accommodations of the resident are based on availability and appropriateness as determined by The Forest, and must be authorized by The Forest. Residents may be assessed an internal move fee when moving from one independent living residence to another independent living residence. The decision made by The Forest concerning transfers shall be binding. If the resident's physical or mental condition deteriorates so that it precludes the resident from living independently in an independent living residence, or if the resident cannot live in an independent living residence without endangering the resident or others, The Forest may transfer the resident to an accommodation that can best provide for the safety and care of the resident. The Forest's Health Maintenance Committee may determine such changes (if not at the request of resident) shall be made only to protect the health or safety of the resident, or the general welfare of all of the residents of The Forest. Residents may request a meeting with the Health Maintenance Committee for the discussion and consideration of any actions taken by the Committee.

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

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

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

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

If second resident is an existing resident, they may continue to maintain two residential units and pay the applicable current Single Occupancy Monthly Service Fee and each contract will remain in effect separately. If they decide to occupy one residence, they must declare which residence will be occupied and which will be vacated. The vacating resident's contract will be terminated and subject to the refund provisions as outlined in Section VIII of the Residence and Care Agreement. The second resident will be added as a co-resident to the existing resident's Residence and Care Agreement and they will pay the applicable current Double Occupancy Monthly Service Fee.

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## **E. Financial Hardship**

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

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

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

## **IV. SERVICES**

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

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

- dining services as determined by chosen meal plan
- weekly housekeeping
- scheduled transportation
- all utilities except telephone service
- 24 hour emergency response service
- 24 hour security service patrols
- parking
- assistance with filing insurance claims for services rendered by The Forest

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

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

Services which will require additional payment include:

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

## **C. Amenities**

Amenities available at The Forest:

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

As needs are identified, other services may be offered.



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## **D. Away Allowance**

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

## **V. FEES**

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

Persons applying for residency pay a \$300 non-refundable application fee. Upon preliminary approval of their application, prospective residents pay a \$1,000 refundable priority deposit to join the waiting list. When the preferred residence is available, the prospective resident's application is updated, documented, and reviewed. Prospective residents are screened by the Medical Director prior to final approval for residency, and also are reviewed to determine that adequate resources are available to meet the financial requirement to live at The Forest.

### **B. Entry Fee**

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

The Forest at Duke requires that the balance of the Entry Fee be paid two weeks prior to the Date of Occupancy. Entry Fees vary according to the residence chosen, and double occupancy fees include a second person Entry Fee. The Entry Fee is comprised of two parts: a non-refundable Health Care Reserve Fee of \$10,000 per person and a Residence Fee. The Health Care Reserve Fees provide additional resources which allow The Forest to establish and charge discounted fees for health care services.

The Board of Directors reviews the financial performance of The Forest each year to determine the required fee levels. Effective October 1, 2018, Entry Fees are as displayed in Schedule "A":

**Schedule A**

**SINGLE OCCUPANCY  
2018 ENTRY FEES**

<b><u>Unit Type</u></b>	<b><u>Amortized Plan Entry Fee</u></b>
<b>Apartments:</b>	
Ash (1 BDR)	\$ 95,115
Beech (1 BDR exp)	\$125,525
Cedar (1 BDR w/den)	\$182,385
Dogwood (2 BDR)	\$239,500
Elm (2 BDR w/den)	\$256,130
<b>Cottages:</b>	
Alder (1 BDR w/den)	\$269,895
Birch (2 BDR)	\$319,000
Chestnut (2 BDR w/den)	\$365,845
Pine (2 BDR w/study)	\$506,430
Holly (2 BDR w/study)	\$528,075
Magnolia (2 BDR w/study)	\$549,715

**DOUBLE OCCUPANCY  
2018 ENTRY FEES**

<b><u>Unit Type</u></b>	<b><u>Amortized Plan Entry Fee</u></b>
<b>Apartments:</b>	
Ash (1BDR)	\$123,115
Beech (1BDR exp)	\$153,525
Cedar (1 BDR w/den)	\$210,385
Dogwood (2 BDR)	\$267,500
Elm (2 BDR w/den)	\$284,130
<b>Cottages:</b>	
Alder (1 BDR w/den)	\$297,895
Birch (2 BDR)	\$347,000
Chestnut (2 BDR w/den)	\$393,845
Pine (2 BDR w/study)	\$534,430
Holly (2 BDR w/study)	\$556,075
Magnolia (2 BDR w/study)	\$577,715

All Entry Fees are composed of a Health Care Reserve Fee of \$10,000 per person plus a Residence Fee. The Residence Fee portion of the Entry Fee is refundable based on the following:

2% of the Residence Fee accrues to The Forest each month. The refund thus decreases to zero over 50 months.

50% and 90% Entry Fee Plans are offered. Please contact The Forest's Sales and Marketing Team for current pricing and availability.

#### Pricing Factor for Refundable Plan Entry Fees

Refundable Entrance Fee pricing is based on the Amortized Plan Entrance Fees multiplied by a factor. The current multiple for the 50% refundable plan is 1.4. The multiple for the 90% refundable plan is 1.8. The Forest at Duke reserves the right to modify the refundable multiple at any time and may also limit the number of refundable plans available to prospective residents. The multipliers for both plans are higher for incoming residents between the ages of 80 and 85 and is not available for residents over the age of 85.

*Prices subject to change without notice*

### C. Monthly Service Fees

Monthly Service Fees vary according to the unit chosen. Generally, Monthly Service Fees cover the services outlined above under "Standard Services Available" Section IV.A. Current Monthly Service Fees, effective October 1, 2018 are shown in Schedule B below. Note that double occupants pay a Second Person Monthly Service Fee, which is included in the fees for "Double Occupancy."

#### Schedule B

#### SINGLE OCCUPANCY 2018 MONTHLY SERVICE FEES

<b>Apartments:</b>		<b>Cottages:</b>	
Ash (1BDR)	\$3,219	Alder (1 BDR w/den)	\$4,891
Beech (1BDR exp)	\$3,730	Birch (2 BDR)	\$5,152
Cedar (1 BDR w/den)	\$4,222	Chestnut (2 BDR w/den)	\$5,425
Dogwood (2 BDR)	\$4,801	Pine (2 BDR w/study)	\$5,609
Elm (2 BDR w/den)	\$5,152	Holly (2 BDR w/study)	\$5,788
		Magnolia (2 BDR w/study)	\$5,908

**DOUBLE OCCUPANCY  
2018 MONTHLY SERVICE FEES**

**Apartments:**

Ash (1BDR)	\$4,868
Beech (1BDR exp)	\$5,379
Cedar (1 BDR w/den)	\$5,871
Dogwood (2 BDR)	\$6,450
Elm (2 BDR w/den)	\$6,801

**Cottages:**

Alder (1 BDR w/den)	\$6,540
Birch (2 BDR)	\$6,801
Chestnut (2 BDR w/den)	\$7,074
Pine (2 BDR w/study)	\$7,195
Holly (2 BDR w/study)	\$7,374
Magnolia (2 BDR w/study)	\$7,494

**D. Health and Wellness Center Fees**

- Residents of The Forest at Duke:** Each Forest resident with a life care contract receives fifteen (15) prepaid days for overnight stays in the Health and Wellness Center. As prepaid days are used, those days may again accrue back up to the 15 day maximum. One prepaid day will accrue on the first day of the month, following a month in which the resident has not incurred an overnight stay in the Health and Wellness Center. After the fifteen prepaid days are used, if the resident remains in either adult care or skilled nursing care on a temporary basis, the resident will be required to continue to pay their Monthly Service Fee for their independent living residence plus 60% of the Health and Wellness Center per diem rate. The Forest at Duke’s Health and Wellness Center fees are private pay. The Health and Wellness Center per diem rate will be set by management relative to the costs of providing services, and the private pay rates charged at similar local health care facilities. The Health and Wellness Center per diem rate effective October 1, 2018 is \$427.

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

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

- Direct Admission to Skilled Nursing Care:** Residents may be admitted directly for skilled nursing care because of a change in health status after acceptance and prior to Date of Occupancy, or if their spouse or sibling is moving into an independent living residence. These persons pay the \$10,000 Health Care Reserve Fee. Residents who are admitted directly for skilled nursing care are subject to the terms under “Direct Admission to the Health and Wellness Center” Section V.C. of the Residence and Care Agreement and will be required to

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pay directly for continuing care services listed under Section V.C.1 of the Residence and Care Agreement.

- 3. Direct Admission to Adult Care:** Residents may be admitted directly for adult care services without having a spouse or sibling in the independent living residences. Residents can enter on a month-to-month basis by paying the monthly fee. However, for residents of adult care to be eligible for skilled care, they must pay the \$10,000 Health Care Reserve Fee, have lived in adult care for at least 30 days, and be approved by the Health Maintenance Committee. Additionally, residents directly admitted for adult care services who transfer to skilled nursing care are not eligible for fifteen prepaid days of care. The monthly rate for direct admission to adult care is \$8,585, effective October 1, 2018. Residents who are admitted directly to adult care are subject to the terms under “Direct Admission to the Health and Wellness Center” Section V.C. of the Residence and Care Agreement and will be required to pay directly for continuing care services listed under Section V.C.2 of the Residence and Care Agreement.

### **E. Fee Change Policies**

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

It is understood by both parties that The Forest is a not-for-profit corporation dedicated to providing high quality services, facilities, and care at the lowest feasible cost. The parties also recognize the uncertain nature of future costs and expenses for goods and services and their mutual need to maintain a sound financial basis for the continued operation of the facility. The resident agrees that The Forest may adjust the Monthly Service Fee upon a 30-day written notice to the resident, as may be reasonably necessary according to the economic requirements and conditions and the level of services offered. The decision to adjust the Monthly Service Fee shall be made by the Board of Directors of The Forest in its sole discretion.

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

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

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

	<u>10/1/14</u> <u>9/30/15</u>	<u>10/1/15</u> <u>9/30/16</u>	<u>10/1/16</u> <u>9/30/17</u>	<u>10/1/17</u> <u>9/30/18</u>	<u>10/1/18</u> <u>9/30/19</u>
<b><u>Monthly Service Fees</u></b>					
One Occupant (\$'s per mo.)	\$154	\$128	\$154	\$182	\$165
Two Occupants (\$'s per mo.)	\$208	\$170	\$205	\$242	\$221
Approx. Percentage Increase	4.0%	3.0%	3.5%	4.0%	3.5%
<b><u>Health and Wellness Center Per Diems</u></b>					
Assisted Living (\$'s per day)	\$6	\$5	\$5	\$6	\$6
Skilled Nursing (\$'s per day)	\$6	\$5	\$5	\$6	\$6
Approx. Percentage Increase	4.0%	3.0%	3.5%	4.0%	3.5%

## VI. FINANCIAL INFORMATION

### A. Overview

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

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

In November 2003, \$30,835,000 of the outstanding principal balance of the Series 1994 bonds were refunded in order to take advantage of lower interest rates. This advance refunding allowed

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The Forest at Duke to capture a significant permanent savings in debt service costs for the next seventeen years.

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

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

## **B. Current Financial Statements**

See Exhibit A, attached, for audited financial statements for fiscal year 2018. The Statements include notations provided by the auditor presenting significant facts and assumptions relevant to the Statements.

## **C. Interim Financial Statements**

See Exhibit B, attached, for internally-generated financial statements for the period ending December 31, 2018.

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

See Exhibit C, attached, for a comparison of actual Fiscal Year 2018 results with Forecasted Proforma Projections included in the March 1, 2018 Disclosure Statement.

## **E. Financial Projection Statements**

See Exhibit D, attached, for financial forecasted statements prepared for the fiscal years 2019 through 2023. The Statements include detailed disclosure of assumptions used in the projections.

## **F. Actuarial Summary Report**

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

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## VII. RESERVES, ESCROW AND TRUSTS

### A. Deposits Made by Prospective Residents

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

### B. Trustee-Held Funds

The following reserves are required by either the North Carolina Medical Care Commission via The Forest at Duke trust indenture or the North Carolina Department of Insurance (balances are for the fiscal year ending September 30, 2018):

1. Debt service reserve fund: The Forest maintains a debt service reserve fund which is equal to the maximum annual debt service over the life of the Series 1994 bonds. This fund was established by the bond indenture and has a requirement of \$29,688. The current balance is \$31,140. These amounts are found in Exhibit A, Balance Sheet under "Non-current assets limited as to use."
2. Interest fund: As provided by the bond indentures, The Forest maintains an interest fund for the payment of current interest. Included in Exhibit A, Balance Sheet under "Noncurrent assets limited as to use" is \$55,377, which includes adequate funds for the 1994 and 2017 interest fund.
3. North Carolina Department of Insurance reserve requirements: North Carolina State law requires that a provider shall maintain after the opening of a facility an operating reserve equal to fifty percent (50%) of the total operating costs of the facility forecasted for the 12 month period following the period covered by the most recent disclosure statement filed with the Department. The forecast statements shall serve as the basis for computing the operating reserve. In addition to total operating expenses, total operating costs will include debt service, consisting of principal and interest payments along with taxes and insurance on any mortgage loan or other long term financing, but will exclude depreciation, amortized expenses, and extraordinary items as approved by the Commissioner. If the debt service portion is accounted for by way of another reserve account, the debt service portion may be excluded. If a facility maintains an occupancy level in excess of ninety percent (90%), a provider shall only be required to maintain a twenty five percent (25%) operating reserve upon approval of the Commissioner, unless otherwise instructed by the Commissioner. The operating reserve must be funded by cash, by invested cash, or by investment grade securities, including bonds, stocks, U.S. Treasury obligations, or obligations of U.S. government agencies.

The Forest at Duke's campus occupancy exceeds 90%, therefore, the 25% factor is applied to calculate the State-mandated reserve. See Section D "Operating Reserve Funds".



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All trustee-held funds are held by The Forest's trustee, US Bank Corporate Trust Services, Charlotte, North Carolina, under the direction of Ms. Lisa Moorehead. The Forest at Duke advises the trustee on investment decisions based on guidelines within the Loan Agreement. Trustee-held funds are invested only in instruments approved by the North Carolina Medical Care Commission and the North Carolina Department of Insurance.

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

Board designated funds include the Health Care Reserve fund established to provide additional resources which allows The Forest to establish and charge discounted fees for health care services. The balance of the Health Care Reserve fund as of September 30, 2018 was \$4,012,000. In addition, the Benevolent Fund value as of September 30, 2018 was \$200,308. The Benevolent Fund will be used at the discretion of the Benevolent Fund Committee of the Board of Directors to provide financial assistance to residents who are unable to meet their financial responsibilities.

### **D. Operating Reserve Funds**

The fiscal year 2019 requirement for The Forest's operating reserve is \$4,610,000. This reserve is held in the operating checking account and is maintained at a minimum balance of \$4,610,000. The fiscal year 2020 operating reserve requirement is \$4,794,000. The Forest anticipates the minimum balance to be increased to the required \$4,794,000 by September 2020. The additional funds needed to increase the reserve from the current level to the required level in September 2020 will be obtained from monthly service fees and entry fees. In the unlikely event that the monthly service fees and entry fees do not generate the required level of excess funds, The Forest will transfer the necessary funds from the cash reserves at Branch Banking and Trust which are invested in a money market fund. The Board of Directors makes investment decisions based upon recommendations made by Ziegler Capital Management.

## **VIII. RESIDENCE AND CARE AGREEMENT**

Attached is the Residence and Care Agreement. All persons interested in occupancy at The Forest should carefully review the Agreement and seek professional legal and financial advice prior to making a deposit.

**FINANCIAL EXHIBITS**

- Exhibit A.....FY 2018 Audited Statements by  
Dixon Hughes Goodman LLP
  
- Exhibit B.....Internally-Generated Financial  
Statements for the period ending  
December 31, 2018
  
- Exhibit C.....Comparison of Actual FY 2018  
Results with Forecasted Proforma  
Projections included in March 1,  
2018 Disclosure Statement
  
- Exhibit D.....Five Year Forecast 2019 - 2023

# The Forest at Duke, Inc.

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**Financial Statements**

September 30, 2018 and 2017

## Table of Contents

Independent Auditors' Report.....	1
<b>Financial Statements:</b>	
Balance Sheets .....	2
Statements of Operations.....	3
Statements of Changes in Net Assets.....	4
Statements of Cash Flows.....	5
Notes to Financial Statements .....	6



## Independent Auditors' Report

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

We have audited the accompanying financial statements of The Forest at Duke, Inc. ("The Forest"), which comprise the balance sheets as of September 30, 2018 and 2017 and the related statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 financial statements.

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Forest as of September 30, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Dixon Hughes Goodman LLP*

Raleigh, North Carolina  
December 3, 2018

**The Forest at Duke, Inc.**  
**Balance Sheets**  
**September 30, 2018 and 2017**

<b>ASSETS</b>	<u>2018</u>	<u>2017</u>
Current assets:		
Cash and cash equivalents	\$ 7,088,103	\$ 6,658,662
Assets limited as to use, current portion	182,784	192,200
Accounts and other receivables	304,975	221,386
Other current assets	<u>70,423</u>	<u>232,515</u>
Total current assets	7,646,285	7,304,763
Assets limited as to use, net of current portion	8,821,981	8,692,021
Investments	16,566,411	14,077,705
Property and equipment, net	<u>47,295,525</u>	<u>49,432,435</u>
Total assets	<u>\$ 80,330,202</u>	<u>\$ 79,506,924</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 255,770	\$ 90,025
Accrued expenses	755,367	703,947
Current portion of refundable entrance fees to residents	1,365,838	1,196,495
Current portion of bonds payable	<u>1,150,000</u>	<u>1,120,000</u>
Total current liabilities	3,526,975	3,110,467
Bonds payable, net of current portion and debt issuance costs	17,706,711	18,834,558
Deposits	410,318	741,678
Deferred revenue from non-refundable plan entrance fees	37,080,097	37,162,245
Refundable entrance fees to residents, net of current portion	<u>12,483,727</u>	<u>12,659,578</u>
Total liabilities	<u>71,207,828</u>	<u>72,508,526</u>
Net assets:		
Unrestricted	9,101,803	6,983,180
Temporarily restricted	<u>20,571</u>	<u>15,218</u>
Total net assets	<u>9,122,374</u>	<u>6,998,398</u>
Total liabilities and net assets	<u>\$ 80,330,202</u>	<u>\$ 79,506,924</u>

**The Forest at Duke, Inc.**  
**Statements of Operations**  
**Years Ended September 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Unrestricted revenues, gains and other support:		
Monthly service fees	\$ 15,069,536	\$ 14,392,288
Earned entrance fees	4,380,657	4,364,863
Clinic and health care center fees	5,106,460	5,123,872
Dining services income	175,026	176,215
Application fees	26,700	30,300
Other income	165,142	139,975
Net assets released from restriction	<u>47,045</u>	<u>137,840</u>
Total unrestricted revenues, gains and other support	<u>24,970,566</u>	<u>24,365,353</u>
Expenses:		
Dining services	4,680,059	4,210,642
Housekeeping and laundry	1,220,717	1,152,658
Health care center and nursing	5,011,448	4,782,566
Wellness clinic	555,972	399,615
Resident life	494,639	430,154
Facility costs	3,346,717	3,414,500
Marketing	622,220	649,845
General and administrative	2,330,484	2,125,111
Depreciation	4,986,431	4,938,100
Interest	<u>677,535</u>	<u>1,415,267</u>
Total operating expenses	<u>23,926,222</u>	<u>23,518,458</u>
Operating income	1,044,344	846,895
Nonoperating income (expense):		
Interest and dividends	557,757	493,816
Realized gain on sale of investments	1,426,758	95,286
Community responsibility	(391,838)	(291,888)
Loss on early extinguishment of bonds payable	<u>-</u>	<u>(448,752)</u>
Nonoperating income (loss)	<u>1,592,677</u>	<u>(151,538)</u>
Excess of revenues, gains and other support over expenses	2,637,021	695,357
Net unrealized gains (losses) on investments and assets limited as to use	<u>(518,398)</u>	<u>816,408</u>
Change in unrestricted net assets	<u>\$ 2,118,623</u>	<u>\$ 1,511,765</u>

**The Forest at Duke, Inc.**  
**Statements of Changes in Net Assets**  
**Years Ended September 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Unrestricted net assets:		
Excess of revenues, gains and other support over expenses	\$ 2,637,021	\$ 695,357
Net unrealized gains (losses) on investments and assets limited as to use	<u>(518,398)</u>	<u>816,408</u>
Change in unrestricted net assets	<u>2,118,623</u>	1,511,765
Temporarily restricted net assets:		
Contributions	52,398	141,230
Net assets released from restriction	<u>(47,045)</u>	<u>(137,840)</u>
Change in temporarily restricted net assets	<u>5,353</u>	<u>3,390</u>
Change in net assets	2,123,976	1,515,155
Net assets, beginning of year	<u>6,998,398</u>	<u>5,483,243</u>
Net assets, end of year	<u>\$ 9,122,374</u>	<u>\$ 6,998,398</u>



**The Forest at Duke, Inc.**  
**Statements of Cash Flows**  
**Years Ended September 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Operating activities:		
Change in net assets	\$ 2,123,976	\$ 1,515,155
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Earned entrance fees	(4,380,657)	(4,364,863)
Net realized and unrealized gains on investments and assets limited as to use	(908,360)	(911,694)
Non-refundable plan entrance fees received	4,075,200	5,954,431
Depreciation	4,986,431	4,938,100
Amortization of bond issuance costs included in interest expense	22,153	50,215
Amortization of bond premium included in interest expense	-	(4,141)
Loss on early extinguishment of debt	-	448,752
Net changes in operating assets and liabilities:		
Accounts and other receivables	(83,589)	(34,451)
Other current assets	162,092	(204,294)
Accounts payable	165,745	(69,005)
Accrued expenses	51,420	(13,429)
Net cash provided by operating activities	<u>6,214,411</u>	<u>7,304,776</u>
Investing activities:		
Net change in assets limited as to use	(120,544)	5,330,374
Purchases of investments	(14,481,046)	(9,128,596)
Proceeds from sale of investments	12,900,700	8,150,960
Purchase of property and equipment	(2,849,521)	(3,026,637)
Net cash provided (used) by investing activities	<u>(4,550,411)</u>	<u>1,326,101</u>
Financing activities:		
Entrance fees refunded	(1,743,807)	(1,369,011)
Refundable entrance fees received	1,629,248	1,682,498
Proceeds from issuance of bonds payable	-	20,210,000
Debt issuance costs from issuance of bonds payable	-	(330,442)
Principal payments on bonds payable	(1,120,000)	(3,045,000)
Retirement of bonds payable	-	(24,465,000)
Net cash used by financing activities	<u>(1,234,559)</u>	<u>(7,316,955)</u>
Net change in cash and cash equivalents	429,441	1,313,922
Cash and cash equivalents, beginning of year	<u>6,658,662</u>	<u>5,344,740</u>
Cash and cash equivalents, end of year	<u>\$ 7,088,103</u>	<u>\$ 6,658,662</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 661,082</u>	<u>\$ 1,425,600</u>

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

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

#### *Organization*

The Forest at Duke, Inc. ("The Forest") is a non-profit, North Carolina corporation. The Forest owns and operates a continuing care retirement community in Durham, North Carolina, which consists of 249 independent living units and 92 health care facility beds.

#### *Basis of Presentation*

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

#### *Cash and Cash Equivalents*

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

#### *Assets Limited as to Use*

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

- *The Department of Insurance (Operating Reserve)* - In accordance with North Carolina General Statute 58, Article 64-33, The Forest is required to maintain an operating reserve equal to 25% of the total operating costs (as defined) forecasted for the following year.
- *Funds Held by Trustee under Trust and Loan Agreements* - Funds held by trustee are held in accordance with the trust and loan agreements. Under the terms of the trust and loan agreements between The Forest and the North Carolina Medical Care Commission, these funds are deposited with the trustee.
- *Board Designated (Health Care Reserve)* - The health care reserve represents amounts paid by each resident as part of their entrance fee (\$8,000 before October 1, 2000, \$10,000 thereafter). The Board of Directors has designated these funds be maintained to help protect against escalating costs in The Forest's health care center.
- *Board Designated (Benevolent Fund)* - The Board of Directors has designated \$100,000 plus interest and contributions to be used as the benevolent fund. This fund is to be used for resident assistance in the event of financial hardship at the discretion of the Board of Directors.

#### *Investments*

Investments in money market mutual funds, corporate obligations, U.S. Treasury obligations, asset-backed securities, common stocks and mutual funds are measured at fair value in the balance sheets. Interest and dividends, realized gains (losses) on sale of investments, and other-than-temporary impairment loss on investments are reported as nonoperating income, and are included in excess of revenues, gains and other support over expenses. Unrealized gains (losses) on investments and assets limited as to use are excluded from excess of revenues, gains and other support over expenses and are reported as other changes in the unrestricted

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

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net assets. The cost of securities sold is based on the average cost method, adjusted for any other-than-temporary impairment loss on investments and assets limited as to use.

***Property and Equipment***

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

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

***Debt Issuance Costs***

Debt issuance costs represent financing costs as a result of the bond issuances. The financing costs are being amortized over the terms of the bonds, which is 15 years, and recorded as interest expense.

***Deferred Revenue from Entrance Fees***

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

Entrance fees vary based upon the size of the unit and the type of refund plan chosen by the resident. Three alternative entrance fee plans provide for refunds to residents from re-occupancy proceeds. Under the amortized plan, prior to 50 months of occupancy the resident would receive a refund equal to the entrance fee, less 2% per month of occupancy. The 50% refundable plan offers the resident a refund equal to 50% of the entrance fee after 25 months of occupancy. Prior to 25 months of occupancy, the resident is entitled to a refund of the entrance fee, less 2% per month of occupancy. Under the 100% refundable plan, the resident is entitled to a refund equal to 100% of the entrance fee paid. This plan was discontinued in 1994. The Forest had one of these contracts remaining as of September 30, 2018 and two as of 2017. The 90% refundable plan offers the resident a refund equal to 90% of the entrance fee after 5 months of occupancy. Prior to 5 months of occupancy, the resident is entitled to a refund of the entrance fee less 2% per month of occupancy.

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

***Obligations to Provide Future Services***

The Forest annually calculates the present value of the net cost of future services and use of facilities to be provided to current residents and compares the amount with the balance of deferred revenue from entrance fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded with the corresponding charge to nonoperating expense. The Forest was not required to record such a liability at September 30, 2018 and 2017.

***Net Assets***

The Forest reports net assets using the following three classes; unrestricted, temporarily restricted and permanently restricted depending on the presence and type of donor-imposed restrictions limiting The Forest's ability to use or dispose of specific contributed assets or the economic benefits embodied in those assets. Unrestricted net assets include those whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation. Temporarily restricted net assets are those whose use by The Forest has been limited by donors (a) to later periods of time or after specified dates or (b) to specified purposes.

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

Permanently restricted net assets are those net assets which have been restricted by donors to be maintained by The Forest in perpetuity. There were no permanently restricted net assets at September 30, 2018 and 2017.

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

The statements of operations include excess of revenues, gains and other support over expenses. Changes in unrestricted net assets which are excluded from excess of revenues, gains and other support over expenses, consistent with industry practice, include unrealized gains and losses on investments and assets limited as to use other than trading securities and net assets released from restrictions for the purchase of property and equipment.

***Donor Restrictions***

The Forest reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of operations as net assets released from restriction. The Forest reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

***Use of Estimates***

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

***Income Taxes***

The Forest is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The Forest has determined that it does not have any material unrecognized tax benefits or obligations as of September 30, 2018 and 2017.

***Subsequent Events***

The Forest evaluated the effect subsequent events would have on the financial statements through December 3, 2018, which is the date the financial statements were issued.

**2. Assets Limited as to Use and Investments**

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

	<u>2018</u>	<u>2017</u>
Department of Insurance - operating reserve	\$ 4,609,673	\$ 4,408,556
Held by trustee under trust and loan agreements	182,784	192,200
Board designated:		
Health Care reserve	4,012,000	4,102,000
Benevolent fund	<u>200,308</u>	<u>181,465</u>
Total assets limited as to use	9,004,765	8,884,221
Less assets limited as to use, current portion	<u>(182,784)</u>	<u>(192,200)</u>
Total assets limited as to use, net of current portion	<u>\$ 8,821,981</u>	<u>\$ 8,692,021</u>

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

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

	<u>2018</u>	<u>2017</u>
Fixed income	\$ 8,698,212	\$ 8,057,250
Equity	12,054,328	10,274,383
Cash funds and money market funds	<u>4,818,636</u>	<u>4,630,293</u>
Total assets limited as to use and investments	<u>\$ 25,571,176</u>	<u>\$ 22,961,926</u>

Investment income for the years ended September 30 follows:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 557,757	\$ 493,816
Realized gain on sale of investments	1,426,758	95,286
Net unrealized gains (losses) on investments and assets limited as to use	<u>(518,398)</u>	<u>816,408</u>
Total net investment income	<u>\$ 1,466,117</u>	<u>\$ 1,405,510</u>

Investment income is shown net of investment fees of approximately \$100,000 and \$94,000 for the years ended September 30, 2018 and 2017, respectively.

Accounting standards require management to evaluate certain investments whereby fair value is below cost to determine when an investment is considered impaired, whether that impairment is other-than-temporary, and the measurement of an impaired loss. The following table reflects the investments in an unrealized loss position as of September 30, 2018 and 2017 for which impairment loss has not been taken:

Description of Securities	Less than 12 Months		More than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<b>2018</b>						
Common stocks	\$ 1,450,576	\$ 116,220	\$ 41,848	\$ 3,970	\$ 1,492,424	\$ 120,190
Mutual funds	49,890	138	39,158	1,033	89,048	1,171
Bonds	<u>5,977,112</u>	<u>102,297</u>	<u>1,573,594</u>	<u>92,807</u>	<u>7,550,706</u>	<u>195,104</u>
	<u>\$ 7,477,578</u>	<u>\$ 218,655</u>	<u>\$ 1,654,600</u>	<u>\$ 97,810</u>	<u>\$ 9,132,178</u>	<u>\$ 316,465</u>
<b>2017</b>						
Common stocks	\$ 728,249	\$ 56,906	\$ 135,157	\$ 22,820	\$ 863,406	\$ 79,726
Mutual funds	40,145	45	-	-	40,145	45
Bonds	<u>3,390,935</u>	<u>28,842</u>	<u>1,207,156</u>	<u>59,694</u>	<u>4,598,091</u>	<u>88,536</u>
	<u>\$ 4,159,329</u>	<u>\$ 85,793</u>	<u>\$ 1,342,313</u>	<u>\$ 82,514</u>	<u>\$ 5,501,642</u>	<u>\$ 168,307</u>

Other-than-temporary does not mean a permanent impairment. Accounting standards require certain disclosures about unrealized losses on investments that have not been recognized as other-than-temporary impairment. The Forest determined there were no other-than-temporary declines in the fair value of investments for the years ended September 30, 2018 and 2017.

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

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The following states management's rationale for not recording other-than-temporary impairment on investments held in an unrealized loss position at September 30, 2018.

- *Stocks* - The Forest's stock investments consist of a wide range of diversified companies. The Forest's stock investments range from small to large size domestic companies, and are adequately diversified among multiple industries. Management has reviewed the stocks held in an unrealized loss position and have determined that the stocks are of a high quality and are not other-than-temporarily impaired, as The Forest has the intent and the ability to hold the investments for a reasonable period of time sufficient for a forecasted recovery of fair value.
- *Bonds* - The fixed income securities consist largely of government and corporate bonds which are investment-grade rated. Management believes that the decline of fair value below cost on fixed income investments is the result of interest rate changes and the purchase of these investments at either a premium or discount. The Forest has the ability and intent to hold these investments until a recovery of fair value, which may be maturity.

### **3. Fair Value of Assets and Liabilities**

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

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

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

#### *Asset Measured at Fair Value on a Recurring Basis*

When quoted prices are available in active markets for identical instruments, investment securities are classified within Level 1 of the fair value hierarchy. Level 1 includes money market mutual funds, corporate obligations, U.S. Treasury obligations, common stocks and mutual funds. Level 2 investment securities include asset-backed securities for which quoted prices are not available in active markets for identical instruments. The Forest utilizes a third party pricing service to determine the fair value of each of these investment securities. Because quoted prices in active markets for identical assets are not available, these prices are determined using observable market information such as quotes from less active markets and/or quoted prices of securities with similar characteristics.

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

The following table sets forth by level, within the fair value hierarchy The Forest's assets accounted for at fair value at September 30, 2018 and 2017:

	Fair Value of Financial Assets as of September 30, 2018			Total
	Level 1	Level 2	Level 3	
Money market mutual funds	\$ 2,194,592	\$ -	\$ -	\$ 2,194,592
Corporate obligations	-	3,694,869	-	3,694,869
U.S. Treasury obligations	-	3,811,456	-	3,811,456
Asset-backed securities:				
U.S. government	-	1,127,003	-	1,127,003
Corporate	-	64,884	-	64,884
Total money market funds and fixed income securities	<u>2,194,592</u>	<u>8,698,212</u>	<u>-</u>	<u>10,892,804</u>
Common stocks:				
Consumer products	1,348,685	-	-	1,348,685
Energy	374,499	-	-	374,499
Financial	938,455	-	-	938,455
Health care	926,216	-	-	926,216
Industrials	958,791	-	-	958,791
Materials	153,381	-	-	153,381
Real estate	82,216	-	-	82,216
Technology	1,804,171	-	-	1,804,171
Telecommunication	375,344	-	-	375,344
Utilities	112,010	-	-	112,010
Total common stocks	<u>7,073,768</u>	<u>-</u>	<u>-</u>	<u>7,073,768</u>
Mutual funds:				
International	2,654,545	-	-	2,654,545
Other	2,326,015	-	-	2,326,015
Total mutual funds	<u>4,980,560</u>	<u>-</u>	<u>-</u>	<u>4,980,560</u>
Total	<u>\$ 14,248,920</u>	<u>\$ 8,698,212</u>	<u>\$ -</u>	<u>\$ 22,947,132</u>

The Forest has \$9,712,147 of cash balances that are included with cash and cash equivalents, assets limited as to use and investments at September 30, 2018, which is not included in the fair value hierarchy.

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

	Fair Value of Financial Assets as of September 30, 2017			
	Level 1	Level 2	Level 3	Total
Money market mutual funds	\$ 3,067,838	\$ -	\$ -	\$ 3,067,838
Corporate obligations	-	3,881,068	-	3,881,068
U.S. Treasury obligations	-	3,058,046	-	3,058,046
Asset-backed securities:				
U.S. government	-	904,167	-	904,167
Corporate	-	213,969	-	213,969
Total money market funds and fixed income securities	<u>3,067,838</u>	<u>8,057,250</u>	<u>-</u>	<u>11,125,088</u>
Common stocks:				
Consumer products	1,341,445	-	-	1,341,445
Energy	412,563	-	-	412,563
Financial	1,062,915	-	-	1,062,915
Health care	891,210	-	-	891,210
Industrials	1,020,397	-	-	1,020,397
Materials	172,838	-	-	172,838
Real estate	169,186	-	-	169,186
Technology	1,369,649	-	-	1,369,649
Telecommunication	121,771	-	-	121,771
Utilities	284,185	-	-	284,185
Total common stocks	<u>6,846,159</u>	<u>-</u>	<u>-</u>	<u>6,846,159</u>
Mutual funds:				
International	2,087,051	-	-	2,087,051
Other	1,341,173	-	-	1,341,173
Total mutual funds	<u>3,428,224</u>	<u>-</u>	<u>-</u>	<u>3,428,224</u>
Total	<u>\$ 13,342,221</u>	<u>\$ 8,057,250</u>	<u>\$ -</u>	<u>\$ 21,399,471</u>

The Forest has \$8,221,117 of cash balances that are included with cash and cash equivalents, assets limited as to use and investments at September 30, 2017, which is not included in the fair value hierarchy.

Certain investments were reclassified within the fair value hierarchy table from the prior years' financial statements to conform to the current financial statement presentation. Such reclassifications had no effect on previously reported net assets.



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

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**4. Property and Equipment**

Property and equipment consist of the following at September 30:

	<u>2018</u>	<u>2017</u>
Land	\$ 6,111,141	\$ 6,111,141
Land improvements	6,355,227	6,179,421
Buildings	64,869,540	64,127,847
Equipment and furnishings	29,929,099	28,260,065
Vehicles	465,983	456,415
Constructions in progress	<u>253,420</u>	<u>-</u>
	107,984,410	105,134,889
Less accumulated depreciation	<u>60,688,885</u>	<u>55,702,454</u>
Total property and equipment	<u>\$ 47,295,525</u>	<u>\$ 49,432,435</u>

**5. Bonds Payable**

Bonds payable consist of the following at September 30:

	<u>2018</u>	<u>2017</u>
Series 1994 Health Care Facilities First Mortgage Revenue Refunding Bonds with bonds due annually with interest rates as follows: 2016 - 2020; 6.25%	\$ 50,000	\$ 75,000
Series 2017 Retirement Facilities Refunding Revenue Bonds with bonds due annually with interest rate as follows: 2017 - 2032; 3.43%	<u>19,115,000</u>	<u>20,210,000</u>
Total bonds payable	19,165,000	20,285,000
Less current portion of bonds payable	(1,150,000)	(1,120,000)
Less debt issuance costs, net	<u>(308,289)</u>	<u>(330,442)</u>
Bonds payable, less current portion and debt issuance costs	<u>\$ 17,706,711</u>	<u>\$ 18,834,558</u>

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

Effective January 1, 2018, as a result of the Tax Cuts and Jobs Act, and by function of the debt agreements for tax law changes, the effective interest rate changed from 2.82% to 3.43%. Interest on the bonds is payable semi-annually on March 1 and September 1. All bonds are secured by substantially all of the property and equipment of The Forest. The trust indentures and loan agreements underlying the Series 1994 and Series 2017 bonds contain certain financial covenants including minimum long-term debt service coverage.

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

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Annual principal maturities of bonds payable are as follows:

2019	\$ 1,150,000
2020	1,190,000
2021	1,190,000
2022	1,225,000
2023	1,265,000
Thereafter	<u>13,145,000</u>
	<u>\$ 19,165,000</u>

**6. Temporarily Restricted Net Assets**

Temporarily restricted net assets were \$20,571 and \$15,218 at September 30, 2018 and 2017, respectively. The temporarily restricted net assets are restricted for miscellaneous purposes.

**7. Retirement Plan**

The Forest has a 403(b) defined contribution plan for all eligible employees. Under the terms of the Plan, employees may make voluntary before tax contributions, limited to amounts specified by the Internal Revenue Code. The Forest matches qualifying employees' contributions 100% up to 7% of gross salary. The Forest's contributions were approximately \$145,000 and \$153,000 for the years ended September 30, 2018 and 2017, respectively.

**8. Professional Liability Insurance**

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

## EXHIBIT B

THE FOREST AT DUKE, INC.  
Statement of Operations-Unaudited  
For The Three Months Ending December 31, 2018

	<u>Actual YTD</u>	<u>Budget YTD</u>	<u>Variance</u>
<b>Revenues:</b>			
Monthly service fees	\$ 3,862,376	\$ 3,850,905	\$ 11,471
Clinic and health care center fees	1,374,381	1,367,694	6,687
Other income	123,633	89,724	33,909
Total operating revenues	<u>5,360,390</u>	<u>5,308,323</u>	<u>52,067</u>
<b>Expenses:</b>			
General and administrative	572,393	577,110	4,717
Marketing	153,226	186,021	32,795
Wellness clinic	155,783	159,244	3,461
Health care center	1,332,292	1,427,555	95,263
Resident life	147,949	146,796	(1,153)
Dining services	1,194,717	1,112,500	(82,217)
Housekeeping and laundry	330,007	344,126	14,119
Maintenance	418,326	404,266	(14,060)
Security	129,156	126,042	(3,114)
Plant, insurance and utilities	330,211	359,685	29,474
Total operating expenses	<u>4,764,060</u>	<u>4,843,345</u>	<u>79,285</u>
Net operating revenues less operating expenses	596,330	464,978	131,352
<b>Non-operating revenues:</b>			
Earned entrance fees	1,152,107	1,082,565	69,542
Investment income:		137,499	(1,593,442)
Interest and dividends	162,773		
Realized gain / (loss) on sale of Investments	(40,886)		
Net unrealized gains / (losses) on investments	(1,577,830)		
Gift shop / donation revenue	34,992		34,992
Total non-operating revenues	<u>(268,844)</u>	<u>1,220,064</u>	<u>(1,488,908)</u>
<b>Non-operating expenses:</b>			
Interest	172,168	172,168	0
Community responsibility	3,512	52,788	49,276
Gift shop / donation purchases	3,554	0	(3,554)
Depreciation	1,284,885	1,275,003	(9,882)
Total non-operating expenses	<u>1,464,119</u>	<u>1,499,959</u>	<u>35,840</u>
Net non-operating revenues less non-operating expenses	(1,732,963)	(279,895)	(1,453,068)
Change in net assets	\$ <u>(1,136,633)</u>	\$ <u>185,083</u>	\$ <u>(1,321,716)</u>

THE FOREST AT DUKE, INC.  
Balance Sheet - Unaudited  
December 31, 2018

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**ASSETS**

Current assets:	
Cash and cash equivalents	\$ 6,928,501
Assets limited as to use, current portion	190,952
Accounts and other receivables	341,991
Other current assets	<u>60,464</u>
Total current assets	7,521,908
Assets limited as to use, net of current portion	8,770,438
Investments	15,276,911
Property and equipment, net	46,604,247
Total assets	\$ <u><u>78,173,504</u></u>

**LIABILITIES AND NET ASSETS**

Current liabilities:	
Accounts payable	\$ 217,913
Accrued expenses	606,198
Current portion of bonds payable	<u>1,150,000</u>
Total current liabilities	1,974,111
Deferred revenue from entrance fees:	
Deposits	641,616
Deferred revenue from non-refundable plan entrance fees	36,603,412
Refundable entrance fees to residents	13,526,375
Bonds payable, net of current portion and issuance costs	17,442,249
Total liabilities	<u>70,187,763</u>
Net assets, beginning of year	9,122,374
Net assets for period	<u>(1,136,633)</u>
Total liabilities and net assets	\$ <u><u>78,173,504</u></u>

THE FOREST AT DUKE, INC.  
Assets Limited as to Use  
December 31, 2018

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Department of Insurance - operating reserve	\$	4,609,673
Held by trustee under trust and loan agreements		190,952
Board designated health care reserve		3,964,000
Board designated benevolent fund		<u>196,765</u>
Total assets limited as to use		8,961,390
Less assets limited as to use, current portion		<u>(190,952)</u>
Total assets limited as to use, net of current portion	\$	<u><u>8,770,438</u></u>

THE FOREST AT DUKE, INC.  
Statement of Cash Flows - Unaudited  
For The Three Months Ending December 31, 2018

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Operating activities:	
Change in net assets	(1,136,633)
Adjustments to reconcile change in net surplus to net cash provided by operating activities:	
Earned entrance fees	(1,152,107)
Net realized & unrealized (gain) loss on investments	1,618,716
Non-refundable plan entrance fees received	906,720
Depreciation	1,284,885
Amortization of bond issuance costs included in interest expense	5,538
Net changes in operating assets and liabilities:	
Accounts and other receivables	(37,016)
Other current assets	9,959
Accounts payable	(37,857)
Accrued expenses	(149,169)
Net cash provided by operating activities	<u>1,313,036</u>
Investing activities:	
Net change in assets limited as to use	43,375
Purchases of investments	(2,161,718)
Proceeds from sale of investments	1,832,502
Purchases of property & equipment	(593,607)
Net cash used by investing activities	<u>(879,448)</u>
Financing activities:	
Entrance fees refunded	(323,190)
Refundable entrance fees received	
Principal payments on bonds payable	(270,000)
Net cash used by financing activities	<u>(593,190)</u>
Net change in cash and cash equivalents	(159,602)
Cash and cash equivalents, beginning of year	7,088,103
Cash and cash equivalents, end of period	<u><u>\$6,928,501</u></u>

# EXHIBIT C

**The Forest at Duke**  
**Comparison of Actual Results with Forecasted Proforma Projections**  
**September 30, 2018**

<u>STATEMENTS OF OPERATIONS</u>	<u>Actual 2018</u>	<u>Forecast 2018 *</u>	<u>\$ Variance Over (Under)</u>	<u>% Variance Over (Under)</u>	<u>Notes</u>
<b>Unrestricted Revenue, gains and other support:</b>					
Monthly service fees	\$ 15,069,536	14,857,000	212,536	1.4%	
Earned entrance Fees	4,380,657	4,160,000	220,657	5.3%	
Clinic and health care center fees	5,106,460	5,091,000	15,460	0.3%	
Other income	413,913	499,000	(85,087)	-17.1%	
Total unrestricted revenues, gains and other support	<u>24,970,566</u>	<u>24,607,000</u>			
<b>Expenses:</b>					
General and administrative expenses	2,330,484	2,147,000	183,484	8.5%	
Dining services	4,680,059	4,356,000	324,059	7.4%	
Housekeeping and laundry	1,220,717	1,207,000	13,717	1.1%	
Health care center and nursing	5,011,448	4,859,000	152,448	3.1%	
Wellness clinic	555,972	495,000	60,972	12.3%	
Resident life	494,639	488,000	6,639	1.4%	
Plant facility costs	3,346,717	3,371,000	(24,283)	-0.7%	
Marketing	622,220	712,000	(89,780)	-12.6%	
Depreciation	4,986,431	4,892,000	94,431	1.9%	
Interest	677,535	603,000	74,535	12.4%	
Total operating expenses	<u>23,926,222</u>	<u>23,130,000</u>			
<b>Operating income</b>	<b>1,044,344</b>	<b>1,477,000</b>			
<b>Non-operating income (expense):</b>					
Investment Income	557,757	823,000	(265,243)	-32.2%	(1)
Realized gains	1,426,758	100,000	1,326,758	1326.8%	(1)
Community responsibility	(391,838)	(205,000)	186,838	91.1%	(2)
Net non-operating income	<u>1,592,677</u>	<u>718,000</u>			
<b>Excess of revenues, gains and other support over expenses</b>	<b>2,637,021</b>	<b>2,195,000</b>			
Net unrealized losses on investments and assets limited as to use	<u>(518,398)</u>	<u>0</u>	(518,398)	#DIV/0!	(1)
Change in unrestricted net assets	<u><u>2,118,623</u></u>	<u><u>2,195,000</u></u>			

\* Forecasted Financial Statements Included in March 1, 2018 Disclosure Statement dated 12/19/17

**Notes to Revenue and Expense Variances:**

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

- (1) Unrealized gain or loss on investments is included in investment income in the projections. At year end, market was down and recorded a lower mark-to-market adjustment than the prior year.  
Took advantage of market gains at the end of calendar year 2017 to re-position portfolio, which resulted in more realized gains than forecasted.
- (2) More cash support was provided to The Forest at Duke's community partners in line with social accountability goals.

**The Forest at Duke**  
**Comparison of Actual Results with Forecasted Proforma Projections**  
**September 30, 2018**

<u>ASSETS</u>	<u>Actual 2018</u>	<u>Forecast 2018 *</u>	<u>\$ Variance Over (Under)</u>	<u>% Variance Over (Under)</u>	<u>Notes</u>
Current assets:					
Cash and equivalents	\$ 7,088,103	6,859,000	229,103	3.3%	
Assets limited as to use, current portion	182,784	1,150,000	(967,216)	-84.1%	(1)
Accounts and other receivables	304,975	273,000	31,975	11.7%	
Other current assets	<u>70,423</u>	<u>242,000</u>	(171,577)	-70.9%	
Total current assets	<u>7,646,285</u>	<u>8,524,000</u>			
Assets limited to use, net of current portion	8,821,981	8,692,000	129,981	1.5%	
Investments	16,565,411	17,208,000	(641,589)	-3.7%	
Property and equipment, net	<u>47,295,525</u>	<u>47,040,000</u>	255,525	0.5%	
Total assets	<u>80,330,202</u>	<u>81,464,000</u>			
 <u>LIABILITIES AND NET ASSETS</u>					
Current liabilities:					
Accounts payable	255,770	94,000	161,770	172.1%	
Accrued expenses	755,367	732,000	23,367	3.2%	
Current portion of refundable entrance fees to residents	1,365,838		1,365,838	#DIV/0!	(2)
Current portion of bonds payable	<u>1,150,000</u>	<u>1,150,000</u>	0	0.0%	
Total current liabilities	<u>3,526,975</u>	<u>1,976,000</u>			
Bonds payable, net of current portion and debt issuance costs	17,706,711	17,707,000	(289)	0.0%	
Deferred revenue from entrance fees:					
Deposits	410,318	749,000	(338,682)	-45.2%	
Non-refundable plan entrance fees	37,080,097	37,931,000	(850,903)	-2.2%	
Refundable entrance fees to residents	<u>12,483,727</u>	<u>13,904,000</u>	(1,420,273)	-10.2%	
Total liabilities	<u>71,207,828</u>	<u>72,267,000</u>			
Net assets:					
Unrestricted	9,101,803	9,178,000	(76,197)	0.8%	
Temporarily restricted	<u>20,571</u>	<u>19,000</u>	1,571	8.3%	
Total net assets	<u>9,122,374</u>	<u>9,197,000</u>			
Total liabilities and net assets	<u>80,330,202</u>	<u>81,464,000</u>			

\* Forecasted Financial Statements Included in March 1, 2018 Disclosure Statement dated 12/19/17

**Notes to Balance Sheet Variances:**

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

- (1) As a result of the debt refinancing, the new 2017 bonds do not require a debt service reserve fund.  
(2) This balance is not broken out between current and non-current in the projections.



**The Forest at Duke**  
**Comparison of Actual Results with Forecasted Proforma Projections**  
**September 30, 2018**

<u>STATEMENTS OF CASH FLOWS</u>	<u>Actual 2018</u>	<u>Forecast 2018 *</u>	<u>\$ Variance Over (Under)</u>	<u>% Variance Over (Under)</u>	<u>Notes</u>
Operating activities:					
Change in net assets	\$ 2,123,976	2,195,000	(71,024)	-3%	
Adjustments to reconcile change in net deficit to net cash provided by operating activities:					
Earned entrance fees	(4,380,657)	(4,160,000)	(220,657)	-5%	
Net realized and unrealized gains on investments and assets limited as to use	(908,360)		(908,360)	#DIV/0!	(1)
Non-refundable entrance fees received	4,075,200	4,929,000	(853,800)	-17%	
Depreciation	4,986,431	4,892,000	94,431	2%	
Amortization of bond issuance costs included in interest expense	22,153	22,000	153	1%	
Net assets released from restriction		4,000	(4,000)	100%	
Net changes in operating assets and liabilities:					
Accounts and other receivables	(83,589)	(52,000)	(31,589)	-61%	
Other current assets	162,092	(9,000)	171,092	1901%	
Accounts payable	165,745	4,000	161,745	4044%	
Deposits		7,000	(7,000)	-100%	
Accrued expenses	51,420	28,000	23,420	84%	
Net cash provided by operating activities	<u>6,214,411</u>	<u>7,860,000</u>			
Investing activities:					
Net change in assets limited as to use	(120,544)	(958,000)	837,456	87%	(2)
Purchases of investments	(14,481,046)	(3,130,000)	(11,351,046)	-363%	(3)
Proceeds from sale of investments	12,900,700		12,900,700	#DIV/0!	(3)
Purchase of property and equipment	(2,849,521)	(2,500,000)	(349,521)	-14%	
Net cash used by investing activities	<u>(4,550,411)</u>	<u>(6,588,000)</u>			
Financing activities:					
Entrance fees refunded	(1,743,807)	(1,184,000)	(559,807)	-47%	(4)
Refundable entrance fees received	1,629,248	1,232,000	397,248	-32%	
Principal payments on bonds payable	(1,120,000)	(1,120,000)	0	0%	
Net cash used by financing activities	<u>(1,234,559)</u>	<u>(1,072,000)</u>			
Net change in cash and cash equivalents	429,441	200,000			
Cash and cash equivalents, beginning of year	<u>6,658,662</u>	<u>6,659,000</u>			
Cash and cash equivalents, end of year	<u>7,088,103</u>	<u>6,859,000</u>			

\* Forecasted Financial Statements Included in March 1, 2018 Disclosure Statement dated 12/19/17

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

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

- (1) Unrealized gain or loss on investments is included in investment income in the projections.
- (2) Effect of paying off the 2003 Series bonds and refinancing the 2007 Series bonds on September 1, 2017.
- (3) Investment activity is projected on a net basis.
- (4) More entry fees refunded than projected.

# EXHIBIT D

## **THE FOREST AT DUKE, INC.**

### **FORECASTED FINANCIAL STATEMENTS**

**For the Years Ending September 30, 2019 through 2023**

**THE FOREST AT DUKE, INC.**  
**Table of Contents**  
For the Years Ending September 30, 2019 Through 2023

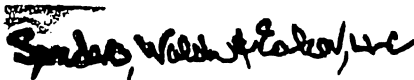
	<u>Page</u>
ACCOUNTANT'S REPORT	1
FINANCIAL STATEMENTS:	
Forecasted balance sheets	2
Forecasted statements of operations	3
Forecasted statements of changes in net assets	4
Forecasted statements of cash flows	5
Forecasted schedules of debt service coverage ratios	6
SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES	7-14

ACCOUNTANT'S COMPILATION REPORT

To the Board of Directors  
The Forest at Duke, Inc.

Management is responsible for the accompanying forecast of The Forest at Duke, Inc., which comprises the balance sheets as of September 30, 2019 through 2023, and the related forecasted statements of operations, changes in net assets, cash flows, and the schedules of debt service coverage ratios for the years then ending, and the related summaries of significant assumptions and accounting policies in accordance with guidelines for 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.

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



Osterville, Massachusetts  
January 18, 2019

**THE FOREST AT DUKE, INC.**

**Forecasted Balance Sheets  
At September 30, 2019 through 2023  
(Dollars in Thousands)**

**ASSETS**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<b>Current Assets:</b>					
Cash and cash equivalents	\$ 7,301	\$ 7,520	\$ 7,746	\$ 7,978	\$ 8,217
Assets limited as to use, current portion	1,190	1,190	1,225	1,265	1,305
Accounts and other receivables	286	296	307	319	331
Other current assets	73	76	79	82	85
<b>Total current assets</b>	<u>8,850</u>	<u>9,082</u>	<u>9,357</u>	<u>9,644</u>	<u>9,938</u>
<b>Assets limited as to use, net of current portion</b>					
Operating reserve	4,794	4,986	5,185	5,393	5,555
Other assets limited as to use	4,028	3,836	3,637	3,429	3,267
Investments	20,394	25,062	30,000	35,257	41,082
Property and equipment, net	<u>44,696</u>	<u>42,334</u>	<u>39,987</u>	<u>37,669</u>	<u>35,342</u>
<b>Total assets</b>	<u>\$ 82,762</u>	<u>\$ 85,300</u>	<u>\$ 88,166</u>	<u>\$ 91,392</u>	<u>\$ 95,184</u>

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities:</b>					
Accounts payable	\$ 266	\$ 277	\$ 288	\$ 300	\$ 312
Accrued expenses	785	816	849	883	918
Current portion of bonds payable	1,190	1,190	1,225	1,265	1,305
<b>Total current liabilities</b>	<u>2,241</u>	<u>2,283</u>	<u>2,362</u>	<u>2,448</u>	<u>2,535</u>
Bonds payable, net of current portion and debt issuance costs	16,536	15,367	14,163	12,919	11,635
Deferred revenue from entrance fees:					
Deposits	417	424	431	438	445
Non-refundable plan entrance fees	38,336	39,321	40,295	41,211	42,199
Refundable entrance fees to residents	<u>13,982</u>	<u>14,009</u>	<u>14,004</u>	<u>14,010</u>	<u>14,075</u>
<b>Total liabilities</b>	<u>71,512</u>	<u>71,404</u>	<u>71,255</u>	<u>71,026</u>	<u>70,889</u>
<b>Net assets:</b>					
Unrestricted	11,223	13,862	16,870	20,318	24,240
Temporarily restricted	27	34	41	48	55
<b>Total net assets</b>	<u>11,250</u>	<u>13,896</u>	<u>16,911</u>	<u>20,366</u>	<u>24,295</u>
<b>Total liabilities and net assets</b>	<u>\$ 82,762</u>	<u>\$ 85,300</u>	<u>\$ 88,166</u>	<u>\$ 91,392</u>	<u>\$ 95,184</u>

See summaries of significant forecast assumptions and accounting policies

**THE FOREST AT DUKE, INC.**

**Forecasted Statements of Operations**  
**For the Years Ending September 30, 2019 through 2023**  
(Dollars in Thousands)

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Unrestricted revenues, gains and other support					
Monthly service fees	\$ 15,435	\$ 15,930	\$ 16,478	\$ 17,070	\$ 17,707
Earned entrance fees	4,242	4,429	4,650	4,910	5,210
Clinic and health care center fees	5,422	5,669	5,926	6,186	6,454
Other income	359	373	388	404	420
Net assets released from restriction	48	49	50	51	52
Total unrestricted revenues, gains and other support	<u>25,506</u>	<u>26,450</u>	<u>27,492</u>	<u>28,621</u>	<u>29,843</u>
Expenses:					
Dining services	4,246	4,415	4,592	4,776	4,967
Housekeeping	1,217	1,266	1,316	1,370	1,424
Laundry	79	82	85	88	92
Health care center and nursing	5,332	5,545	5,767	5,997	6,237
Wellness clinic	621	646	672	699	727
Resident life	555	577	600	624	649
Plant facility costs	3,479	3,618	3,763	3,913	4,070
Marketing	713	742	771	802	834
General and administrative	2,198	2,286	2,377	2,472	2,571
Depreciation	5,100	4,962	5,051	5,130	5,252
Interest	669	631	587	545	501
Total operating expenses	<u>24,209</u>	<u>24,770</u>	<u>25,581</u>	<u>26,416</u>	<u>27,324</u>
Operating income	1,297	1,680	1,911	2,205	2,519
Non-operating income					
Interest and dividends	1,035	1,179	1,325	1,481	1,650
Realized gain on sale of investments	-	-	-	-	-
Community responsibility	(211)	(220)	(228)	(238)	(247)
Contributions/gifts	-	-	-	-	-
Total non-operating income	<u>824</u>	<u>959</u>	<u>1,097</u>	<u>1,243</u>	<u>1,403</u>
Excess of revenues, gains and other support over expenses	<u>2,121</u>	<u>2,639</u>	<u>3,008</u>	<u>3,448</u>	<u>3,922</u>
Net unrealized gains (losses) on investments and assets limited as to use	-	-	-	-	-
Change in unrestricted net assets	<u>\$ 2,121</u>	<u>\$ 2,639</u>	<u>\$ 3,008</u>	<u>\$ 3,448</u>	<u>\$ 3,922</u>

See summaries of significant forecast assumptions and accounting policies

**THE FOREST AT DUKE, INC.**

**Forecasted Statements of Changes in Net Assets**  
**For the Years Ending September 30, 2019 through 2023**  
(Dollars in Thousands)

	2019	2020	2021	2022	2023
Unrestricted net assets:					
Excess of revenues, gains and other support over expenses	\$ 2,121	\$ 2,639	\$ 3,008	\$ 3,448	\$ 3,922
Net unrealized gains (losses) on investments and assets limited as to use	-	-	-	-	-
Change in unrestricted net assets	2,121	2,639	3,008	3,448	3,922
Temporarily restricted net assets:					
Contributions/Gifts	55	56	57	58	59
Net assets released from restriction	(48)	(49)	(50)	(51)	(52)
Change in temporarily restricted net assets	7	7	7	7	7
Change in net assets	2,128	2,646	3,015	3,455	3,929
Net assets, beginning of year	9,122	11,250	13,896	16,911	20,366
Net assets, end of year	\$ 11,250	\$ 13,896	\$ 16,911	\$ 20,366	\$ 24,295

See summaries of significant forecast assumptions and accounting policies

## THE FOREST AT DUKE, INC.

### Forecasted Statements of Cash Flows For the Years Ending September 30, 2019 through 2023 (Dollars in Thousands)

	2019	2020	2021	2022	2023
<b>Operating activities:</b>					
Change in unrestricted net assets	\$ 2,121	\$ 2,639	\$ 3,008	\$ 3,448	\$ 3,922
Adjustments to reconcile change in net assets to net cash provided by operating activities:					
Earned entrance fees	(4,242)	(4,429)	(4,650)	(4,910)	(5,210)
Net realized and unrealized gains on investments and assets limited as to use	-	-	-	-	-
Non-refundable plan entrance fees received	5,498	5,414	5,624	5,826	6,198
Depreciation	5,100	4,962	5,051	5,130	5,252
Amortization of bond issuance costs	19	21	21	21	21
Net assets released from restrictions	7	7	7	7	7
Net changes in operating assets and liabilities:					
Accounts and other receivables	19	(10)	(11)	(12)	(12)
Other current assets	(3)	(3)	(3)	(3)	(3)
Accounts payable	10	11	11	12	12
Deposits	7	7	7	7	7
Accrued expenses	30	31	33	34	35
Net cash provided by operating activities	8,566	8,650	9,098	9,560	10,229
<b>Investing activities:</b>					
Net change in assets limited as to use	(1,007)	-	(35)	(40)	(40)
Net change in investments	(3,828)	(4,668)	(4,938)	(5,257)	(5,825)
Purchase of property and equipment	(2,500)	(2,600)	(2,704)	(2,812)	(2,925)
Net cash used by investing activities	(7,335)	(7,268)	(7,677)	(8,109)	(8,790)
<b>Financing activities:</b>					
Entrance fees refunded	(1,242)	(1,326)	(1,411)	(1,451)	(1,484)
Refundable entrance fees received	1,374	1,353	1,406	1,457	1,549
Principal payments on bonds payable	(1,150)	(1,190)	(1,190)	(1,225)	(1,265)
Net cash used by financing activities	(1,018)	(1,163)	(1,195)	(1,219)	(1,200)
Net increase in cash and cash equivalents	213	219	226	232	239
Cash and cash equivalents, beginning of year	7,088	7,301	7,520	7,746	7,978
Cash and cash equivalents, end of year	\$ 7,301	\$ 7,520	\$ 7,746	\$ 7,978	\$ 8,217
<b>Supplemental disclosure of cash flow information</b>					
Cash paid for interest	\$ 581	\$ 535	\$ 502	\$ 466	\$ 431

See summaries of significant forecast assumptions and accounting policies



**THE FOREST AT DUKE, INC.**

**Forecasted Schedules of Debt Service Coverage Ratios  
For the Years Ending September 30, 2019 through 2023  
(Dollars in Thousands)**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Excess of revenues, gains and other support over expenses	\$ 2,121	\$ 2,639	\$ 3,008	\$ 3,448	\$ 3,922
Deduct earned entrance fees	(4,242)	(4,429)	(4,650)	(4,910)	(5,210)
Add:					
Depreciation and amortization	5,100	4,962	5,051	5,130	5,252
Interest expense	669	631	587	545	501
Entry fees received, net of refunds	<u>5,630</u>	<u>5,441</u>	<u>5,619</u>	<u>5,832</u>	<u>6,263</u>
Funds available for debt service	<u>\$ 9,278</u>	<u>\$ 9,244</u>	<u>\$ 9,615</u>	<u>\$ 10,045</u>	<u>\$ 10,728</u>
Maximum annual debt service	<u>\$ 1,800</u>	<u>\$ 1,800</u>	<u>\$ 1,756</u>	<u>\$ 1,749</u>	<u>\$ 1,745</u>
Debt service coverage ratio	<u>5.15</u>	<u>5.14</u>	<u>5.48</u>	<u>5.74</u>	<u>6.15</u>

See summaries of significant forecast assumptions and accounting policies

## **THE FOREST AT DUKE, INC.**

### **Summary of Significant Forecast Assumptions and Accounting Policies For the Years Ending September 30, 2019 through 2023**

This financial forecast presents, to the best of the management's knowledge and belief, the expected financial position, results of operations, and cash flows of The Forest at Duke, Inc. (the Corporation) for the forecast period. Accordingly, the forecast reflects management's judgment as of January 18, 2019, the date of this forecast, of the expected conditions and its expected course of action. This report was prepared for The Forest at Duke, Inc.'s management and for inclusion in its disclosure statement to be filed with the Department of Insurance and should not be used for other purposes. The assumptions disclosed herein are those that management believes are significant to the forecast at the time the forecasted financial information was prepared. There will usually be differences between forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

#### **Summary of Significant Accounting Policies:**

##### Organization

The Forest at Duke, Inc. ("the Corporation") is a North Carolina not-for-profit corporation established in 1988 for the purpose of establishing, conducting, maintaining, leasing, and operating retirement, health, and life care facilities which provide for the special needs of the elderly. Its principal activity is providing the housing, dining, health care, and other services and facilities needed for persons of retirement age to enable them to live safe, useful, financially secure, and independent lives.

The Corporation currently owns and operates a continuing care retirement community known as The Forest at Duke, located in Durham, North Carolina. The community consists of 154 residential apartments and 95 cottages (collectively, the independent living units); a health care center consisting of 34 adult care beds (assisted living units) and 58 nursing beds; and a community center.

The community center includes the following amenities:

- community, private and cafe dining areas;
- social lounges;
- swimming pool and game room;
- beauty and barbershop;
- arts and crafts studios, gift shop, library;
- administrative offices;
- auditorium and classroom.

##### Residence and Care Agreement

The Corporation accepts residents who are at least 65 years old who are able to care for themselves with limited or no assistance and who demonstrate the financial ability to meet the Corporation's fee requirements. A co-resident must be at least 62 years old. Residents are required to pay an initial entry fee and a monthly service fee. These fees entitle the resident to the lifetime use of an independent living unit or an assisted living/nursing bed at a reduced per diem rate. It also includes level-of-care specific services and amenities such as: dining services; utilities, except telephone; 24-hour security; housekeeping services; maintenance and trash removal; recreational activities; parking; scheduled transportation; and 24-hour emergency call service.

## THE FOREST AT DUKE, INC.

### Summary of Significant Forecast Assumptions and Accounting Policies For the Years Ending September 30, 2019 through 2023

#### Summary of Significant Accounting Policies (continued):

##### Residence and Care Agreement

The initial entry fee consists of two components: a \$10,000 nonrefundable Health Care Reserve Payment and a partially refundable Residence Fee. The amount of the Residence Fee varies with the size of the unit and the type of Residence Fee Refund Plan chosen by the resident. Upon termination of the Residence and Care Agreement, the Amortized Residence Fee Plan provides a refund equal to the fee paid less 2% per month of occupancy. Under the 50% Refundable Residence Fee Plan, 2% of the fee accrues to the Corporation each month for 25 months. Thereafter, the resident is entitled to a refund of 50% of the fee paid. Under the 90% Refundable Residence Fee Plan, 2% of the fee accrues to the Corporation for the first five months. Thereafter, the resident is entitled to a refund of 90% of the entrance fee. Prior to October 1, 1993, a 100% Refundable Residence Fee Plan was offered to residents. According to management, as of September 30, 2018, there was one contract under the formerly available 100% refund plan. Under all of the plans, refunds are paid upon occupancy of the former resident's unit by another resident.

If a resident is unable to live independently within the range of services provided in the independent living units, as determined by the Corporation's Health Maintenance Committee, the resident is transferred to the health care center. If the transfer is considered permanent, the resident's independent living unit becomes available for occupancy by another resident; however, no refund of the entry fee is paid to the transferring resident until death (death of both residents, if they entered the Forest as a couple) or other termination of the Residence and Care Agreement. If the resident recovers sufficiently to resume independent living, a similar or alternative independent living unit is made available for the resident's use, subject to availability.

The monthly service fees, which vary by unit size and occupancy, may be adjusted at the sole discretion of the Corporation.

##### Basis of Presentation

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

##### Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with original maturities of three months or less when purchased, except those included with assets limited as to use.

##### Assets Limited as to Use

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

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

## THE FOREST AT DUKE, INC.

### Summary of Significant Forecast Assumptions and Accounting Policies For the Years Ending September 30, 2019 through 2023

#### Summary of Significant Accounting Policies (continued):

##### Assets Limited as to Use

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

##### Investments

Investments in money market mutual funds, corporate obligations, U.S. Treasury obligations, asset-backed securities, common stocks and mutual funds are measured at fair market value in the balance sheets. Interest and dividends, realized gain on sale of investments, and other-than-temporary impairment loss on investments are reported as non-operating income, and are included in excess of revenues, gains and other support over expenses. Unrealized gains (losses) on investments and assets limited as to use are excluded from excess of revenues, gains and other support over expenses and are reported as other changes in the unrestricted net assets. The cost of securities sold is based on the average cost method, adjusted for any other-than-temporary impairment loss on investments and assets limited as to use.

##### Property and Equipment

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

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

##### Debt Issuance Costs

Debt issuance costs represent financing costs as a result of the bond issuances. The financing costs are being amortized over the terms of the bonds, which is 15 years, and is recorded as interest expense.

##### Deferred Revenue from Entrance Fees

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

## THE FOREST AT DUKE, INC.

### Summary of Significant Forecast Assumptions and Accounting Policies For the Years Ending September 30, 2019 through 2023

#### Summary of Significant Accounting Policies (continued):

##### Obligations to Provide Future Services

The Corporation annually calculates the present value of the net cost of future services and the use of facilities to be provided to current residents and compares the amount with the balance of deferred revenue from entrance fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded with the corresponding charge to non-operating expense.

##### Net Assets

The Corporation reports net assets using the following three classes; unrestricted, temporarily restricted and permanently restricted depending on presence and type of donor-imposed restrictions limiting The Forest's ability to use or dispose of specific contributed assets or the economic benefits embodied in those assets. Unrestricted net assets include those whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation. Temporarily restricted net assets are those whose use by The Forest has been limited by donors (a) to later periods of time or after specific dates or (b) to specific purposes. Permanently restricted net assets are those net assets which have been restricted by donors to be maintained by The Forest in perpetuity.

##### Excess of Revenues, Gains and Other Support Over Expenses

The statements of operations include excess of revenues, gains and other support over expenses. Changes in unrestricted net assets which are excluded from excess of revenues, gains and other support over expenses, consistent with industry practice, include unrealized gains and losses on investments and assets limited as to use other than trading securities and net assets released from restrictions for the purchase of property and equipment.

##### Donor Restrictions

The Corporation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of operations as net assets released from restriction. The Forest reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

##### Use of Estimates

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

##### Income Taxes

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

## THE FOREST AT DUKE, INC.

### Summary of Significant Forecast Assumptions and Accounting Policies For the Years Ending September 30, 2019 through 2023

#### Forecast Assumptions:

##### Occupancy

Management is of the opinion that occupancy of the independent living units will average at least 95% throughout the forecast period.

The assumed number of independent living units becoming available due to attrition and the double occupancy rate has been provided by the Corporation's consulting actuary, AV Powell & Associates LLC, a national actuarial consulting firm specializing in providing actuarial services to retirement communities. The double occupancy rate assumed in the forecast is 40% of the occupied independent living units in 2018. That rate is assumed to range from 40% to 45% during the 5-year projection period. The forecasted number of units vacated during the forecast period averages 22 per year. The majority of the vacancies are expected to result from deaths or permanent transfers to the health care facility.

The assumed average occupancy of the health care facility is 84 units (91%).

Nursing beds are assumed to be occupied by residents transferring from the independent living units or assisted living units on either a temporary or permanent basis. In addition, certain residents are allowed to enter the nursing beds directly when a spouse is a resident of an independent living unit or when their health status changes between the time when the Residence and Care Agreement is entered into and the date the unit is available for occupancy and the resident is not capable of living independently. Additionally, certain residents will be admitted to a nursing bed after completing a minimum 30-day occupancy in assisted living, payment of the Healthcare Reserve, and the approval of the Corporation's Health Maintenance Committee.

The assumed utilization of the nursing beds is based upon the number of permanent and temporary transfers as provided by A V Powell & Associates LLC and the number of direct admissions as provided by management.

##### Revenue

Forecasted earned entry fees are based on the nonrefundable portion of the entry fees amortized over the life expectancy of each resident. The estimated life expectancies were provided by the consulting actuary. Fees on continuing care contracts, which are refundable to residents from reoccupancy proceeds, are not amortized, but are reflected as the amount to be refunded to the resident. As of September 30, 2018, approximately 3% of the residents had chosen the 50% refundable plan, 12% the 90% refundable plan and 85% the amortized plan. Consistent with the consulting actuary's recommendation, it is assumed that 80% of new entrants will choose the lower cost amortized plan, and 20% will choose the 90% plan.

Entrance fees for the amortized plan for single residents, which range from \$95,115 to \$549,715, are assumed to increase by 3% annually throughout the forecast period. Entrance fee for a second occupant in an independent living unit is \$28,000.

## THE FOREST AT DUKE, INC.

### Summary of Significant Forecast Assumptions and Accounting Policies For the Years Ending September 30, 2019 through 2023

#### Forecast Assumptions (continued):

##### Revenue

Monthly service fee revenue is based on the assumed utilization of the independent living units and monthly and second occupant service fees. Monthly service fees currently range from \$3,219 to \$5,908 plus \$1,649 for the second occupant of a unit. These fees are assumed to increase by the assumed 4% increase in operating expenses throughout the forecast period.

Health care center revenue is based on the assumed utilization of assisted living units and nursing beds and the related fees charged to the residents. Assisted living residents admitted from outside the facility are currently charged a monthly service fee of \$8,585. A single occupant of an independent living unit who permanently transfers to an assisted living unit is required to pay 40% of the per diem. A second person of a double-occupied independent living unit transferring to an assisted living unit is charged 15% of the per diem plus their second person portion of the monthly service fee. The per diem is currently \$427. Management has assumed that the assisted living rate and the per diem will increase by the 4% assumed increase in operating expenses throughout the remainder of the forecast period.

Residents transferring to a nursing bed on a temporary basis are required to pay a percentage of the per diem plus their monthly service fee. The applicable percentages of the per diem are as follows:

Permanent transfers:	
Single occupant	40%
Double occupant (in addition to second person monthly fee)	15%
Spouse resides in an independent living unit and resident requires nursing care at move in date, or permanent transfer of a direct admission from an assisted living unit (in addition to the Health Care Reserve payment for residents admitted directly from outside the community) to nursing care	90%

Other revenue, including employee, guest and additional resident meals, beauty and barbershop, personal laundry services, etc. is estimated based on historical experience. These revenues are assumed to increase at a rate of 4% annually.

Interest income consists of earnings on all available funds at the annual rate of 3% from 2019 through 2023 and 5.5% thereafter.

##### Operating Expenses

Operating expenses for 2019 were provided by management, based on budgeted amounts. Employee benefits were allocated to the departments in which the employees work. Operating expenses for the remaining years of the forecast are assumed to increase by 4% annually for inflation.

## THE FOREST AT DUKE, INC.

### Summary of Significant Forecast Assumptions and Accounting Policies For the Years Ending September 30, 2019 through 2023

#### Forecast Assumptions (continued):

##### Assets Limited as to Use

Assets limited as to use consist of funds required under loan agreements, reserves required by the Department of Insurance and investments designated by the Board of Directors.

##### Property and Equipment

Depreciation expense is computed using the straight-line method over the estimated lives of buildings, equipment, land improvements and vehicles which are 30 years, 5 to 25 years, 5 to 15 years and 4 to 6 years, respectively. Assumed capital additions of approximately \$2,500,000 in 2019, increased by 4% inflation, thereafter, are assumed to have a useful life of 10 years.

##### Interest Expense and Debt Service Requirements

At September 30, 2018, long-term debt consisted of:

Series 1994 Health Care Facilities First Mortgage Revenue Refunding Bonds with bonds due annually. Interest 6.25%	\$ 50,000
 Series 2017 Retirement Facilities Refunding Bonds with bonds due annually. Interest 3.43%	 <u>19,115,000</u>
 Total	 <u>\$ 19,165,000</u>

##### Obligation to Provide Future Services

Annually the Corporation calculates the present value of the net cost of future services and use of facilities to be provided to current residents. The calculation, which is based on the present value of future net cash flows and adjusted for certain noncash items, indicates that a net liability for future services to current residents did not exist at September 30, 2018. Management does not anticipate that such a net liability will exist during the forecast period.



**THE FOREST AT DUKE, INC.**

**Summary of Significant Forecast  
Assumptions and Accounting Policies  
For the Years Ending September 30, 2019 through 2023**

**Forecast Assumptions (continued):**

Current Assets and Current Liabilities

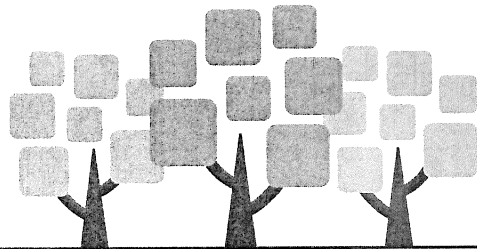
Various assets and liabilities have been forecasted based on the Corporation's experience as follows:

Accounts receivable - 10 days of monthly service fees and health care revenues.

Prepaid expenses - 2018 balance increased by 4% annual inflation.

Accounts payable and accrued expenses - 2018 balances increased by 4% annual inflation.

# **RESIDENCE AND CARE AGREEMENT**



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**THE FOREST AT DUKE**

# THE FOREST AT DUKE

## RESIDENCE AND CARE AGREEMENT

This Residence and Care Agreement is entered into between THE FOREST AT DUKE, INC. (referred to as “The Forest”) located in Durham County at 2701 Pickett Road, Durham, NC and \_\_\_\_\_, (referred to as “you”) on this day \_\_\_\_\_. If two persons enter into this Agreement as co-residents, the word “you” will apply to both unless the context requires otherwise.

Under the laws of the State of North Carolina, The Forest at Duke is organized as a not for profit continuing care retirement community created to provide housing, recreation, health care and other services to people sixty-five (65) years of age or older. In the case of co-residents, one resident may be as young as 62.

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

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

The Forest and you agree to the following:

### I. Pledge of Service

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

#### A. Community Facilities:

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

#### B. Living Accommodations:

1. **Right to Reside** – You have a non-transferable right to reside in the independent living residence described in Exhibit A, subject to the terms and conditions of this agreement.

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

### C. Services:

1. **Dining Services** - The Forest provides dining services per the Dining Services schedule. A choice of meal plan options described below is included in your Monthly Service Fee. In the case of co-occupancy, both residents will participate in the same plan.
  - a. Meal Plan One – The choice of one meal per day per person is included in the Monthly Service Fee.
  - b. Meal Plan Two – Flexible quarterly dining credits per person, used at the resident's choosing and in accordance with the current Meal Plan Two policy, are included in the Monthly Service Fee.
2. **Utilities** – Water, sewer service, electricity, heat, air conditioning, basic cable television and wireless internet services are provided. Although telephone access is provided, if you elect to have telephone service, you are responsible for the establishment of telephone hook-up and ongoing service.
3. **Housekeeping** – Housekeeping Services are provided weekly based upon the Housekeeping Services schedule. These services include vacuuming, dusting and cleaning of bathrooms and kitchens.
4. **Maintenance** – The Forest performs the necessary repairs, maintenance, and reasonable replacement of its own property, common facilities and equipment.
5. **Security** – Emergency response devices and smoke detectors are provided in all residences. Twenty-four (24) hour security staffing, including regular security patrols, is provided.

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

## II. Financial Provisions:

### A. Deposits:

All funds paid toward the Entry Fee are refundable as outlined in Section VI. of this agreement.

### B. Statement of Fees:

You agree to pay The Forest an Entry Fee and the Monthly Service Fee for the selected residence as outlined in Exhibit A. The Entry Fee is comprised of two parts: a Residence Fee refundable in accordance with the Residence Fee Refund Plan outlined in Sections II.D and VIII.C; plus a non-refundable Health Care Reserve Fee. Within 5 days of the date of this Agreement you agree to

pay a 15% deposit to secure the residence as outlined in Exhibit A. You are then required to make the final balance payment of the Entry Fee fourteen (14) days prior to the Date of Occupancy, as stated on Exhibit A. You agree to pay fees and charges for health care services as outlined in Section V.

**C. Health Care Reserve Fee:**

A non-refundable Health Care Reserve Fee is included in your Entry Fee. The Health Care Reserve Fees provide additional resources which allow The Forest to establish and charge discounted fees for health care services as outlined in Section V.

**D. Residence Fee Refund Plans:**

Three Residence Fee Refund Plans are available according to the terms listed below. A Residence Fee Refund Plan must be declared when the 15% deposit is paid, but may be changed up to the date of payment of the final balance. Detailed terms for any Entry Fee Refunds are outlined in Sections VI, VII, and VIII.

1. The Amortized Residence Fee accrues to The Forest at a rate of 2% per month beginning with the first day of the month of the Date of Occupancy or portion thereof. You may be due a refund of the Residence Fee that you paid less a sum equal to 2% times the number of months (or partial months) of occupancy, less any costs owed The Forest by you, and less any amount necessary to restore the residence to an acceptable condition (except for reasonable wear and tear). Refer to Sections VI and VII for specific refund information.
2. The 50% Refundable Residence Fee accrues to The Forest at a rate of 2% per month beginning with the first day of the month of the Date of Occupancy or portion thereof until 50% of the Residence Fee has been accrued by The Forest. Thereafter, any refund to you will be limited to 50% of the Residence Fee originally paid less a sum equal to any costs owed The Forest by you and less any amount necessary to restore the residence to an acceptable condition (except for reasonable wear and tear). Refer to Sections VI and VII for more specific refund information.
3. The 90% Refundable Residence Fee accrues to The Forest at a rate of 2% per month beginning with the first day of the month of the Date of Occupancy or portion thereof until 10% of the Residence Fee has been accrued by The Forest. Thereafter, the refund to you will be limited to 90% of the Residence Fee originally paid less a sum equal to any costs owed The Forest by you and less any amount necessary to restore the residence to an acceptable condition (except for reasonable wear and tear). Refer to Sections VI and VII for more specific refund information.

**E. Monthly Service Fee:**

The Monthly Service Fee varies depending upon the type of residence. A Second Person Monthly Service Fee is charged for Co-Residency. The Monthly Service Fee and costs for additional services are billed by the fifth business day of each calendar month, with payment due

from you by the fifteenth (15<sup>th</sup>) of the same month. The Forest reserves the right, with 30 days notice, to change the billing date and the payment due date. For a partial first month, the Monthly Service Fee is pro-rated on a per diem basis. Thereafter, Monthly Service Fees are paid in advance and are not pro-rated at termination. If you fail to pay the Monthly Service Fee, The Forest reserves the right to terminate the Residence and Care Agreement. The Forest may add a service charge of one percent (1%) per month to fees not paid by the fifteenth of the month. The Forest offers and encourages an automatic bank draft for the monthly charges.

**F. Delayed Residency:**

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

**G. Fee Increases:**

It is understood by both parties that The Forest is a not-for-profit corporation dedicated to providing high quality services, facilities, and care at the lowest feasible cost. The parties also recognize the uncertain nature of future costs and expenses for goods and services and their mutual need to maintain a sound financial basis for the continued operation of the facility. You agree that The Forest may adjust the Monthly Service Fee upon a 30-day written notice to you, as may be reasonably necessary according to the economic requirements and conditions, and the level of services offered. The decision to adjust the Monthly Service Fee is made, in its sole discretion, by the Board of Directors of The Forest.

**H. Financial Hardship:**

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

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

**I. Subsidy by The Forest:**

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

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

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

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

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

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

If, after the Date of Occupancy indicated on Exhibit A, you choose to have a second resident share your residence, The Forest may charge the second resident an Entry Fee equal to the current applicable Single Occupancy Entry Fee for such living accommodation, or such lesser amount as The Forest may determine in its discretion. Thereafter you are responsible for paying the applicable Double Occupancy Monthly Service Fee for the residence. Second residents are subject to the same review and entrance requirements as initial residents, must elect the same refund plan as the initial resident, and must sign a Residence and Care Agreement. If second resident is existing resident, second resident is subject to same entrance requirements as initial residents, except in regards to health status evaluation.

**M. Away From The Forest:**

Independent residents who select Meal Plan One and are away from The Forest for fourteen (14) consecutive days or more, are eligible to request an Away Allowance. The Away Allowance is



described in the Resident Handbook, and is granted only upon written, advance request, and is not applicable for stays in The Forest's Health and Wellness Center. The Away Allowance will be the established, current per person, per day amount as stated on the "Schedule of Ancillary Charges". See attached Exhibit B. There is no Away Allowance offered for Meal Plan Two.

### **III. Terms of Residency**

#### **A. Rights of Resident:**

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

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

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

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

You agree to execute and maintain in effect a North Carolina Durable Power of Attorney valid and enforceable in accord with the provisions of Chapter 32A, Article 2 of the General Statutes of North Carolina (or similar laws subsequently enacted). This Power of Attorney shall designate as your attorney-in-fact, a bank, a lawyer, relative or other responsible person or persons of your choice, to act for you in managing your financial affairs and filing for your insurance or other benefits as fully and completely as if you would be acting personally. It shall be in a form which survives your incapacity or disability and otherwise be satisfactory to The Forest. You will deliver a fully executed copy of this Power of Attorney to The Forest prior to the Date of Occupancy. Additionally, you further agree to provide The Forest with a copy of any Living Will, or Durable Power of Attorney for health care decisions which may be in existence, and to provide such documentations which may develop subsequent to the execution of this Agreement. The Forest strongly encourages all residents to designate a Health Care Attorney in Fact capable of making health care decisions in the case of incapacity or emergency.

#### **D. Personal Property:**

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

store such property either on or off the premises. You or your estate will be obligated for the payment of moving and storage charges and will reimburse The Forest for its incurred expenses.

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

**E. Insurance:**

You agree to maintain Medicare Part A, Medicare Part B, or equivalent insurance coverage acceptable to The Forest, and to furnish The Forest with evidence of such coverage prior to the Date of Occupancy as stated in Exhibit A and also upon request. In addition, you will maintain supplemental health insurance satisfactory to The Forest. If you do not carry supplemental insurance acceptable to The Forest, you are responsible for all costs of care provided by The Forest.

If you are not eligible for Medicare coverage, you will apply for and maintain similar health insurance coverage acceptable to The Forest. You will submit evidence of such coverage prior to the Date of Occupancy and also upon request.

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

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

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

**G. Subrogation Rights:**

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

**H. Resident Representation:**

Residents have the right of self-organization through a residents' association which may convene to arrange social and recreational programs and to review the interests of the resident population. You shall have resident representation on The Forest at Duke Board of Directors as outlined in the Bylaws of The Forest at Duke, Inc.

**I. Right of Entry:**

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

**J. Appliances:**

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

**K. Guests:**

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

**L. Emergency Notification:**

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

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

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

**M. Compliance with Applicable Laws:**

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

meet the requirements of law, or the regulations of a Fire Department, Department of Public Health, or other duly constituted governmental authority or agency.

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

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

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

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

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

- 2. Move to a Smaller Independent Living Residence** – Should you desire to transfer to a smaller independent living residence, an internal move request should be made in writing according to the Internal Move Policy in the Resident Handbook. The amount due to you will be the difference between the Residence Fee paid at the time of original occupancy, reduced according to the Residence Fee Refund Plan selected beginning with your Date of Occupancy, and ending with the date your move is complete, and the Residence Fee in effect on the Date of Occupancy for the smaller residence, similarly reduced. The portion of your Entry Fee that has been amortized prior to your move will not be refunded until the termination of your Residence and Care Agreement. You will be responsible for the Monthly Service Fee associated with the smaller residence beginning on the Date of Occupancy, or the actual date of move-in, whichever is earlier. You will also be responsible for the Monthly Service Fee for the larger residence until all personal belongings have been removed from the larger residence, and a final walk through has been completed as per the Internal Move Policy.

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

The Forest expressly reserves the right to move you to an accommodation that can best provide for your safety and care. If your physical or mental condition deteriorates so that, in the best

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

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

**C. Transfer Outside The Forest:**

If, in the opinion of The Forest, your physical and mental condition becomes such that your continued presence at The Forest is dangerous or detrimental to your health or safety, or to residents of The Forest, The Forest may arrange for such hospitalization or transfer to a special service facility as may be required. The liability of The Forest for costs of such care shall be limited to twice the amount of your then prevailing Monthly Service Fee if you continue to pay the Monthly Service Fee, or to an amount equal to the then current Monthly Service Fee that you would be paying had you been paying the Monthly Service Fee.

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

**V. Health Care Services**

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

**A. Health and Wellness Center:**

The Forest will maintain a Health and Wellness Center, with oversight provided by a licensed physician serving as the Medical Director. This Center will include a primary care clinic, assisted living residences, skilled nursing residences, and residences offering special care/dementia services.

**B. Continuing Care Services:**

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

1. **Wellness and Exercise Programs** – The Forest staff will conduct wellness and exercise programs for residents who wish to participate. Some special programs may require extra charges.
2. **Emergency Response System** – Each residence will be equipped with an emergency response system, monitored twenty-four (24) hours a day.
3. **Outpatient Services:**
  - a) **Primary Care** – The Forest will make available primary care services to you in the Wellness Clinic during regularly scheduled office hours. Trained health care personnel will be on-site twenty-four (24) hours a day. Physicians will be available for scheduled office visits and are on call for Forest residents twenty four (24) hours a day, seven (7) days a week. The Forest physicians will refer you to specialists as needed. The Forest will not be responsible for the cost of care rendered by physicians other than a Forest physician at The Forest.
  - b) **Laboratory Tests and Other Procedures** – Limited laboratory testing services and diagnostic procedures will be provided in the Wellness Clinic according to a fee schedule published by The Forest.
  - c) **Visiting Nursing Services** – Visiting nursing services will be available for consultation and assistance to you in your residence on a short-term basis. Such services may require an additional charge.
  - d) **Special Services** – The Forest will provide facilities to accommodate some special services such as Dentistry, Physical Therapy, Occupational Therapy, Speech Therapy, and Pharmacy Services. You will be responsible for the cost of these, and other special services not reimbursed by Medicare or any other third party payer. You are responsible for the costs of medications procured through The Forest pharmacy service or elsewhere.
4. **Assistance with Insurance Claims** – The Forest will assist you with the filing of health care insurance claims for services rendered by The Forest. Whenever The Forest files insurance claims for you, you agree to promptly and fully cooperate in the filing of all such claims.
5. **Personal Assistants** – You may arrange for limited assistance to accomplish activities of daily living. Personal assistants must be approved by The Forest before they are allowed access to The Forest facilities. You are responsible for any costs related to the

services of any personal assistant. You are responsible for any injury to others or damage to the property of others or of The Forest by your assistant(s). The Forest may limit or terminate the services of any assistant and may refuse access to the grounds or facilities of The Forest by such assistant. You understand that arranging and receiving care from a personal assistant does not take the place of care that may best be provided in the Health and Wellness Center (See Section IV.B).

6. **Hospitalization** – The Forest will assist you in arranging your inpatient hospital care when ordered by a Forest physician. You will be responsible for all hospital charges not covered by Medicare or your other insurance.
  
7. **Health Care Services in The Forest Health and Wellness Center** – The Forest will provide temporary or permanent assisted living services, skilled nursing services, and respite care services to you when ordered by a Forest physician. If appropriate accommodations suited to meet your needs are not available, The Forest will be responsible for identifying alternative health care facilities for you, until such time as an appropriate accommodation is available in The Forest Health and Wellness Center. The resident is responsible for the costs of care at the alternative health care facility, which may be covered under Medicare, or other medical or long term care insurance policies; provided that if such costs are not covered by Medicare or insurance, the resident may elect to use any available pre-paid days as described in paragraph a) below. During the period of a stay in an alternative health care facility that is covered by pre-paid days, all costs of care will be billed to the resident, and The Forest will either reimburse the resident or credit the resident's account for the scope of services that would otherwise be included in pre-paid days, provided that The Forest's obligation shall not exceed 100 % of the per diem rate for health care services published by The Forest. Health care services are provided based upon a specific fee structure as outlined below:
  - a) **Pre-Paid Days:** You are eligible for fifteen (15) pre-paid days in the Health and Wellness Center beginning with the initial Date of Occupancy at The Forest. Pre-paid days may also be used for a stay in an alternative health care facility as described above. Should it be necessary to use one or more pre-paid days, these may again accrue to a maximum of fifteen (15) days. One pre-paid day accrues on the first day of each month for which you have not occupied a Health and Wellness Center bed or a bed in an alternative health care facility in the prior month up to a maximum of fifteen (15) days. While residing in the Health and Wellness Center or in an alternative health care facility when pre-paid days are available, you continue to pay the current Monthly Service Fee. After the accrued pre-paid days have been used, the rates as outlined in paragraphs 7.b through 7.h below apply or the rates actually charged by the alternative health care facility.
  
  - b) **Single Occupancy, Temporary Health and Wellness Center:** When it is deemed by The Forest that you are a temporary resident of the Health and Wellness Center, and after pre-paid days have been used, you will pay sixty percent (60%) of the per diem rate for health care services published by The Forest in addition to the regular Monthly Service Fee.

- c) **Single Occupancy, Permanent Health and Wellness Center:** When it is deemed by The Forest that you are a permanent resident of the Health and Wellness Center and after pre-paid days have been used, you will pay forty percent (40%) of the per diem rate for health care services published by The Forest. Once you become a permanent resident of the Health and Wellness Center, all personal belongings have been removed from your independent living residence and a final walk through has been completed, you will relinquish the independent living residence, and the Monthly Service Fee for the independent living residence will no longer be paid.
- d) **Double Occupancy, One Resident Temporarily in Health and Wellness Center:** After pre-paid days have been used, the resident temporarily transferred to the Health and Wellness Center will continue to pay the second person Monthly Service Fee, plus sixty percent (60%) of the per diem rate for health care services published by The Forest. The resident remaining in the independent living residence will pay the single occupancy Monthly Service Fee.
- e) **Double Occupancy, One Resident Permanently in Health and Wellness Center:** After pre-paid days have been used, the resident permanently transferred to the Health and Wellness Center will continue to pay the second person Monthly Service Fee plus fifteen percent (15%) of the per diem rate for health care services published by The Forest. The resident remaining in the independent living residence will pay the single occupancy Monthly Service Fee.
- f) **Double Occupancy, Both Residents Temporarily in Health and Wellness Center:** After pre-paid days have been used, if both residents are temporarily transferred to the Health and Wellness Center, each will pay sixty percent (60%) of the per diem rate for health care services published by The Forest. In addition, one resident will continue to pay the single occupancy Monthly Service Fee and the other resident will pay the second person Monthly Service Fee.
- g) **Double Occupancy, Both Residents Permanently in Health and Wellness Center:** After pre-paid days have been used, if both residents are permanently transferred to the Health and Wellness Center, each will pay forty percent (40%) of the per diem rate for health care services published by The Forest. Once all personal belongings have been removed from the independent living residence, and a final walk through has been completed, you will relinquish the independent living residence and the Monthly Service Fee will no longer be paid for the independent living residence.
- h) **Double Occupancy, One Resident Temporarily in Health and Wellness Center and One Resident Permanently in Health and Wellness Center:** After pre-paid days have been used, if one resident is temporarily transferred to the Health and Wellness Center, and the other resident is permanently transferred to the Health and Wellness Center, the rates outlined in Section V.B.7.e will apply. In addition, the resident temporarily transferred to the Health and Wellness Center will pay sixty percent (60%) of the per diem rate for health care services published by The Forest.
- C. **Direct Admission to the Health and Wellness Center:** After the execution of this Agreement and prior to the Date of Occupancy, you may be admitted



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

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

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

### A. Termination by the Resident:

1. **Withdrawal Within the 30 Day Right of Rescission Period** – You may rescind this Agreement prior to the Date of Occupancy, or after occupancy, by giving written notice to The Forest within the later of thirty (30) days of the execution of this Agreement or of the date that you received the Disclosure Statement as required by Section 58-64-1, et. seq. of the North Carolina General Statutes. You will receive a

full refund equal to all funds paid toward the Entry Fee without interest, less any non-standard costs incurred by The Forest at your request. Your refund will be paid within sixty (60) days of receipt of your written notice to terminate. You are not required to take occupancy before the end of the 30 day trial period.

2. **Withdrawal After the Thirty Day Right of Rescission Period** – After the thirty day rescission period and prior to the Date of Occupancy, if you withdraw from this Agreement, you will receive a refund equal to the funds paid toward the Entry Fee without interest, less an administrative fee equal to 2% of the Entry Fee based on the Amortized Plan for the independent living residence selected, less any non-standard costs incurred by The Forest at your request. Your refund will be paid within sixty (60) days of receipt of your written notice to terminate.

#### **B. Termination by The Forest:**

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

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

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

### **VII. Conditions of Termination After Occupancy**

- A. **Termination by the Resident:** The terms of this section apply only after the thirty-day right of rescission period, and after the Date of Occupancy per Exhibit A. The Agreement may be terminated by you in accordance with the following conditions:
  1. The Agreement will be terminated upon your death, or the death of the surviving resident in the case of co-residency. A permanent move to the Health and Wellness Center is not considered a contract termination, and therefore a refund is not applicable. Refunds may only apply upon the termination of the contract. The Termination Date will be determined in accordance with Section VII.C below.

2. Except in the case of death, you must give The Forest sixty (60) days written notice of your intent to terminate the Agreement.
  3. You must leave the Residence in a condition satisfactory to The Forest. The Forest may charge you for the cost of work required to restore the Residence to its standard condition, with the exception of reasonable wear and tear.
  4. Refunds to you shall be reduced by the amount of your outstanding charges due to The Forest.
- B. Termination by The Forest:** The Forest may terminate the Agreement with you if you fail to pay the Monthly Service Fee and any other ancillary charges, or fail to follow the standard policies of The Forest, or refuse to relocate as required by this Agreement, or engage in activities or conduct disruptive to the community, or if you have misrepresented or omitted medical, financial or other information given to The Forest during the application process. The Forest will be required to give you at least sixty (60) days written notice to vacate your residence.
- C. Termination Date:** The Termination Date of this Agreement will be the date on which your personal property has been removed from the residence or 60 days following written notice, whichever is later. You will be required to continue paying the Monthly Service Fee until the Termination Date or until your personal belongings have been removed and a walk through has been completed by you or your designee and management, whichever is later.

### VIII. Conditions for Refund After Occupancy

- A. Termination of Agreement by Resident:** You are entitled to a refund of the Residence Fee less an amount calculated in accordance with the Residence Fee Refund Plan chosen by you as outlined in Exhibit A and described in Paragraph II.D of this Agreement. For purposes of computing the refund amount, the termination date will be the date your residence is vacated by you, and all of your personal property has been removed from the residence, and a walk-through has been completed by you or your designee and management. Residence Fees will not be pro-rated for a period less than one month.
- B. Termination of Agreement by The Forest:** If The Forest terminates this Agreement pursuant to Section VII.B, you shall be entitled to a refund of the Residence Fee less an amount calculated in accordance with the Residence Fee Refund Plan chosen by you as outlined in Exhibit A and described in Paragraph II.D of this Agreement. For purposes of computing the refund amount, the termination date will be the date that your residence is vacated by you, and all of your personal property has been removed from the residence, and a walk-through has been completed by you or your designee and management. Residence Fees will not be pro-rated for a period less than one month.

- C. **Payment of Refunds:** Any refund of the Residence Fee will be paid after all outstanding charges due to The Forest by you have been paid, your personal belongings have been removed, and a final walk-through has been completed. Such payment shall be deferred until thirty (30) days after the independent living residence formerly occupied by you is re-occupied and a full Entry Fee is received for the residence. Refunds will be paid to you, or in the event of your death, to your estate.
- D. **Release upon Termination:** Upon termination of this Agreement, The Forest is released from any further obligations to you except for the payment of any refund which may be due under this paragraph.

## IX. Miscellaneous

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

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

- B. **Waiver of Breach:** The failure of The Forest in any one or more instances to insist upon the strict performance, observance, or compliance by you with any of the terms or provisions of this Agreement, or its waiver of a breach by you of any terms or provisions of this Agreement, shall not be construed as a waiver or relinquishment by The Forest of its right to insist upon strict compliance by you with all terms or provisions of this Agreement.
- C. **Rules Adopted by The Forest:** The Forest reserves the right to adopt policies, procedures and rules regarding residency consistent with the provisions of this Agreement. You agree to observe the rules adopted by The Forest for the convenience, comfort, and safety of all.
- D. **Amendment of Residence and Care Agreement and General Conditions:** The Forest reserves the right, upon sixty (60) days prior written notice to all residents, to modify or amend the Residence and Care Agreement whenever doing so is necessary to correct errors, omissions, or inconsistencies, to provide clarification of intent, or to conform the documents to the requirements of local, state, or federal laws and regulations applicable to The Forest, in particular, or to residential life care communities, in general, or whenever doing so is deemed by the Board of Directors of The Forest to be in the best interest of The Forest and the residents in light of changes in health insurance laws and coverages and/or local, state or federal tax laws or regulations.
- E. **One Agreement:** As the Residence and Care Agreement must be written for all residents, individual changes cannot be made to the Residence and Care Agreement other than by addenda as outlined in Exhibit A.

**X. Entire Contract in this Agreement**

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

**XI. Modifications**

Any modifications to this Agreement are noted on Exhibit A under "Addenda."

**XII. Binding Effect**

This Agreement shall bind and inure to the benefit of the successors and assigns of The Forest and to your heirs, beneficiaries or personal representatives and will be governed by and construed according to the laws of the State of North Carolina.

**XIII. Notice Provisions**

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

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

Your address for the purpose of giving notice prior to your move to The Forest is the address appearing after your signature on the following page.

**Acknowledgements**

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

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

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

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

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

\_\_\_\_\_  
Telephone

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

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

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

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

\_\_\_\_\_  
Telephone

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

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

**EXHIBIT A**

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

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

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

REFUND PLAN:    ( ) Standard Amortized    ( ) 50% Refundable    ( ) 90% Refundable

RESIDENCY:        ( ) Single Occupancy        ( ) Double Occupancy

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

FUTURE RESIDENCY DEPOSIT: \_\_\_\_\_ (\$1,000.00)

\$10,000 RESERVATION DEPOSIT: \_\_\_\_\_ (\$10,000.00)

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

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

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

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

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

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

<b>EXHIBIT B</b>
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**Schedule of Ancillary Charges  
October 1, 2017**

<b><u>Dining Services</u></b>	<b><u>Price</u></b>
Adult Guest Meal in Main Dining Room	\$16.00
Child Guest Meal in Main Dining Room (12 years and under)	7.50
Guest Meals in Health and Wellness Center	3.50 Breakfast 4.50 Lunch 9.00 Dinner

Catering Services through Dining Services based on Catering Menu

**General Services**

Maintenance Labor per hour	\$30.00
Housekeeping per hour	20.00
Roll Away Bed/Crib per night	10.00
Laundry per pound	3.00
Key Replacement	5.00
Fob Replacement	10.00
Transponder	35.00

**Administration Services**

Guest Room per night	\$65.00
Fax – up to 5 pages	3.00
Fax – each additional page	1.00
Away Allowance per night/per person	5.75
Resident Computer Support per hour	50.00
Resident Computer Support – minimum charge	25.00
Return Check Fee	25.00

**Healthcare Services**

Medical Transportation (after one local trip per week)	
Durham	\$18.00
Chapel Hill	20.00
Medical Records Copy Fee (per Federal Guidelines)	
Pages 1-25: per page	\$0.75
Pages 26-100: per page	0.50
Pages 100+: per page	0.25
Minimum charge	10.00

**Activities**

Please refer to Activities Fee Sheet

**Hair Salon**

Please refer to prices listed in the salon

Prices subject to modification by The Forest at Duke annually



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