Disclosure Statement

March 1, 2020

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

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

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

- **this Disclosure Statement may be delivered only through July 28, 2021, if not earlier revised;**
- **delivery of this Disclosure Statement to a contracting party before execution of a contract for the provision of continuing care is required;**
- **this Disclosure Statement has not been reviewed or approved by any government agency or representative to ensure accuracy or completeness of the information set out.**

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Definition of Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Residential Living" means the garden homes and apartment residences.

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

"The Village" means The Village at Brookwood.

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

I. ORGANIZATION

The Village at Brookwood is a full-service retirement community that was sponsored and developed by ARMC Health Care. ARMC Health Care is the sole member of: Alamance Extended Care, Inc.; Alamance Regional Medical Center, Inc.; ARMC Physicians Care, Inc. and Alamance Regional Medical Center Foundation, Inc.

In December 2011, ARMC Health Care announced its intent to integrate with The Moses H. Cone Memorial Hospital (Cone Health) in Greensboro. Cone Health is a regional health care system with four hospitals in Greensboro and one in Reidsville, NC. A due diligence process was engaged and the required regulatory approvals were obtained. The transaction was effective on May 1, 2013. This effective date accounts for the time necessary to obtain clearance from the Federal Trade Commission ("FTC"), which is a condition precedent for closing. Cone Health is the sole member of ARMC Health Care.

The Village at Brookwood functions as a separate, not-for-profit 501(c)(3) corporation named Alamance Extended Care, Inc. doing business as The Village at Brookwood. All financial and contractual obligations of The Village at Brookwood will be the sole responsibility of The Village; the member will not be responsible for any of these obligations.

ARMC Health Care and Cone Health are not-for-profit corporations chartered by the State of North Carolina.

In August of 2015, The Village at Brookwood and Well·Spring Services in Greensboro entered into an affiliation agreement that provides The Village an opportunity to collaborate on services such as dining, strategic planning and marketing. The goals of the affiliation are to develop an Exceptional Dining program utilizing The Village management versus contract management, develop a strategic plan sharing consultant resources and collaboration on marketing strategies to diversify each community's methods of attracting older adults. This affiliation does not affect governance, management or financial obligations of The Village.

On October 1, 2016, Cone Health restructured reporting relationships so that the health care services of The Village report directly to the Cone Health Corporate Director of Non-Acute and Transitional Care services and indirectly to the Executive Director of The Village.

On June 1, 2017, The Village at Brookwood and the Well·Spring Group in Greensboro entered into a management agreement. Well·Spring Group and its affiliate, Well·Spring Management and Development, employ The Village's Executive Director, Healthcare Administrator, Director of Nursing, Director of Resident Services and Executive Assistant. Well·Spring is not responsible for the financial and contractual obligations of The Village.

The mission of Alamance Extended Care, Inc. is:

> ***Alamance Extended Care is a not-for-profit affiliate of ARMC Health Care committed to improving the health of the community through the provision of a***

high quality life-care retirement experience that integrates a continuum of retirement living, preventive wellness, and long term care services.

The business address for The Village at Brookwood is 1860 Brookwood Avenue, Burlington, North Carolina, 27215. The main entrance is located off of Rockwood Avenue, north of Edgewood Avenue.

The Board of Directors for Alamance Extended Care, Inc. has been selected, nominated, and approved by the Community Advisory Board of Alamance Regional Medical Center. Alamance Regional Medical Center appoints the Chairperson and Vice-Chairperson who will serve until replaced. The power and authority of the Corporation shall be vested in its Board of Directors, which shall have a minimum of eight (8) members and a maximum of seventeen (17) voting members.

II. FACILITY INTRODUCTION AND INFORMATION

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

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

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

The common areas are the center of activities for The Village and include a formal dining room, a café, private dining room, a living room and social lounge, an arts and crafts studio, a paint studio, an auditorium, a library, a bank, a beauty and barber shop, carpentry shop, a billiards room and a gift shop. Residents have the choice of using the community center amenities for everyday needs or travelling outside The Village at Brookwood to the greater Burlington community.

The Health Care Center consists of an outpatient clinic, 24 Assisted Living rooms which are licensed as Adult Care (Home for the Aged), with 12 of these rooms dedicated to dementia-memory care, and 24 Skilled Nursing rooms, licensed as Nursing Care. Together with the 81-bed Edgewood Place (which is available to the general public), The Village has 129 health care residences.

To plan, finance and develop The Village at Brookwood, a team of professionals experienced in non-profit retirement community development were recruited. The Village at Brookwood was financed through a North Carolina Medical Care Commission tax-exempt bond issue (2001 Series A, B and C) in the amount of $58,060,000. To qualify for tax-exempt financing

requires these items: a rigorous financial review and pro-forma; 70% of the Independent Living residences reserved by Residents with a 10% deposit of the Entrance Fee; and a guaranteed maximum price construction contract. These measures were required to insure the financial viability and sound operation of The Village at Brookwood.

On January 2, 2007, the series "C" variable rate bonds ($17 million) were retired. In May 2007, The Village at Brookwood re-financed a portion of the 2001 Series "A" and all of the "B" Bonds and included a $3 million loan from BB&T Bank into a new Fixed Rate 2007 Bond Issue.

On July 24, 2013 the outstanding 2001 bonds were redeemed. On November 20, 2013 the outstanding 2007 bonds were redeemed. The outstanding debt (prior to the redemption of the bonds) was refinanced by Cone Health, the parent corporation.

The Village at Brookwood is managed by its own Board of Directors composed of local experienced business and community representatives, and a professional administrative staff experienced in retirement community management.

A. The Board of Directors and Officers

1. **Jeffrey S. Blaser**
   Blaser Investment Management Group, a Raymond James Affiliate
   3065 S. Church Street
   Burlington, NC 27215

   POSITION: Board Member; Finance Committee – Chair

   BACKGROUND: Certified Financial Planner; Registered Principal, Blaser Investment Management Group/Raymond James since 1997; Bachelor of Science in Business Administration from UNC-Chapel Hill, has served on the following Boards: St. Marks Church, Alamance County Young Life and Hospice of Alamance Foundation, allied Churches of Alamance County.

2. **William S. Chandler, Jr.**
   2415 Saddle Club Rd.
   Burlington, NC 27215

   POSITION: Board Chair; Ex-officio on all committees.

   BACKGROUND: Vice President of Human Resources for Glen Raven, Inc., retired in 2013; BA in English -1969, MBA 1972 from the University of North Carolina-Chapel Hill. Served on the following boards: Founding Board of Burlington Christian Academy; Christian Counseling Center Board; United Way of Alamance County; Lutheran Retirement Ministries Board; President, Alamance Country Club; Elder, First Presbyterian Church.

3. **F.D. Hornaday, III**
   Knit-Wear Fabrics, Inc.
   P.O. Box 790
   Burlington, NC 27216-0790

   POSITION: Ex-Officio Board Member with Vote

   BACKGROUND: Graduate of UNC-Chapel Hill. CEO of Knit-Wear Fabrics, Inc.; Member of Front Street United Methodist Church, Salvation Army Boys and Girls Club Advisory Council, Past Chair; Alamance Junior Tennis Foundation, Past Chair; United Methodist Foundation, Vice-Chair; American National Bank Board of Directors; UNC Board of Visitors, 2004-2008; Alamance Country Club, Past President; currently Chair of the Alamance Regional Medical Center Community Advisory Board of Directors; Chair of Impact Alamance Board of Directors and Chair of Cone Health Board of Directors.

4. **Daryl Ingold**
   4115 Argyle Trace
   Burlington, NC 27215

   POSITION: Board Member, Capital Campaign Committee

   BACKGROUND: Graduate of Elon University. Worked in the family auto dealership from 1970 until retirement in December 2015. Serves on the board of directors of Wells Fargo Bank, Crime Stoppers and Chamber of Commerce. Has served on the United Way and Meals on Wheels boards in the past.

5. **Edward McCauley**
   168 Lakewood Court
   Burlington, NC 27215

   POSITION: Board Member; Finance Committee; Property Committee; Resident

   BACKGROUND: North Carolina Healthcare Association: President Emeritus; President, 1978-1999. Durham County Hospital Corporation, Administrative Director, 1971 – 1978. Has served on the following Boards of Directors: Duke University Health System; Durham County Hospital Corporation; North Carolina Hospital Association; North Carolina Hospital Foundation; North Carolina Institute of Medicine; North Carolina Center for Hospital Quality and Patient Safety; North Carolina State University Alumni Association; and North Carolina State University Foundation; and on the following Boards of Advisors: University of North Carolina School of Public Health; Kate B. Reynolds Charitable Trust; and Mars Hill University.

6. **Chapman McQueen, MD, FACS**
   1002 East Willowbrook Drive
   Burlington, NC 27215

   POSITION: Ex-officio Board Member with Vote

   BACKGROUND: Partner, Alamance Ear, Nose & Throat, LLP, Burlington. Dr. McQueen has practiced medicine in Burlington since 2002. Prior to joining this practice, Dr. McQueen was an Assistant Professor, Division of Otolaryngology/Head and Neck Surgery, Department of Surgery, University of North Carolina School of Medicine, Chapel Hill. Dr. McQueen has served on the Alamance Regional Medical Center Board of Directors since 2009, the Peer Review Committee since 2009 and the Cone Health Board of Directors since 2013. Dr. McQueen also serves as an Elder with Graham Presbyterian Church.

7. **Robert Sills**
   BMS Investment Properties LLC and BMS Investment Properties RB LLC
   1305 Graham Street
   P. O. Box 295
   Burlington, NC 27216-0295

   POSITION: Board Member; Finance Committee; Resident

   BACKGROUND: Chairman of Board "Emeritus" for Burlington Technologies. Owner of Pioneer Investment Properties. Bachelor of Science Degree in Textiles Technology from North Carolina State University and additional graduate studies from Kenan Flagler Business School at the University of North Carolina. Retired as VP of Manufacturing of Burlington Industries after nearly forty (40) years; Founder and Past CEO of Burlington Technologies. Serves on the following boards: Silona Home Fashions, VitaFlex and BMS Investment Properties. Past Vice-Chairman of Galax, Virginia School Board; Past President of Galax, Carroll, Grayson Chamber of Commerce; Past Chairman of Deacon Board, First Baptist Church in Galax, Virginia.

8. **Marty Stadler**
   3305 Coventry Place
   Burlington, NC 27215

   POSITION: Board Member, Property Committee – Chair

   BACKGROUND: BSBA from Appalachian State University. Currently is the Marketing and Operations Coordinator for Sawyer Exterminating. Previous employment: Market Executive-Proponent Federal Credit Union; Manager–Randolph Bank; Vice-President – Stadler's Country Hams. Currently Board President of Healthy Alamance. Mr. Stadler has served on the following: Board President of Hospice of Alamance-Caswell, Salvation Army Board, United Way Board, Alamance County

Chamber of Commerce Board, Elon University Community Volunteers. Past President of Alamance Bicycle Club.

9. **Alan J. White, Ed.D.**
2513 Asbury Court
Burlington, NC 27215

POSITION: Board Member; Capital Campaign and Nominating Committees

BACKGROUND: Retired Director of Athletics, Elon University. Professor, Coach and Administrator and currently Professor Emeritus at Elon. Service in the local area includes Board service: YMCA, Alamance County Recreation Department, Alamance Regional Medical Center, Front Street Methodist Church Administrative Board, Bank of America local Board and Alamance County Sports Development council of the Chamber of Commerce. In addition, served as President of Alamance Rotary Club, served on the Front Street Methodist Church finance committee. Professionally, served as Chair of numerous league committees and as National Chair of the NAIA Athletics Directors Association. Currently, consults with Colleges and Universities on athletic matters.

10. **Jo Watts Williams, Ed.D.**
Elon University
101 Haggard Ave.
Elon, NC 27244

POSITION: Board Member; Property Committee; Resident

BACKGROUND: Elon University: V.P. Emeritus since 2010. Special Assistant to the President, 1995 – 2010; Vice President for Development, 1979 – 1995; Associate Dean of Academic Affairs, 1977 – 1979; Professor of Education, 1969 – 1977. Has been elected as Professor of Education Emeritus at Elon University. Currently serves on the board of directors of Alamance Foundation. Has served on the following Boards: Alamance Regional Medical Center; Alamance County Chamber of Commerce; Wachovia Bank and Trust Company; Habitat for Humanity; Hospice and Palliative Care of Alamance/Caswell Alamance County Chapter, North Carolina Symphony; Trustee, First Presbyterian Church, Burlington; Women's Health Steering Committee; Advisory Board, Salvation Army; United Way of Alamance County; Board of Advisors, Burlington Boys and Girls Club.

11. Michael Garland, Executive Director
The Village at Brookwood
1860 Brookwood Avenue
Burlington, NC 27215
POSITION: Ex-Officio Board Member without Vote

BACKGROUND: Joined Well·Spring Management and Development in June 2017 and held the position of Health Care Administrator until May 2019, when he assumed his current role as Executive Director of The Village at Brookwood. Having grown up in the field of Long-Term Care, Michael has had the opportunity to serve older adults as a leader since 2013. He is a fellow of the Leading Age North Carolina Leadership Academy as of May 2019. Michael holds a Bachelor of Science degree from East Carolina University and is a licensed Nursing Home Administrator in the state of North Carolina.

12. René Smith, Director of Finance
Cone Health
1217 N. Elm Street
Greensboro, NC 27401

POSITION: Treasurer

BACKGROUND: Responsible for non-hospital financial operations with total gross revenue of $275 million. In addition to the accounting responsibilities for Alamance Extended Care, Inc., she oversees the accounting for Cone Health's outpatient centers, foundations and other entrepreneurial entities. Additionally, she oversees the accounting for all capital purchasing within Cone Health. She holds a B.S. in Accounting from Elon University and a Masters in Business Administration/Masters in Healthcare Administration from Pfeiffer University.

13. April Mayberry, Healthcare Administrator
The Village at Brookwood
1860 Brookwood Avenue
Burlington, NC 27215

POSITION: Secretary

BACKGROUND: Bachelor's degree in Recreational Therapy from Western Carolina University and has been serving older adults for over 20 years. Her journey in healthcare includes Recreation Therapy Director, Behavioral Health Director and Associate Administrator before becoming a licensed Nursing Home Administrator in 2011. April joined Well·Spring Management and Development in September 2019 in the role of Health Care Administrator for the Village at Brookwood.

14. President of Residents' Association
The Village at Brookwood Residents' Association

POSITION: Resident, Non-voting attendee

B. Professional Staff and Consultants

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

1. Kristy Foust, Director of Resident Services
Kristy holds a Bachelor's degree in Recreational Therapy from the University of North Carolina at Greensboro and has been serving older adults for over 10 years. She started her journey as a Certified Nursing Assistant and then became a licensed Recreational Therapist. Kristy has been with The Village at Brookwood since June of 2018.

2. Cindy Youngblood, Accounting Manager
B.S. in Business Administration from Elon University. Has worked in Accounting since 1984 with Alamance Regional Medical Center and with the Village at Brookwood since 2007.

3. Cindy Kroksh, Director of Clinical Services
Graduate of Watts Hospital School of Nursing. BS from Mars Hill College. Employed in Long Term Care since 1981 and have held the position of Director of Nursing since 1985. She has worked with The Village at Brookwood since 2017.

4. Anthony Ricciuti, Director of Dining Services
Bachelor of Business Management, Memphis State University. Has worked in dining service in a Country Club, Assisted Living and CCRC's as a Chef and in Management positions. Anthony began his employment with The Village in January 2016.

5. Chip Schmid, Director of Marketing
Bachelor of Science in Business Administration from Barton College, (formerly Atlantic Christian College). Has worked in management, marketing and sales roles in the retail and textile industries for over twenty years. Joined the marketing team at The Village at Brookwood in 2013 and accepted the Marketing Director position in July 2016. Has served as Allocations Committee Chair for Senior Services with United Way of Alamance County. Currently serving on the Alamance ElderCare Board of Directors.

6. Bob Walkup, Director of Facilities Services
Has an Associate Degree in Electronics; a Bachelor's and Master's Degree from the University of Phoenix in Business Administration. Has been the Director of Facility Services at The Village since 2013. Has worked in a CCRC and Acute Care in managing plant operations and support services. He is a Certified Healthcare Facility Manager by the American Hospital Association.

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

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

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

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

III. POLICIES

A. Residency – Health and Financial Criteria

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

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

The Resident may become a part of the Friends Advantage Program (FAP) by payment of a $1,200 application fee. Of that fee, $1,000 will be credited toward the entry fee; $200 will be retained for administrative costs. Members of the Friends Advantage Program will

receive advance notice of openings and will have priority in residence choices over all other prospective residents.

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

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

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

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

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

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

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

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

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

The Assisted Living, Memory Care and Skilled Nursing units of The Village at Brookwood are open to persons who have not lived in the Independent living section of the community. A Direct Admissions Agreement is required for persons entering health care directly. Direct Admissions will not be eligible to receive the Life Care benefit. Instead, they will pay the fees for direct residency in Assisted Living, Memory Care or Skilled Nursing and the stated monthly fee for those levels of care.

B. Cancellation/Termination

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

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

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

a Resident, or because the Resident's physical, mental or financial condition makes the Resident ineligible for entrance to The Village.

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

b. Termination by The Village. The Village at Brookwood may terminate the Residence and Services Agreement prior to occupancy if there has been a material misrepresentation or omission made by the Resident in the Resident's information provided prior to Residency, within the Personal Health History, or the Confidential Financial Statement; or if the Resident's financial status changes such that Resident no longer meets The Village's financial requirements for residency. In the event of termination for any such causes, the refund of the Entrance Fee paid by the Resident shall be determined in the manner described in Section III.C. below (Entrance Fee Plans).

2. Cancellation of Contract Pursuant to Occupancy and Termination Other Than Death: The Residence and Service Agreement, in, Section VI., makes provisions for cancellations and terminations after the Resident occupies a residence, as follows:

a. Voluntary Termination after Occupancy. At any time after occupancy, the Resident may terminate the Residence and Services Agreement by giving Provider thirty (30) days written notice of such termination. Such notice effectively releases the Residence to The Village. Any refunds of the Entrance Fee due to the Resident shall be calculated based upon the Entrance Fee option chosen by the Resident and as described in Section III.C. Any refund due the Resident under this paragraph will be made at such time as such Resident's Residence shall have been reserved by a prospective resident and such prospective resident shall have paid to The Village the full Entrance Fee, or within one (1) year from the date of termination, whichever first occurs. All refunds may be reduced by the cost of returning the Residence to its original condition and by any outstanding charges due from Resident.

b. Termination upon Death. In the event of death of the Resident at any time after occupancy, the Residence and Services Agreement shall terminate and the refund of the Entrance Fee paid by the Resident shall be calculated based upon the Entrance Fee option chosen by the Resident and as described in Section III.C. Any refund due to the Resident's estate will be made at such time as such Resident's Residence shall have been reserved by a prospective resident and such prospective resident shall have paid to The Village the full Entrance Fee, or within one (1) year from the date of termination, whichever first occurs. All refunds may be reduced by the cost of returning the Residence to its original condition and by any outstanding charges due from Resident.

c. Termination by The Village. The Village may terminate this Agreement at any time if there has been a material misrepresentation or omission made by the

Resident in the Resident's Application for Admission, Personal Health History, or Confidential Financial Statement; if the Resident fails to make payment to Provider of any fees and charges due The Village within sixty (60) days of the date when due; or if the Resident does not abide by the rules and regulations adopted by Provider or breaches any of the terms and conditions of this Agreement. Any refunds of the Entrance Fee due to the Resident shall be calculated based upon the Entrance Fee option chosen by the Resident and as described in Section II.A. Any refund due the Resident under this paragraph will be made at such time as such Resident's Residence shall have been reserved by a prospective resident and such prospective resident shall have paid to The Village the full Entrance Fee, or within one (1) year from the date of termination, whichever first occurs. All refunds may be reduced by the cost of returning the Residence to its original condition and by any outstanding charges due from Resident.

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

C. Entrance Fee Plans

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

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

2. **Life Care 50% Refundable** Entrance Fee (less an initial 6% nonrefundable fee) accrues to The Village at a rate of 2% per month of occupancy or portion thereof for 22 months until 50% of the entrance Fee has been accrued by The Village. Thereafter, any refund to the Resident will be guaranteed at 50% of the Entrance Fee originally paid less a sum equal to any costs owed to The Village by the Resident, plus the amount

necessary to restore the Residence to an acceptable condition except for reasonable wear and tear to the Residence. Refunds will be payable to the Resident at such time as such Resident's Residence shall have been reserved by a prospective Resident and such prospective Resident shall have paid to The Village the full Entrance Fee, or within one (1) year from the date of termination, whichever first occurs.

3. **Life Care 90% Refundable** Entrance Fee (less an initial 6% nonrefundable fee) accrues to The Village at a rate of 2% per month of occupancy or portion thereof for 2 months until 10% of the Entrance Fee has been accrued by The Village. Thereafter, any refund to the Resident will be guaranteed at 90% of the Entrance Fee originally paid less a sum equal to any costs owed to The Village by the Resident, plus the amount necessary to restore the Residence to an acceptable condition except for reasonable wear and tear to the Residence. Refunds will be payable to the Resident at such time as such Resident's Residence shall have been reserved by a prospective Resident and such prospective Resident shall have paid to The Village the full Entrance Fee, or within one (1) year from the date of termination, whichever first occurs.

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

D. Moves and Transfers

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

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

1. **Transfer of Resident to a Larger Residence.** If the Resident elects to transfer to a larger Residence, an additional Entrance Fee (according to the Entrance Fee Refund Option selected with the Date of Occupancy) equal to the difference between the Entrance Fee for the smaller Residence and the Entrance Fee for the larger Residence will be due to The Village. The Resident will also pay the Monthly Service Fee associated with the larger Residence.

2. **Transfer of Resident to a Smaller Residence.** The Resident may elect to transfer to a smaller Residence and pay the current monthly service fee for that Residence. The transfer to a smaller Residence shall not result in any entrance fee refund.

Transfer to the Health Care Center. The Resident agrees that Provider shall have authority to determine that the Resident be transferred from one level of care to another level of care within The Village. Such determination shall be based on the professional opinion of Medical Director and shall be made after reasonable efforts to consult with the Resident or the Resident's chosen and legal representative.

Transfer to Hospital or Other Facility. If it is determined by Provider that the Resident needs care beyond that which can be provided by The Village, the Resident may be transferred to a hospital or institution equipped to give such care; such care will be at the expense of the Resident. Such transfer of the Resident will be made only after consultation to the extent possible with the Resident, or a representative of the Resident's family.

Surrender of Residence. If a determination is made by Provider that any transfer as described above is likely to be permanent in nature, the Resident agrees to surrender the Residence upon such transfer. The Provider shall continue charging the monthly fees until such time that the unit is vacated. If Provider subsequently determines that the Resident can resume occupancy in a Residence or accommodation comparable to that occupied by the Resident prior to such transfer, the Resident shall have priority to such residence as soon as it becomes available.

E. Addition of a Co-Resident or Marriage

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

F. Financial Assistance

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

> Provider declares that it is the intent of The Village to permit a Resident to continue to reside at The Village if the Resident is no longer capable of paying the prevailing

fees and charges of The Village as a result of financial reversals occurring after occupancy, provided such reversals, in Provider's judgment, are not the result of willful or unreasonable dissipation of the Resident's assets. In the event of such circumstances, Provider will give careful consideration to subsidizing the fees and charges payable by the Resident so long as such subsidy can be made without impairing the ability of Provider to operate on a sound financial basis. Any determination by Provider with regard to the granting of financial assistance shall be within the sole discretion of Provider.

IV. SERVICES - Life Care: Standard, 50% and 90% Refundable

A. Standard Services Available

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

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

B. Services for an Extra Charge

Services that will require additional payment include:

- additional meals
- meal delivery to residence
- charges for special activities or trips
- personal parties or group events in the Community Center
- special, personal or group trip transportation

- beauty salon and barber shop services
- guest accommodations
- expanded cable television
- charges for selected clinic health care services and wellness program activities
- charges for temporary health care services (more than 14 days a year in a healthcare accommodation) not covered by Medicare or other Insurance.

C. Absences

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

D. Health Care Services Available

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

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

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

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

V. SERVICES – Fee for Service: Standard

A. Standard Services Available

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

- 15 meals per person, per month
- housekeeping every other week
- maintenance of the residence
- maintenance of grounds and landscaping
- regularly scheduled local transportation
- planned social and recreational activities
- all utilities (electric, gas, water and sewer)

- telephone including long distance
- cable television (basic)
- high speed internet service (WIFI)
- 24-hour emergency call service and response
- 24-hour security services
- personal emergency pendants
- electronic check-in
- trash removal
- parking
- assistance with filing insurance claims
- assistance with transfer to hospitals or other special care facilities
- health care services at the per diem rate

B. Services for an Extra Charge

Services that will require additional payment include:

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

C. Health Care Services Available

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

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

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

VI. FEES

A. Residency Fees

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

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

B. Entrance Fee and Monthly Service Fee

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

C. Health Care Center Fees – Life Care: Standard, 50% and 90% Refund

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

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

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

D. Health Care Center Fees – Fee for Service

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

E. Fee Change Policies

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

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

F. Changes in Fees for the Previous Five Years

LIFE CARE

Apt. Residences	**Sq. Feet**	2016	2017	2018	2019	2020
Azalea	826	$2,374	$2,445	$2,519	$2,607	$2,705
Birch	1113	$2,582	$2,659	$2,739	$2,835	$2,941
Camellia	1206	$2,823	$2,908	$2,995	$3,100	$3,216
Dogwood	1352	$3,063	$3,155	$3,250	$3,364	$3,490
Elm	1596	$3,322	$3,422	$3,524	$3,647	$3,784
Garden Home Residences						
Holly	1692	$3,626	$3,735	$3,847	$3,982	$4,131
Magnolia/ Maple	1892	$3,795	$3,909	$4,026	$4,167	$4,323
Oak	1965	$3,904	$4,021	$4,142	$4,287	$4,448
Co-Resident		$1,155	$1,190	$1,225	$1,268	$1,315

FEE FOR SERVICE

Apt. Residences	**Sq. Feet**	2016	2017	2018	2019	2020
Azalea	826	$1,791	$1,845	$2,115	$2,189	$2,271
Birch	1113	$1,998	$2,058	$2,335	$2,417	$2,507
Camellia	1206	$2,238	$2,305	$2,589	$2,680	$2,780
Dogwood	1352	$2,478	$2,552	$2,869	$2,969	$3,081
Elm	1596	$2,738	$2,820	$3,145	$3,255	$3,377

Garden Home Residences	Sq. Feet	2016	2017	2018	2019	2020
Holly	1692	$2,292	$2,361	$3,172	$3,283	$3,406
Magnolia/ Maple	1892	$2,461	$2.535	$3,376	$3,494	$3,625
Oak	1965	$2,571	$2,648	$3,493	$3,615	$3,751
Co-Resident		$512	$527	$708	$733	$760

G. Historic Changes in Major Fees

The following table shows average changes in the monthly service fees and Health Center monthly charges over time. Note that it is the average dollar amount of the CHANGE in fees from year to year that is shown – NOT the fees themselves. All fee increases were historically done on January 1st each year. Effective October 1st, 2016, and going forward, fee increases will coincide with our fiscal year (October 1st thru September 30th).

Life Care	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
Monthly Service Fees					
Resident ($s per month)	$0	$96	$99	$118	$131
Co-Resident ($s per month)	$0	$35	$35	$43	$47
Approx. Percentage Increase	0.0%	3.0%	3.0%	3.5%	3.75%
Healthcare Room Charges	$0	$106	$109	$132	$146
Fee For Service					
Monthly Service Fees					
Resident ($s per month)	$0	$70	$72	$101	$112
Co-resident ($s per month)	$0	$15	$16	$25	$27
Approx. Percentage Increase	0.0%	3.0%	3.0%	3. 5%	3.75%
Healthcare Room Charges					
Assisted Living	$0	$141	$243	$204	$212
Memory Care	$0	$183	$314	$264	$274
Skilled Nursing	$0	$254	$437	$367	$382

H. Miscellaneous Ancillary Charges

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

VII. FINANCIAL INFORMATION

A. Overview

The Village financed the construction, equipment and initial working capital for the project with tax-exempt revenue bonds issued through the North Carolina Medical Care Commission ($32,560,000 Series 2001A (Fixed Rate), $8,500,000 Series 2001B (Adjustable Rate) and $17,000,000 Series 2001C (Variable Rate)). Initial seed and development funding was provided by Alamance Regional Medical Center, Inc., and $4 million was repaid to Alamance Regional Medical Center, Inc. at the closing of the 2001 tax-exempt revenue bond issue. A $3 million subordinated interest free loan with Alamance Regional Medical Center was reflected in the financial reports from 2001-2013. This intercompany loan was forgiven in March 2014 and is no longer shown in the financial statements.

The Series 2001C Bonds were retired on January 2, 2007. In connection with the retirement of the Series 2001C Bonds, a $3 million loan (20-year amortization with a 2 year payback) was attained from Branch Banking and Trust Company (the "Bank Loan") in December 2006 to assure adequate cash flow following such retirement.

In May of 2007, The Village refunded $11,960,000 of the Series 2001A Bonds, all of the Series 2001B Bonds and retired the Bank Loan through the issuance of $29,280,000 fixed rate tax-exempt refunding revenue bonds (the "Series 2007 Bonds"). BB&T Capital Markets in Richmond, Virginia served as underwriter for the Series 2007 Bonds.

The Alamance Extended Care Series 2001 and 2007 bonds were redeemed by Cone Health in two transactions. The 2001 bonds were redeemed in July 2013 and the 2007 bonds were redeemed in November 2013. Alamance Extended Care, Inc., no longer has debt. Cone Health, the parent company issued tax exempt bonds to refinance the outstanding debt.
A Promissory Note for $2.5 million was approved in 2008 by the Board of Directors of Alamance Extended Care, Inc. and the Board of Directors of Alamance Regional Medical Center to develop a Wellness Center on the campus of The Village at Brookwood. The Wellness Center includes exercise rooms, a pool and locker rooms. This was a 0% interest note, with the indebtedness due in full by January 2, 2032. As part of the agreement, the patients of Alamance Regional Medical Center receiving aquatic therapy will have the right to use the Wellness Center during specified times and under the direct care of a therapist. Alamance Regional is not charged for the use of the pool. In March 2014, this loan was forgiven and is no longer reflected in the financial statements.

B. Residents with Continuing Care Contracts

As of September 30, 2019, there were a total of 248 residents receiving continuing care services. There were 207 residents in Independent Living, 19 in Assisted Living and 22 in Skilled Nursing.

C. Current Financial Statements

The Village at Brookwood began operations on July 21, 2003. Audited financial statements for the last two full fiscal years (2018-2019) for Cone Health are included as Attachment A.

D. Five Year Forecasted Statement

See Attachment B for financial projection statements prepared for the fiscal years 20120-2024.

E. Material Differences between Forecasted Financial Data and Actual Results

Narrative describing material differences between forecasted financial data as shown in previous Disclosure Statement and Audited Actual Results. (Pages 28 – 31)

As of 9/30/19 **Explanation: Variance of 10% or greater than $150,000**

	Audited	Forecast	Variance	% change	Explanations
CURRENT ASSETS:					
Cash and cash equivalents	8,090,604	7,856,000	234,604	2.90%	1
Patient Accounts Receivable	1,009,119				
Allowance for Uncollectibles	(295,705)				
Net Accounts Receivable	713,414	865,000	(151,586)	-21.25%	2
Supplies Inventory	19,703	48,000	(28,297)	-143.62%	3
Other Receivables	348,320	0	348,320		
Intercompany Receivables	0	0	0		
Prepaid Expenses	20,000	192,000	(172,000)		
Other Current assets	368,320	192,000	176,320	47.87%	4
Total Current Assets	9,192,041	8,961,000	231,041	2.51%	
ASSETS LIMITED TO USE:					
Investments-board designated	0	0	0		
Other trustee held funds	0	0	0		
Debt Service Reserve	0	0	0		
Statutory Operating Reserve	4,131,673	3,989,000	142,673	3.45%	
Total	4,131,673	3,989,000	142,673		
PROPERTY, PLANT & EQUIPMENT:					
Land & Land Improvements	9,337,020		9,337,020		
Buildings & Fixed Equipment	61,764,614		61,764,614		
Movable Equipment	2,027,489		2,027,489		
Construction/Equipment in Progress	897,445		897,445		
Total Property, Plant & Equipment	74,026,568	58,389,000	15,637,568		
Accumuated Depreciation	(14,276,839)		(14,276,839)		
Total	59,749,729	58,389,000	1,360,729	2.28%	5
Investments	0	1,248,000	(1,248,000)	-100.00%	6
Other Assets	(1,557)	45,000	(46,557)	2990.17%	7
TOTAL ASSETS	73,071,886	72,632,000	439,886	0.60%	

EXPLANATIONS:

1 Cash is transferred periodically to Cone Health Treasury Management. Transfers out were less than anticipated in Forecast

CONTINUED NEXT PAGE

2 Accounts receivable are less than forecast due to gross revenue being less than forecast

3 Did not see increase in Inventory as forecasted due to lower census

4 Cash was not paid at year end to close out intercompany receivables

5 Refurbishments/Capital spend higher than anticipated for 2019

6 The Village at Brookwood had no general investments in 2019 nor 2018

7 Payroll corrections as of 09/30/2019

As of 9/30/19	**Explanation: Variance of 10% or greater than $150,000**				
	Audited	**Forecast**	**Variance**	**% change**	**Explanations**
LIABILITIES AND NET ASSETS:					
CURRENT LIABILITIES					
Accounts Payable	382,922	213,000	169,922	44.38%	8
Accrued Expenses	2,257,833	4,184,000	(1,926,167)	-85.31%	9
Deferred Revenue	1,874,962	2,161,000	(286,038)	-15.26%	10
Due to Others	3,522,669	0	3,522,669	100.00%	11
Total Current Liabilities	8,038,386	6,558,000	1,480,386	18.42%	
LONG TERM LIABILITIES					
Deferred Revenue from Entrance Fees	8,086,703	4,857,000	3,229,703	39.94%	12
VALUATION WRITE DOWN DEF INC-AEC	(3,758,182)	0	(3,758,182)	100.00%	13
Refundable Fees	11,187,370	11,463,000	(275,630)	-2.46%	14
Other non-current liabilities	(80,397)	110,000	(190,397)	236.82%	15
Total Long Term Liabilities	15,435,494	16,430,000	(994,506)	-6.44%	
TOTAL LIABILITIES	23,473,880	22,988,000	485,880	2.07%	
NET ASSETS:					
UNRESTRICTED NET ASSETS	49,381,537	49,429,000	(47,463)	-0.10%	
TEMPORARILY RESTRICTED FUNDS	216,469	215,000	1,469	0.68%	
NET ASSETS	49,598,006	49,644,000	(45,994)	-0.09%	
LIABILITIES AND NET ASSETS	73,071,886	72,632,000	439,886	0.60%	

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EXPLANATIONS:

8 Accounts Payable year end accruals were higher than forecasted as paybles were not paid out before 9/30/2019

9 Accrued expenses were less than forecasted for 2019 and due to others is lower than forecast. Timing of TDA annuity paid to employee retirement is the other difference

10 Higher deferred revenue in Long Term and less in Short Term at year-end due to higher than forecasted new resident occupancy

11 Due to others includes due to Cone Health and sales tax payable - not recognized in forecast due to the balance was intentionally paid off

12 Higher deferred revenue in Long Term and less in Short Term at year-end due to higher than forecasted new resident occupancy

13 Valuation write down was required by auditors and not included in forecast

14 Refundable fees lower due to old residents have met contractual obligationsfully amortized and are no longer owed refunds

15 Other non-current liabilities include deferred comp liability and Friends Advantage Program deposits

As of 9/30/19 **Explanation: Variance of 10% or greater than $150,000**

	Audited	Forecast	Variance	% change	Explanations
Monthly Service Fees:					
Residential Living	5,677,590				
Health Care	9,060,661	15,148,000	(409,749)	-2.78%	16
Amortization of entrance fees	1,952,138	1,476,000	476,138	24.39%	17
Investment income		17,000	(17,000)	-100.00%	18
Contributions and Gifts	0		0		
Other revenues	1,247,767	915,000	332,767	26.67%	19
Total Revenues, Gains and Other Support	17,938,156	17,556,000	382,156		

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As of 9/30/19 **Explanation: Variance of 10% or greater than $150,000**

	Audited	Forecast	Variance	% change	Explanations
Expenses:					
Health care	4,847,105	4,970,000	(122,895)	-2.54%	
Resident services	634,356	577,000	57,356	9.04%	
Dietary	2,000,275	2,132,000	(131,725)	-6.59%	
Plant operations	2,043,988	1,592,000	451,988	22.11%	20
Laundry	49,888	69,000	(19,112)	-38.31%	21
Housekeeping	553,541	556,000	(2,459)	-0.44%	
General and administrative	5,836,158	5,687,000	149,158	2.56%	
Interest	0		0		
Amortization	0		0		
Depreciation	2,827,218	2,745,000	82,218	2.91%	
Total Expenses	18,792,529	18,328,000	464,529		
Excess of Revenue, Gains and Other Sup	(854,373)	(772,000)	(82,373)		
Cost of Extinguishment of Debt	0				
Interagency Transfers	0				
Change in Unrestricted Net Assets	(854,373)	(772,000)			

EXPLANATIONS:

16 Census in Healthcare lower than forecasted and residential and healthcare not broken out in forecast

17 Amortization higher due to more move-ins than expected for 2019

18 No investment income for TVAB

19 General service revenue and termination income higher than forecasted

20 Unexpected repairs in 2019 due to roof leaks/water damage

21 Changed laundry vendor in Sept 2019 and realized savings

VIII. RESERVES, ESCROW AND TRUSTS

A. Trustee-Held Funds

There are no Trustee-held funds.

B. Operating Reserves

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

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

The Operating Reserve Fund is held by the Corporation in an interest-bearing Certificate of Deposit accounts and the reserve can only be released for use by the provider upon written request to and approval by the Commissioner of Insurance.

C. Board Designated Funds

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

D. Investment Accounts

The Village does not maintain investment accounts. All bank accounts are managed by Cone Health. Cone Health's investments are managed by an Investment Committee led by an Investment Manager in the Corporate Office.

IX. FACILITY DEVELOPMENT OR EXPANSION

The initial construction of The Village at Brookwood consisted of 153 residential living residences (110 apartments and 43 garden homes) and 48 health care residences. Additionally, there are 81 Skilled Nursing accommodations available to the general public. The Wellness Center that includes exercise rooms, pool, Jacuzzi and locker rooms opened in May 2009. The site has been master planned to allow the addition of garden home residences, apartment residences and additional healthcare residences. Construction of two maple garden homes was completed January 2019.

X. RESIDENCE AND SERVICES AGREEMENTS

The Residence and Services Agreements (Standard Life Care, 50% and 90% refund; and Standard Fee for Service) are attached (Attachments D and E). The Amendment to Residence and Services Agreement for Direct Admission to Health Care is also attached (Attachment F). All persons interested in residency at The Village at Brookwood should carefully review the selected Agreement.

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

XI. MISCELLANEOUS

A. Marketing Incentives

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

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

B. Wait List

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

Attachment A
Audited Financial Statements

The Moses H. Cone Memorial Hospital and Affiliates

Consolidated Financial Statements as of and for the Years Ended September 30, 2019 and 2018, Consolidating Supplemental Schedules as of and for the Year Ended September 30, 2019 and Independent Auditors' Report

THE MOSES H. CONE MEMORIAL HOSPITAL AND AFFILIATES

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
The Moses H. Cone Memorial Hospital:

We have audited the accompanying consolidated financial statements of The Moses H. Cone Memorial Hospital and affiliates (dba Cone Health) (the "Health System"), which comprise the consolidated balance sheets as of September 30, 2019 and 2018, the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Health System's preparation and fair presentation of the consolidated 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 Health System'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Health System as of September 30, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, the Health System has changed its method of accounting for revenue and net assets in fiscal year 2019 due to the adoption of Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers* and all subsequent amendments (collectively, "ASC 606") and ASC Topic 958, *Not-for-Profit Entities* ("ASU 2016-14"). The Health System adopted ASC 606 and ASU 2016-14 on a full retrospective basis. Our opinion is not modified with respect to this manner.

As discussed in Note 10 to the consolidated financial statements, the activities surrounding the termination of the Company's pension plan triggered settlement accounting during fiscal year 2019, in accordance with ASC 715, *Compensation-Retirement Benefits*. The settlement expense related to the termination of the pension plan was $75.2 million, which is reflected in pension settlement expense on the statement of operations. Our opinion is not modified with respect to this matter.

Report on Consolidating Supplemental Schedules

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating supplemental schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. These consolidating supplemental schedules are the responsibility of the Health System's management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such consolidating supplemental schedules have been subjected to the auditing procedures applied in our audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such consolidating supplemental schedules directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such consolidating supplemental schedules are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Deloitte & Touche LLP

January 24, 2020

THE MOSES H. CONE MEMORIAL HOSPITAL AND AFFILIATES

CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2019 AND 2018
(In thousands of dollars)

	2019	2018
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 43,644	$ 62,354
Short-term investments	63,533	77,776
Patient accounts receivable	233,367	192,696
Inventories	36,781	34,460
Assets limited as to use—required for current liabilities	7,073	6,488
Other current assets	72,546	84,273
Total current assets	456,944	458,047
LONG-TERM INVESTMENTS	831,134	816,723
ASSETS LIMITED AS TO USE—Net of portion required for current liabilities	231,091	315,222
INVESTMENTS IN UNCONSOLIDATED AFFILIATES	62,335	59,877
PROPERTY AND EQUIPMENT—Net	1,185,326	1,105,505
GOODWILL	10,132	9,729
OTHER ASSETS	95,488	84,495
TOTAL	$2,872,450	$2,849,598
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 69,382	$ 69,349
Accrued expenses	261,126	231,999
Current portion of long-term debt and capital lease obligations	191,664	192,589
Total current liabilities	522,172	493,937
LONG-TERM DEBT—Net of current portion	457,373	470,289
CAPITAL LEASE OBLIGATION—Net of current portion	8,595	8,005
OTHER NONCURRENT LIABILITIES	117,349	133,992
Total liabilities	1,105,489	1,106,223
NET ASSETS:		
Without donor restrictions:		
Moses H. Cone Memorial Hospital and Affiliates	1,758,283	1,737,140
Noncontrolling interests	(6,286)	(7,010)
Total net assets without donor restrictions	1,751,997	1,730,130
With donor restrictions	14,964	13,245
Total net assets	1,766,961	1,743,375
TOTAL	$2,872,450	$2,849,598

See notes to consolidated financial statements.

THE MOSES H. CONE MEMORIAL HOSPITAL AND AFFILIATES

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018
(In thousands of dollars)

	2019	2018
Net patient service revenue	$ 1,983,363	$ 1,816,020
Other revenue	66,367	60,699
Premium revenue	144,772	124,373
Total operating revenue	2,194,502	2,001,092
Operating expenses:		
Salaries and wages	805,397	746,162
Fringe benefits	253,150	249,208
Supplies	407,461	354,443
Other direct expenses	514,407	449,781
Interest expense	19,890	18,406
Depreciation and amortization	132,164	126,845
Total operating expenses	2,132,469	1,944,845
INCOME FROM OPERATIONS	62,033	56,247
NONOPERATING INCOME (EXPENSE):		
Investment income	22,704	96,583
Pension settlement expense	(75,225)	(5,929)
Other nonoperating expense—net	(25,800)	(37,758)
Total nonoperating (expense) income	(78,321)	52,896
(DEFICIT) EXCESS OF REVENUES OVER EXPENSES FROM CONSOLIDATED OPERATIONS	(16,288)	109,143
(EXCESS) DEFICIT OF REVENUES OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(2,882)	1,238
(DEFICIT) EXCESS OF REVENUES OVER EXPENSES ATTRIBUTABLE TO MOSES H. CONE MEMORIAL HOSPITAL AND AFFILIATES	$ (19,170)	$ 110,381

See notes to consolidated financial statements.

THE MOSES H. CONE MEMORIAL HOSPITAL AND AFFILIATES

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018
(In thousands of dollars)

	2019	2018
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
(Deficit) Excess of revenues over expenses from consolidated operations	$ (16,288)	$ 109,143
Change in net unrealized gains and losses on investments	(8,392)	(29,033)
Pension-related changes other than net periodic benefit cost	75,225	5,727
Change in the fair value of the floating-to-fixed swap agreements	(23,589)	8,922
Distributions to non-controlling interest	(5,486)	(6,685)
Other changes in net assets	397	(446)
Increase in net assets without donor restrictions	21,867	87,628
NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions	3,812	6,151
Net assets released from restrictions	(2,572)	(6,364)
Other changes in net assets	479	1,421
Increase in net assets with donor restrictions	1,719	1,208
INCREASE IN NET ASSETS	23,586	88,836
NET ASSETS—Beginning of year	1,743,375	1,654,539
NET ASSETS—End of year	$1,766,961	$1,743,375

See notes to consolidated financial statements.

THE MOSES H. CONE MEMORIAL HOSPITAL AND AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018
(In thousands of dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	$ 23,586	$ 88,836
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Change in net unrealized gains on investments	8,392	29,033
Change in fair value of the floating-to-fixed swap agreements	23,589	(8,922)
Net realized gain (loss) on sale of investments	2,195	(76,990)
Depreciation and amortization	132,164	126,845
Pension-related changes other than net periodic pension cost	(75,225)	(5,727)
Asset impairment		7,780
Loss on disposal of property and equipment	3,679	967
Earnings of unconsolidated affiliates	(7,367)	(7,923)
Distributions from unconsolidated affiliates	5,363	4,781
Distributions to noncontrolling interests	5,486	6,685
Changes in:		
Patient accounts receivable	(40,671)	6,091
Other current assets	(2,625)	5,139
Inventories	(2,321)	(3,025)
Accounts payable and accrued expenses	11,212	(3,086)
Other operating assets	(11,150)	26,285
Other operating liabilities	54,195	(15,846)
Net cash provided by operating activities	130,502	180,923
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property and equipment	(200,770)	(144,922)
Proceeds from sale of property and equipment	26	
Purchases of investments	(401,172)	(684,901)
Proceeds from sale of investments	472,678	532,256
Restriction of funds in Care-N-Care Inc.	8,959	(16,028)
Pharmacy acquisition	(402)	
Net cash used in investing activities	(120,681)	(313,595)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from debt issuances and refundable entrance fees	36,240	198,442
Repayments of debt and entrance fees refunded	(48,697)	(51,608)
Purchase of noncontrolling interest	(5,600)	
Distributions to noncontrolling interests	(5,486)	(6,685)
Payments on capital lease obligations	(4,988)	(2,931)
Net cash (used in) provided by financing activities	(28,531)	137,218
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(18,710)	4,546
CASH AND CASH EQUIVALENTS:		
Beginning of year	62,354	57,808
End of year	$ 43,644	$ 62,354
SUPPLEMENTAL INFORMATION:		
Cash paid during the year for interest—net of amounts capitalized	$ 19,638	$ 17,412
Purchases of equipment under capital lease	$ 7,899	$ 532
Property and equipment purchases in accounts payable	$ 7,539	$ 10,893

See notes to consolidated financial statements.

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Organization and Business—The Moses H. Cone Memorial Hospital (the "Parent Corporation"), a nonstock, not-for-profit, parent holding company and its affiliates: The Moses H. Cone Memorial Hospital Operating Corporation (the "Operating Corporation"); ARMC Health Care (ARMC); The Moses Cone Medical Services, Inc. ("Medical Services"); The Moses Cone Physician Services, Inc. ("Physician Services"); The Moses Cone Affiliated Physicians, Inc. (MCAP); The Wesley Long Community Health Services Inc. (WLCHS); Triad Healthcare Network, LLC (THN); The Cone Health Foundation (the "Foundation"); and The Alamance Community and Health Foundation (d/b/a "Impact Alamance") were established to provide health care services and community health programs to the residents of Guilford County, Alamance County, and the surrounding regional area. The organization operates as an integrated network of health services called Cone Health (the "Health System"). The Health System seeks to provide affordable and superior health care to patients through continued expansion of acute care and nonhospital programs.

On October 1, 2012, the Health System entered into a management services agreement (the "Agreement") with Charlotte-Mecklenburg Hospital Authority, which does business as Atrium Health (Atrium) (formerly Carolinas HealthCare System). Under the Agreement, the top five executives on the leadership team became employees of Atrium, but continue to manage the Health System as a local team in Greensboro, North Carolina. The Health System reimburses Atrium for the salary and benefits costs of these executives. The terms of the Agreement also call for the Health System to pay Atrium an annual management fee based on a percentage of net revenue. The Health System continues to be governed by its local and independent board of trustees.

Effective October 1, 2019, the Health System and Atrium signed a resolution agreement with the intent to change the relationship between the parties (the "Resolution Agreement"). The Agreement was amended and restated to a new relationship arising from a services agreement (the "Service Agreement"). As a condition to the effectiveness of this Resolution Agreement, the Service Agreement terminates and supersedes the Agreement as set forth in the Services Agreement. The top four executives of the Health System will be employees of the Health System effective January 1, 2020. The annual management fee will be a flat annual fee.

In May of 2016, the Operating Corporation entered into a management services agreement with Randolph Hospital, Inc. ("Randolph") a North Carolina not-for-profit corporation located in Asheboro, North Carolina. Operating Corporation will provide management assistance and support for an annual management fee based on a percentage of Randolph's annual net revenue. Randolph continues to be governed by its local and independent Board of Trustees.

The Parent Corporation—The Parent Corporation was founded through a trust established by Mrs. Bertha Lindau Cone as a memorial to her late husband, Mr. Moses H. Cone. Following the death of Mrs. Bertha Lindau Cone, the cornerstone of The Moses H.

Cone Memorial Hospital was laid on May 2, 1951, and the facility opened with 53 beds on February 25, 1953, in Greensboro, North Carolina. In 1985, the Parent Corporation reorganized and created the Operating Corporation to operate its health care facilities and provide health care services to the community. The Parent Corporation retained the real estate and other noncurrent assets, while the current assets and liabilities were transferred to the Operating Corporation. The real property is leased to the Operating Corporation pursuant to a lease of 10 years. The lease was renewed effective October 1, 2017, for a one-year term with an automatic renewal clause.

The assets of the Parent Corporation primarily include an investment portfolio and the hospitals' land, buildings, and fixed equipment. Additionally, the Parent Corporation holds the long-term debt and reports the related activity associated with financing certain hospital expansion projects. The majority of cash and investments held by the Parent Corporation have been invested in securities for the purpose of funding future capital requirements. Certain assets have been classified as noncurrent in the accompanying consolidated balance sheets due to these designations.

The Operating Corporation—Acute care hospital services are provided to the community by The Moses H. Cone Memorial Hospital, The Women's Hospital of Greensboro, Wesley Long Hospital, The Cone Behavioral Health Hospital, and Annie Penn Hospital.

Acute care inpatient and outpatient hospital services are provided to the community by The Moses H. Cone Memorial Hospital, The Women's Hospital of Greensboro, Wesley Long Hospital, The Cone Behavioral Health Hospital, and Annie Penn Hospital. In addition to services at the hospitals, the Operating Corporation includes long-term care services through Penn Nursing Center, oncology services at Cone Health Cancer Center, ambulatory surgery centers, various outpatient services at MedCenter operations in Kernersville and High Point, outpatient rehabilitation services, retail pharmacy services, wellness services, and various physician office practices. Annie Penn Hospital receives support from a foundation, the Annie Penn Memorial Hospital Foundation.

ARMC—ARMC was founded primarily to coordinate and support the delivery of health services in Alamance County, North Carolina, and the surrounding area. The not-for-profit affiliates of the corporation include Alamance Regional Medical Center, Inc., a not-for-profit acute care hospital; ARMC Physicians Care, Inc., a 8-practice physician group entity; Alamance Extended Care, Inc. (AEC), a continuing care retirement community which includes accommodations and services at various levels of care—independent living, assisted living, and skilled nursing care; and ARMC Foundation, Inc., a charitable foundation. The Parent Corporation became the sole member of the ARMC entities effective May 1, 2013.

Medical Services, Physician Services, and MCAP—These entities provide nonhospital health care services and other services to support the overall Health System activities.

THN—THN is a clinically integrated network of community physicians and the Health System organized to improve health care in Guilford County, Alamance County, and the surrounding region through care management, evidence-based medical practices, and integrated information and data systems. THN is a designated accountable care organization.

The Foundation and Impact Alamance—The Foundation operates as a charitable foundation created to support and promote community health programs in concert with the Health System. The Foundation was capitalized with $50 million received in October 1997

from the Health System and $60 million received from the Health System in April 1999. In connection with the acquisition of ARMC, the Health System established Impact Alamance with a contribution of $54 million to support and promote community health programs in Alamance County in concert with other Health System activities. The grant activities of the Foundation and Impact Alamance are not considered core to the provision of health care services and therefore are included in nonoperating expense—net in the accompanying consolidated statements of operations.

WLCHS—WLCHS is a holding company for the Health System's taxable subsidiaries, including:

Care N' Care Insurance Company of North Carolina, Inc. (CNCNC)—CNCNC was established in 2015 as an 80% owned entity licensed to provide health insurance in North Carolina, with the remaining 20% held by an unaffiliated entity. CNCNC, in partnership with THN providing patient care management functions, provides insurance coverage through a Medicare Advantage plan called "Health Team Advantage". On August 31, 2017, the Health System purchased the remaining 20% ownership in CNCNC from the noncontrolling interest holder for $17.6 million, of which $12.0 million was paid in 2017. The remaining purchase price of $5.6 million was paid on October 31, 2018.

Wellsmith LLC—Wellsmith LLC was organized in December 2015 as a 50% owned entity for the purpose of developing and licensing of proprietary technology for a web-based chronic disease management portal and consumer application. Wellsmith LLC is reported on a consolidated basis due to the Health System's majority control of the Wellsmith LLC board of directors.

Insurance Casualty and Risk Enterprise, LTD—On August 14, 2017, the Health System created Insurance Casualty and Risk Enterprise, LTD, ("iCare"), a limited liability tax-exempt entity incorporated in the Cayman Islands, for the purpose of providing risk financing and claims management services to the Health System for medical malpractice and general liability claims up to the self-insured limit of $4 million per claim. The coverage was effective beginning October 1, 2017. iCare is domiciled in the Cayman Islands and regulated by the Cayman Islands Monetary Authority.

Principles of Consolidation—The consolidated financial statements include all subsidiaries for which the Health System has a controlling financial interest. All intercompany balances and transactions have been eliminated in consolidation.

Basis of Presentation—The consolidated financial statements of the Health System have been prepared on the accrual basis in conformity with U.S. generally accepted accounting principles (GAAP) and with the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*.

Based on the existence or absence of donor-imposed restrictions, the Health System classifies resources into two categories: without donor restrictions and with donor restrictions.

Net assets without donor restrictions are free of donor-imposed restrictions. All revenues, gains, and losses that are not restricted by donors are included in this classification. All expenses are reported as decreases in net assets without donor restrictions. Net assets with donor restrictions are subject to donor-imposed restrictions that will be met either by actions of the Health System or the passage of time. These net assets include donor

restricted endowments and unconditional pledges. Generally, donor imposed restrictions of these assets permit the Health System to use all or part of the income earned on related investments only for certain general or specific purposes.

Expirations of donor restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions in the consolidated statements of changes in net assets.

Contributions which impose restrictions that are met in the same fiscal year they are received are reported as increases in net assets without donor restrictions.

Operating results (change in net assets without donor restrictions) in the consolidated statements of changes in net assets reflect all transactions that change net assets without donor restrictions, except for contributions for capital improvements, investment return in excess of or less than amounts designated for current operations, nonperiodic changes in defined benefit plans, changes in the fair value of derivative financial instruments, losses on the extinguishment of debt, and certain nonrecurring items.

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

Cash and Cash Equivalents—Cash and cash equivalents include demand deposits and certain investments in highly liquid debt instruments with original maturities at the time of purchase of three months or less.

Short-Term Investments—Short-term investments include certain investments in mutual fund securities that are expected to be used in current operations.

Inventories—Inventories are stated at the lower of cost (first-in, first-out method) or net realizable value. Inventories include medical and surgical supplies and pharmaceuticals.

Long-Term Investments—Investments in equity securities with readily determinable fair values, investments in common/commingled/collective trusts, and all investments in debt securities are measured at fair value in the accompanying consolidated balance sheets.

Interests in alternative investments, whose operating and financial policies the Health System's management has virtually no influence over, are measured at cost in the accompanying consolidated balance sheets. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in excess of revenues over expenses in the accompanying consolidated statements of operations. Changes in unrealized gains and losses on investments are included as changes in unrestricted net assets in the accompanying consolidated statements of changes in net assets.

The Health System periodically evaluates investments that have declined below original cost to determine if the decline is other than temporary. If the investment decline in value below cost is determined to be other than temporary, the loss is recorded as a realized loss.

Assets Limited as to Use—Assets limited as to use include cash and investments held by the trustee under bond indenture agreements and certain long-term investments. The long-term investments include investments held by CNCNC required by regulators and investments designated to support and promote community health programs for the Foundation, Annie Penn Foundation, Impact Alamance, and ARMC Foundation. Assets limited as to use that are required for settlement of current liabilities are reported in current assets.

Other Current Assets—Other current assets consist primarily of third-party receivables, prepaid expenses, and sales tax receivables.

Deferred Revenue—Deferred revenue related to AEC includes the reservation deposit and nonrefundable portion of entrance fees paid by the residents. The entrance fees vary according to the type and size of the residence and contract type. When the residents take occupancy, the nonrefundable portions are recognized as revenue based on amortization over the life expectancy of each resident in the independent living units. Net unamortized entrance fees were $6.2 million and $5.8 million as of September 30, 2019 and 2018, respectively, and are included in other noncurrent liabilities and accrued expenses.

Property and Equipment—Property and equipment are recorded at cost or, if donated, at fair market value at the date of receipt. Depreciation is recorded over the estimated useful life of each class of depreciable assets and is computed using the straight-line method for financial reporting purposes. Equipment under capital lease obligations is amortized using the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the accompanying consolidated financial statements. Interest cost incurred on borrowed funds, less any interest earned on temporary investment of those funds, during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

In accordance with Accounting Standards Codification (ASC) 360, *Property, Plant, and Equipment*, the Health System reviews its long-lived assets and certain identifiable intangibles for evidence of impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. See *Asset Impairment* below for information related to adjustments to carrying value of intangible assets in fiscal year 2018.

In 2018, the Health System began construction on the Cone Health Women's and Children's Center at Moses Cone Hospital, a new facility for women's and children's services on the Campus of Moses Cone Hospital. Upon completion of the facility, which is expected in February 2020, the Health System will move clinical operations of the Women's Hospital to the new facility. As a result of the transfer of operations out of the Women's Hospital, the Health System determined the useful life of the Women's Hospital assets would end at the end of fiscal 2020. The Health System recorded additional depreciation expense associated with the new useful life of the assets of $5.8 million for the year ended September 30, 2019 and 2018.

Goodwill—Goodwill represents the excess of purchase price over the assigned value of the net assets of acquired entities. Goodwill is assessed annually for impairment, or more frequently if events or circumstances indicate that assets might be impaired, by applying a fair value-based test. The Health System performed its annual goodwill impairment test as of September 30, 2019 and concluded there was no impairment of goodwill. During 2019,

$0.4 million of additional goodwill was recognized from the purchase of a pharmacy that is utilized by patients and employees. There were no additions to goodwill during the year ended September 30, 2018.

Noncontrolling Interests—Noncontrolling interests represent the minority stockholders' proportionate share of the net assets of certain consolidated subsidiaries. Revenues in excess of expenses are allocated to the noncontrolling interests in proportion to their ownership percentage and are reflected as deficiency (excess) of revenue over expenses attributable to noncontrolling interests in the consolidated statements of operations.

Net Patient Service Revenue—Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity Care—The Health System provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Health System does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue.

Other Operating Revenue—Other operating revenue consists of cafeteria revenue, child care center revenue, contract pharmacy revenue, lease income, grant revenue and other non-patient-related revenues.

Premium Revenue—CNCNC generates premium revenue from members enrolled in its Medicare Advantage Plan and the related revenue is recognized in the month in which members are entitled to health care services. The Health System recorded premium revenue of $144.8 million and $124.4 million for the years ended September 30, 2019 and 2018, respectively.

Claims Expense—Claims expense related to insurance coverage offered by CNCNC is recognized in the period in which services are provided and includes an actuarially determined estimate of the cost of services which have been incurred but not yet reported (IBNR). Claims expense totaled $113.3 million and $89.3 million for the years ended September 30, 2019 and 2018, respectively, and is included in other direct expenses in the accompanying consolidated statements of operations.

The liability for unpaid health claims and IBNR was $16.2 million and $11.7 million as of September 30, 2019 and 2018, respectively, and associated medical claims payable was $0.9 million and $0.6 million as of September 30, 2019 and 2018, respectively. These balances are included in accrued expenses in the accompanying consolidated balance sheets. Such estimates are based on the most current historical claims experience of previous payments, changes in number of members, and estimates of health care trend (cost, utilization, and intensity of services) changes. Revisions in the estimate of IBNR claims are reflected in the accompanying consolidated statements of operations in the year the changes occur.

Grant Revenue and Expense—The Foundation and Impact Alamance record grants as expense in the period in which the grants are authorized. Grant expense incurred by the Foundation and Impact Alamance of approximately $2.7 million and $14.5 million in fiscal years 2019 and 2018, respectively, is included in nonoperating expense—net in the accompanying consolidated statements of operations.

Revenues on restricted grant funds are recognized only to the extent of expenditures that satisfy the restricted purpose of these grants. Grant revenue of approximately $4.9 million and $4.7 million in fiscal years 2019 and 2018, respectively, is included in other revenue in the accompanying consolidated statements of operations.

Estimated Malpractice Costs—The provision for estimated medical malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred, but not reported. These costs are included in other current liabilities and other noncurrent liabilities.

(Deficit) Excess of Revenues over Expenses—Changes in net assets without donor restrictions, which are excluded from (deficit) excess of revenues over expenses, include inherent contributions, unrealized gains and losses on investments and hedging derivative instruments, permanent transfers of assets to and from affiliates for other than goods and services, pension-related changes other than net periodic pension cost, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

Income Taxes—All Health System entities, with the exception of WLCHS, its subsidiaries and iCARE, have been recognized by the Internal Revenue Service as tax exempt under Internal Revenue Code 501(c)(3). As of September 30, 2019 and 2018, the Health System had no uncertain tax positions under Financial Accounting Standards Board (FASB) ASC 740, *Income Taxes*, requiring adjustments to its consolidated financial statements. The Health System does not expect that unrecognized tax benefits will materially increase within the next 12 months. Interest and penalties related to uncertain tax positions, if any, would be reported in the consolidated financial statements as income tax expense. Fiscal years 2015 through 2018 are subject to examination by the federal and state taxing authorities. There are no income tax examinations currently in process.

Fair Value Measurements—The Health System uses the framework established by the FASB for measuring fair value and disclosures about fair value measurements. The Health System uses fair value measurements in areas that include, but are not limited to, the valuation and impairment of short-term and long-term investments and financial instruments, including derivatives.

US GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three-level hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1—Valuations based on unadjusted quoted prices for identical instruments in active markets that are available as of the measurement date

Level 2—Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly

Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement

US GAAP permits, as a practical expedient, a reporting entity to measure the fair value of certain investments without readily determinable fair values by using the reported net asset value (NAV) per share of the investment without further adjustment if the investment is in an entity that meets the description of an investment company whose underlying investments are measured at fair value as set forth in the ASC.

Transfers between Levels—The availability of market observable data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or valuation methodologies may require the transfer of financial instruments from one fair value hierarchy level to another. In such instances, the transfer would be reported at the beginning of the reporting period. The Health System evaluates the significance of transfers based on the nature of the financial instrument and the size of the transfer. There were no transfers of investments between levels for the years ended September 30, 2019 and 2018.

Debt Issuance Costs—Debt issuance costs consist of underwriting costs, legal expenses, insurance, and other direct costs incurred in connection with the issuance of long-term debt. Such costs are reported within long-term debt in the consolidated balance sheets and amortized over the term of the bonds.

Valuation methods for the primary fair value measurements disclosed below are as follows:

Cash Equivalents, Patient and Other Receivables, and Accounts Payable—The carrying amount approximates fair value because of the short maturity of these instruments.

Investments—The Health System's investments in equity securities and debt and equity mutual funds are stated at fair value based on unadjusted quoted prices for identical assets in active markets that are available as of the measurement date. The fair values of investments in common/commingled/collective trusts, which are recorded at fair value in the consolidated balance sheets, and alternative investments, which are recorded at cost in the consolidated balance sheets and disclosed at fair value in Note 4, are generally measured using the NAV per share reported by the respective fund managers or the general partners.

The estimated fair values of certain alternative investments, such as private equity interests, are based on valuations performed prior to the consolidated balance sheet date by the external investment managers and adjusted for cash receipts, cash disbursements, and securities distributions through September 30. Because alternative investments are not readily marketable, their estimated fair value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. Such differences could be material.

The Health System's management, with the assistance of a third-party investment consultant, where appropriate, evaluates the NAV information and valuations provided by external fund managers or general partners for appropriateness through review of the most recently available annual audited financial statements and unaudited interim reporting for the respective funds, review of the methodologies used to determine fair value, and comparisons of fund performance to market benchmarks.

Interest Rate Swaps—The Health System is a party to three interest rate swap agreements. Swaps with positive values of $0 and $14.4 million as of September 30, 2019 and 2018, respectively, are reported in current assets in the consolidated balance

sheets. Swaps with negative values of $28.7 million and $11.7 million as of September 30, 2019 and 2018, respectively, are recorded in other current liabilities in the consolidated balance sheets. Interest rates swaps designated as cash flow hedges were assessed for effectiveness at inception of the contracts and on an ongoing basis thereafter. Unrealized gains and losses related to the effective portion of the swaps are recognized in other changes in unrestricted net assets and gains or losses related to ineffective portions are recognized in the excess of revenue over expenses. The unrealized gains and losses of interest rate swaps not designated as cash flow hedges are recognized within investment income on consolidated statements of operations.

The swaps are measured at fair value using pricing models, with all significant inputs derived from, or corroborated by, observable market data, such as interest rates, futures pricing, and volatility metrics, and accordingly are included in Level 2 of the fair value hierarchy.

In October 2005, the Health System entered into a floating-to-fixed swap agreement with a notional amount of $85.2 million for 30 years to hedge the floating-rate 2001 Series bonds. Under this agreement, the Health System receives a floating interest rate based on the three-month London InterBank Offered Rate (LIBOR) index and pays a fixed interest rate of 3.437%. The Series 2001 swap was considered effective at September 30, 2019 and 2018, and $8.8 million unrealized loss, and $6.1 million unrealized gain, respectively, was reported in other changes in unrestricted net assets, resulting in a corresponding cumulative liability of $20.1 million and $11.3 million, respectively.

In August 2013, the Health System entered into a floating-to-fixed swap agreement with a notional amount of $48 million for 22 years to hedge the floating-rate 2011B Series bonds. Under this agreement, the Health System receives a floating interest rate based on the one-month LIBOR index and pays a fixed interest rate of 2.097%. The Series 2011B swap was considered effective at September 30, 2019 and 2018, and $3.1 million unrealized loss, and $2.0 million unrealized gain, respectively, was reported in other changes in unrestricted net assets, resulting in a corresponding cumulative liability of $3.5 million and $0.3 million, respectively. Should the fair value of the Series 2011B interest rate swap exceed negative $50 million, the Health System would be required to post collateral against the swap for amounts in excess of the $50 million threshold.

On October 6, 2016, the Health system entered into an interest rate swap agreement with a notional amount of $100 million, a forward starting date of October 1, 2018, and a maturity date of October 1, 2048, to hedge the expected issuance of variable-rate debt in fiscal 2018 to fund construction projects. The Health System will pay a fixed rate of 1.336% and receive a variable rate of 70% of the one-month LIBOR index rate. The fair value of the swap of $5.1 million and $14.3 million as of September 30, 2019 and September 30, 2018, respectively, is included in other current assets in the consolidated balance sheet. In December 2017, the Health System issued $60 million of variable rate debt. At that time, the Health System de-designated $40 million of the interest rate swap and recorded the fair value of the de-designated portion of the swap within investment income on the consolidated statement of operations. At September 30, 2019 and September 30, 2018, the remaining $60 million of the Series 2018A swap still designated as a cash flow hedge was considered effective. At September 30, 2019, the Health System reported realized loss of $7.5 million in investment income and

$(23.6) million in other changes in unrestricted net assets. At September 30, 2018, the Health System reported unrealized gains of $5.7 million in investment income and $8.9 million in other changes in unrestricted net assets.

Asset Impairment—During 2018, Wellsmith LLC began developing an updated version of the company's proprietary technology for a web-based chronic disease management portal and consumer application. Management has determined that the existing technology will not be marketed for sale or licensing. Accordingly, Wellsmith LLC's original product did not provide future cash flows; and therefore, an impairment charge of $7.8 million was recorded and reported within nonoperating expense-net in the consolidated statement of operations for the year ended September 30, 2018.

Subsequent Events—The Health System evaluated events and transactions for potential recognition or disclosure through January 24, 2020, the date the consolidated financial statements were issued.

New Accounting Pronouncements

Adopted

In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14"), which supersedes existing guidance in FASB ASC 958, *Not-for-Profit Entities*, to improve the current net asset classification requirements and the information presented in the consolidated financial statements and related notes about a not-for-profit entity's (NFP's) liquidity, financial performance, and cash flows. The ASU removes the requirement to distinguish between resources with temporary and permanent restrictions on the face of the financial statements and replaces this with a requirement to present two classes of net assets – with and without donor restrictions. Additionally, the ASU requires expenses to be presented by their natural and functional classifications. The guidance also requires that investment returns be presented net of external and direct internal investment expenses and eliminates the requirements for disclosures of the components of investment returns. Further, the ASU requires additional qualitative and quantitative disclosures about liquidity and availability of financial assets. The Health System adopted ASU 2016-14 on September 30, 2019 and has adjusted the presentation of the financial statements accordingly. The adoption of ASU 2016-14 did not have a material impact on the Health System's financial position, results from operations, or cash flows. ASU 2016-14 required enhanced and additional disclosures which are included in Notes 3 and 14 to the consolidated financial statements. ASU 2016-14 has been applied retrospectively to all periods.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"). ASU 2014-09 affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets, unless those contracts are within the scope of other standards. The core principle of the guidance in ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Health System adopted ASU 2014-09 effective October 1, 2018 using the full retrospective method. Adoption of the new standard did not have an impact on the recognition of revenues for any periods prior to adoption. The adoption of ASU 2014-09 resulted in changes to the presentation and disclosure of revenue related to uninsured patients and co-pays, coinsurance amounts and deductibles for patients with insurance. Under ASU 2014-09, the estimated uncollectible amounts due

from these patients are generally considered implicit price concessions that are a direct reduction to net patient services revenue and a corresponding material reduction in the amounts presented separately as provision for doubtful accounts. During the fiscal years ended September 30, 2019 and September 30, 2018, the Health System recorded implicit price concessions of $166.3 million and $160.9 million, respectively. As part of the adoption of ASC 606, the Health System elected two of the available practical expedients provided for in the standard. The Health System does not adjust the transaction price for any financing components as those were deemed to be insignificant. Additionally, the Health System expenses all incremental customer contract acquisition costs as incurred as such costs are not material and would be amortized over a period of less than one year. In addition, the Health System reclassified revenues from risk-sharing agreements to net patient service revenue from other operating revenue. Net assets are unchanged due to these reclassifications.

In March 2016, the FASB issued ASU 2016-07, *Investments—Equity Method and Joint Ventures (Topic 323) Simplifying the Transition to the Equity Method of Accounting* ("ASU 2016-07"). ASU 2016-07 eliminates the requirement for retroactively accounting for an investment that qualifies for use of the equity method as a result of an increase in the level of ownership interest or degree of influence. The update requires that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor's previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. The provisions of this ASU are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. The adoption of this standard had no impact on the Health System's consolidated financial statements for the year ended September 30, 2019.

In October 2016, the FASB issued ASU 2016-17, *Consolidation—Interests Held through Related Parties That Are Under Common Control (Topic 810)* ("ASU 2016-17"). ASU 2016-17 clarifies treatment of interests held by a single decision-making entity and other related parties under common control. Adoption of this standard had no impact on the Health System's consolidated financial statements for the year ended September 30, 2019.

In June 2018, the FASB issued ASU No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ("ASU 2018-18"). ASU 2018-08 applies to all entities that receive or make contributions, including business entities. The new guidance clarifies the definition of an exchange transaction and provides additional guidance to determine whether donor conditions are substantive. The amendments in this Update should be applied on a modified prospective basis and early adoption is permitted. Retrospective application is also permitted. ASU 2018-08 is effective for fiscal years beginning after June 15, 2018. The Health System adopted ASU No 2018-08 on October 1, 2018. Adoption of this standard had no material impact on the Health System's consolidated financial statements for the year ended September 30, 2019.

Not Yet Adopted

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01"). ASU 2016-01 revises an entity's accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. It also amends

certain disclosure requirements associated with the fair value of financial instruments. ASU 2016-01 is effective for fiscal years beginning after December 15, 2018. The Health System is currently evaluating the provisions of this update and their impact on its consolidated financial statements. As permitted by ASU 2016-01, the Health System has elected to eliminate the disclosure of the fair value of long term debt in the consolidated financial statements and disclosures.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842) Section A—Leases: Amendments to the FASB Accounting Standards Codification* ("ASU 2016-02"), which supersedes existing guidance on accounting for leases in FASB ASC 840, *Leases*, and generally requires all leases to be recognized in the consolidated balance sheets. The liability will be equal to the present value of lease payments and the asset will be based on the liability, subject to adjustment, such as initial direct costs. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018. The amendments are applied using a modified retrospective approach. The Health System has not determined the impact to its consolidated financial statements from the adoption of this standard.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). ASU 2016-13 provides guidance regarding the treatment of expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Health System has not determined the impact to its consolidated financial statements from the adoption of this standard.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows—Classification of Certain Cash Receipts and Cash Payments (Topic 230)* ("ASU 2016-15"). ASU 2016-15 clarifies the guidance on the classification of certain cash receipts and payments in the statement of cash flows related to debt extinguishment costs, distributions received from equity method investees, and proceeds from the settlement of insurance claims. ASU 2016-15 is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 2019. Early adoption is permitted. The Health System is currently evaluating the provisions of this update and their impact on its consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles—Goodwill and other (Topic 350)* ("ASU 2017-04"). ASU 2017-04 simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of goodwill with the carrying amount of that goodwill, which is currently required if an entity with goodwill fails a Step 1 test comparing the fair value of the entity to its carrying value including goodwill. Under this new guidance, an entity should perform its annual, or interim, goodwill impairment test using only the Step 1 test of comparing the fair value of the entity with its carrying amount. Any goodwill impairment, representing the amount by which the carrying amount exceeds the entity's fair value, is determined using this Step 1 test. Any goodwill impairment loss recognized would not exceed the total carrying amount of goodwill allocated to that entity. ASU 2017-04 is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The Health System is currently evaluating the provisions of this update and their impact on its consolidated financial statements.

In March 2017, the FASB issued ASU No. 2017-07, *Compensation—Retirement Benefits (Topic 715)* ("ASU 2017-07"). ASU 2017-07 requires entities to (1) disaggregate the service cost component from the other components of net benefit cost and present it with other current compensation costs for related employees on the statement of operations and (2) present the other components elsewhere on the statement of operations and outside of income from operations. In addition, the ASU requires entities to disclose the statement of operations lines that contain the other components if they are not presented on appropriately described separate lines. ASU 2017-07 is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The Health System is currently evaluating the provisions of this update and their impact on its consolidated financial statements.

In August 2017, the FASB issued ASU No. 2017-12, *Targeted Improvements to Accounting for Hedging Activities* ("ASU 2017-12"), which is intended to better align risk management activities and financial reporting for hedging relationships. The new standard eliminates the requirement to separately measure and report hedge ineffectiveness and generally requires the entire change in the fair value of a hedging instrument to be presented in the same income statement line as the hedged item. It also eases certain documentation and assessment requirements. ASU 2017-12 is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted. The Health System is currently evaluating the provisions of this update and their impact on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirement for Fair Value Measurement (*"ASU 2018-13*")*. This update focuses on improving the effectiveness of disclosures in the notes to the financial statements by facilitating clear communication of the information required by U.S. GAAP that is most important to users of each entity's financial statements. Specifically certain disclosure requirements are removed (the amount of, and reasons for, transfer between Level 1 and Level 2 of the fair value hierarchy; the policy for timing of transfers between levels; the valuation processes for Level 3 fair value measurements) while it modifies and adds certain other disclosures (the changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period, and the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements). The amendments regarding changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent period in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. ASU 2018-13 is effective for fiscal years beginning after December 15, 2019. The Health System is currently evaluating the provisions of this update and their impact on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-14, *Compensation-Retirement Benefits-Defined Benefit Plans-General (Subtopic 712-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans (*"ASU 2018-14*")*. The amendments in this guidance modify the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. Specifically, the amendment eliminated disclosures of the amounts of accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost over the next fiscal year and the reconciliation of the opening balances to the closing balances of plan assets measured in Level 3 of the fair value hierarchy. The amendment also added disclosures of the weighted-

average interest crediting rates for cash balance plans and other plans with promised interest crediting rates and an explanation for the reasons for significant gains and losses related to changes in the benefit obligation for the period. The amendments in the Update should be applied on a retrospective basis. ASU 2018-14 is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The Health System is currently evaluating the provisions of this update and their impact on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* (ASU 2018-15). The amendment addresses customer's accounting for implemented costs incurred in a cloud computing arrangement that is a service contract and aims to reduce complexity in the accounting for costs of implementing a cloud computing service arrangement. The amendments require a customer in a hosting arrangement that is a service contract to determine which implementation costs to capitalize as an asset related to service contract and which costs to expense. Additionally, it requires the customer to expense the capitalized implementation costs over the term of the hosting arrangement. ASU 2018-15 is effective for fiscal years beginning after December 15, 2019 and will be applied on a prospective basis. The Health System is currently evaluating the provisions of this update and their impact on its consolidated financial statements.

In October 2018, the FASB issued ASU No. 2018-16, *Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate, Overnight Index Swap Rate as a Benchmark Interest Rate for Hedge Accounting Purposes* ("ASU 2018 16"), which provides guidance on risks associated with financial assets or liabilities permitted to be hedged. ASU 2018-16 is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted but FASB requires this standard to be adopted concurrently with ASU 2017-12. The Health System is currently evaluating the provisions of this update and their impact on its consolidated financial statements.

In October 2018, the FASB issued ASU No. 2018-17, *Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities* ("ASU 2018-17"), which allows a reporting entity to not apply VIE guidance to legal entities under common control if both the parent and the legal entity being evaluated for consolidation are not public business entities. The provisions of this update are to be applied retrospectively with a cumulative-effect adjustment to retained earnings. ASU 2018-17 is effective for fiscal years beginning after December 15, 2020. Early adoption is permitted. The Health System is currently evaluating the provisions of this update and their impact on its consolidated financial statements.

In November 2018, the FASB issued ASU 2018-18, *Collaborative Arrangements (Topic 808): Clarifying the Interaction between Topic 808 and Topic 606* ("ASU 2018-18"), which provides guidance on whether certain transactions between collaborative arrangement participants should be accounted for with revenue under Topic 606. The provisions of this update are to be applied retrospectively to the date of the initial application of Topic 606. The provisions of ASU 2018-18 are effective for reporting periods beginning after December 15, 2019, and interim periods within those fiscal years. The Health System is currently evaluating the provisions of this update and their impact on its consolidated financial statements.

2. OPERATING REVENUE

As discussed in Note 1 under New Accounting Pronouncements, the Health System adopted ASU 2014-09 effective October 1, 2018 using the full retrospective method. In accordance with ASU 2014-09, net patient service revenue is reported at the amount reflecting the consideration to which the Health System expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive adjustments under reimbursement agreements with third-party payors. Generally, the Health System bills patients and third-party payors several days after the services are performed or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Health System. For most services, revenue is recognized over time as the customer simultaneously receives and consumes the benefits of the services when provided. Performance obligations for outpatient services and physician office visits are generally satisfied over a period of less than one day. Revenue for performance obligations satisfied over more than one day, such as inpatient hospital services, is recognized based on charges incurred in relation to total expected (or actual) charges. The Health System believes this method provides a faithful depiction of the transfer of services to the patient. Revenue for performance obligations satisfied at a point in time, such as retail pharmacy prescriptions, is recognized when the goods are provided to the customer.

The Health System determines the transaction price based on its standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Health System's policy, and implicit price concessions provided to uninsured patients and insured patients with copayment obligations. The Health System determines its estimates of contractual adjustments, discounts, and implicit price concessions based on contractual agreements, its discount policies, and historical experience. In determining these estimates, the Health System uses a portfolio approach as a practical expedient by accounting for patient contracts with common characteristics as collective groups rather than individually. The financial statement effects of using this practical expedient are not materially different from an individual contract approach.

Through its Triad Healthcare Network (THN) accountable care organization (ACO), the Health System enters into risk-based agreements with third-party payors for the care of various populations of patients. These arrangements represent potential variable consideration for the underlying contracts with patients and are considered in determining the transaction price for those contracts. As a participant in Medicare's Next Generation ACO Model, THN receives a benchmark spending target for Medicare patients in its network. If actual Medicare spending for these patients is less than the benchmark, THN shares in the savings with the federal government. Conversely, if spending is above the benchmark, THN must reimburse the federal government for the excess. THN also participates in similar risk agreements with insurers operating Medicare Advantage plans. Benchmark spending under these agreements varies with the premiums received by the

Medicare Advantage plans as adjusted by patient risk factors and network quality measures. THN receives the benefit of medical claims cost less than the benchmark and is responsible for any excess spending.

The Health System has agreements with government and third-party payors that provide for payments to the Health System at amounts different from its established rates. A summary of the payment arrangements with major third-party payors is as follows:

Medicare—Inpatient acute care services rendered to Medicare program beneficiaries are paid primarily at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors and cover both operating and capital costs. Outpatient services are generally reimbursed at prospectively determined rates. The Health System is reimbursed for cost-reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports by the Health System and audits thereof by the Medicare Administrative Contractor. The Health System's classification of patients under the Medicare program and the appropriateness of their admission are subject to review by an independent quality review organization.

The Health System's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2011.

Medicaid—Inpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. Outpatient services are reimbursed based on 70% of actual costs incurred. The Health System's Medicaid cost reports have been settled through September 30, 2015.

Net revenue from the Medicare and Medicaid programs accounted for 16.0% and 11.1%, respectively, of the Health System's net patient service revenue for the year ended September 30, 2019, and 16.6% and 11.9%, respectively, of the Health System's net patient service revenue for the year ended September 30, 2018. Recorded estimates are subject to change as a result of complex laws and regulations governing the Medicare and Medicaid programs, which are subject to interpretation. In addition, Medicare Advantage plans accounted for 19.3% of net revenue for the year ended September 30, 2019, and 19.5% of net revenue for the year ended September 30, 2018. Medicare beneficiaries may elect coverage through these plans that are based on Medicare benefit and payment terms but marketed and administered by commercial insurers.

The Health System has participated in the North Carolina Medicaid Reimbursement Initiative (the "MRI Plan") since 1996. In connection therewith, the Health System received and recognized as patient service revenue $13.0 million and $11.9 million from the MRI Plan during the years ended September 30, 2019 and 2018, respectively.

Beginning in 2012, the Health System began participating in the North Carolina Gap Assessment Plan (the "GAP Plan"). The GAP Plan is designed to fund hospitals for a portion of unreimbursed costs of treating Medicaid and uninsured patients. Under the GAP Plan, hospitals periodically pay an assessment to the state of North Carolina (the "State") and periodically receive Medicaid payments from the State. The total assessment payments made by the Health System were $39.6 million and $38.7 million for the years ended 2019 and 2018, respectively, and are reported as other direct expenses in the accompanying consolidated statements of operations. The total GAP Plan receipts for the Health System were $88.9 million and $84.8 million for the years ended 2019 and 2018, respectively, and are reported in patient service revenue (net of contractual adjustments) in the accompanying consolidated statements of operations.

Under the Medicare and Medicaid programs, the Health System is entitled to reimbursements for certain patient charges at rates determined by federal and state governments. Differences between established billing rates and reimbursements from these programs are recorded as contractual adjustments to arrive at net patient service revenue. Final determination of amounts due from Medicare and Medicaid programs is subject to review by these programs. Changes resulting from final determination are reflected as changes in estimates, generally in the year of determination. In the opinion of management, adequate provision has been made for any adjustments that may result from such reviews. Net patient service revenue increased approximately $5.3 million and $4.0 million for the years ended September 30, 2019 and 2018, respectively, due to prior-year retroactive adjustments that differed from amounts previously estimated.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters, such as licensure, accreditation, and government health care participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and/or allegations concerning possible violations of fraud and abuse statutes and/or regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Health System is in compliance with fraud and abuse, as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

Commercial and Other Third-Party Payors—The Health System has entered into contracts with third-party payors providing coverage for individuals in its service area. Payment arrangements within these contracts include per case or per diem rates or amounts based on a percentage of Medicare payment or the Health System's charges. Payment rates vary based on coverage criteria established by the third-party payors and the products and copayment terms applicable to specific insured groups or individuals.

Charity Care—The Health System provides charity care to patients who are financially unable to pay for the health care services received and who are unable to access federal or state entitlement programs. The Health System does not pursue collection of amounts determined to qualify as charity care and does not report such amounts as revenue. Uninsured patients whose total annual household income is at or below 200% of the federal poverty level may be eligible for charity care. Uninsured patients whose income exceeds 200% of the federal poverty level also may be eligible for charity care, if incurred charges are considered to be beyond the patient's ability to pay. The federal poverty level is established by the federal government and is based on income and family size. The Health System provided charity care at an estimated cost of approximately $98.3 million and $94.4 million for the years ended September 30, 2019 and 2018, respectively. The estimated costs of providing charity services are calculated based on the ratio of cost to charges from the Health System's consolidated financial statements applied to each period's gross uncompensated charges for charity care patients.

The composition of net patient service revenue by primary payor class for the years ended September 30, 2019 and 2018, is as follows (in thousands of dollars):

	2019	2018
Medicare and Medicare Advantage	$ 720,086	$ 679,802
Medicaid	216,180	211,368
Third-party payors	1,007,539	891,233
Self-pay	39,558	33,617
Net patient service revenue	$1,983,363	$1,816,020

The composition of net patient service revenue by primary service category for the years ended September 30, 2019 and 2018, is as follows (in thousands of dollars):

	2019	2018
Inpatient hospital services	$ 789,442	$ 739,688
Outpatient hospital services	764,114	631,425
Professional services	312,263	342,051
Long term care	34,780	33,339
Retail pharmacy	53,433	31,478
THN risk share revenue	29,331	38,039
Net patient service revenue	$ 1,983,363	$ 1,816,020

Other Operating Revenue was $66.4 million and $60.7 million at September 30, 2019 and 2018, respectively. Other operating revenues for which performance obligations are satisfied at a point in time primarily include the provision of goods to customers such as pharmacy prescriptions, cafeteria and nursing home resident meals, and other goods. Services provided over time include medical services provided under contract to other entities, administrative and care management services provided by Triad Healthcare Network, management and other services. Revenues from grants and rentals are not within the scope of ASC Topic 606. Grant revenues are generally considered conditional promises to give and are recognized as conditions on which they depend are substantially met. Rental revenues, representing the Health System's lease of properties to third-parties, are recognized over the lease term.

Under the provisions of ASU 2014-09, which the Health System adopted effective October 1, 2018 on a full retrospective basis, amounts related to services provided to patients which do not meet the conditions of unconditional rights to payment at the end of the reporting period are contract assets. As of September 30, 2019, and 2018, the Health System did not have any contract assets.

3. LIQUIDITY AND AVAILABILITY

At September 30, 2019, financial assets available for general expenditures within one year of the balance sheet date, are as follows (in thousands of dollars):

	2019
Cash and cash equivalents	$ 43,644
Short-term investments	63,533
Patient receivables, net	233,367
Investments available to be liquidated	673,747
Financial assets available within one year	$1,014,291

To help manage unanticipated liquidity needs, the Health Plan has committed lines of credit with a total borrowing capacity of $50 million at September 30, 2019 which it could draw upon.

The asset allocation of the Health Plan's investment portfolio is broadly diversified and is designed to maximize the probability of achieving the Health Plan's long-term investment objectives at an appropriate level of risk, while maintaining a level of liquidity to meet the needs of ongoing portfolio management. The nature of certain investments restricts the liquidity and availability of these investments to be available for the general expenditures of the Health Plan within one year of the combined balance sheet date. These investments have been excluded from the amounts above.

4. INVESTMENTS AND ASSETS LIMITED AS TO USE

The Health System's investments, including assets limited as to use, consist of cash and cash equivalents, marketable equity and fixed-income securities, hedge funds, and private investment funds.

At September 30, 2019, the composition of the Health System's investments and assets limited as to use, is as follows (in thousands of dollars):

		Fair Value Measurement Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed-income securities and funds	$ 317,793	$226,784	$ 91,009	$ -
Equity securities and funds	246,717	246,717		
Subtotal	564,510	$473,501	$ 91,009	$ -
Investments measured at net asset value	265,449			
Investments measured at cost	369,503			
Total investments and assets limited as to use	$1,199,462			

At September 30, 2018, the composition of the Health System's investments and assets limited as to use, is as follows (in thousands of dollars):

		Fair Value Measurement Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed-income securities and funds	$ 397,781	$311,828	$85,952	$ -
Equity securities and funds	262,018	262,018		
Subtotal	659,799	$573,846	$85,952	$ -
Investments measured at net asset value	272,051			
Investments measured at cost	346,985			
Total investments and assets limited as to use	$1,278,835			

The investments and assets limited as to use are included in the captions in the consolidated balance sheets as of September 30, 2019 and 2018, are as follows (in thousands of dollars):

	2019	2018
Short-term investments	$ 63,533	$ 77,776
Long-term investments	$ 831,134	$ 816,723
Assets limited as to use:		
Foundation and Impact Alamance	$ 167,868	$ 174,851
AEC	4,132	4,174
Under bond indenture agreements held by trustee	32,014	106,014
CNCNC	22,182	30,920
ICARE	8,052	2,727
Other	3,916	3,024
Total assets limited as to use	238,164	321,710
Less assets limited as to use that are required for current liabilities	(7,073)	(6,488)
Assets limited as to use—net of portion required for current liabilities	$ 231,091	$ 315,222
Deferred compensation (within other assets)	$ 66,631	$ 62,626
Total investments and assets limited as to use	$1,199,462	$1,278,835

Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect the Health System's investment balances reported in the consolidated balance sheets.

A summary of the investments measured at NAV as of September 30, 2019, is as follows (in thousands of dollars):

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Investments in common, comingled, and collective trusts:				
Equity securities and funds	$248,378	$ -	Semi-monthly, and monthly	5 day to 30 days
Fixed-income securities and funds	12,034		Semi-monthly	5 business days
Balanced funds	5,037		Monthly	15 business days
	$265,449	$ -		
Alternative investment funds carried at cost in the consolidated balance sheets:				
Private equity	$125,954	$58,504	N/A-Illiquid	N/A-Illiquid
Private debt	43,006	21,334	N/A-Illiquid	N/A-Illiquid
Private debt	11,015	7,025	Monthly and Quarterly	45-90 days
Hedge funds	64,488		Monthly, Qtrly, Annual Qtr Anniver	20-95 days
Hedge funds	114,949		Monthly, and Quarterly	3-90 days
Real estate	4,764	5,708	N/A-Illiquid	N/A-Illiquid
Real estate	71,445		Quarterly	90 days
	$435,621	$92,571		

A summary of the investments measured at NAV as of September 30, 2018, is as follows (in thousands of dollars):

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Investments in common, comingled, and collective trusts:				
Equity securities and funds	$248,391	$ -	Daily, semi-monthly, and monthly	1-30 days
Equity securities and funds	2,552		End of any calendar quarter	65 days
Fixed-income securities and funds	15,617		Daily, semi-monthly, and monthly	3-15 days
Balanced funds	5,491		Monthly	15 business days
	$272,051	$ -		
Alternative investment funds carried at cost in the consolidated balance sheets:				
Private equity	$104,731	$61,981	N/A-Illiquid	N/A-Illiquid
Private debt	34,312	18,283	N/A-Illiquid	N/A-Illiquid
Private debt	1,537	848	Quarterly	60-90 days
Hedge funds	60,291		Monthly and quarterly	20-95 days
Hedge funds	130,771		Daily, monthly, and quarterly	1-90 days
Real estate	66,905		Quarterly	90 days
	$398,547	$81,112		

Alternative investments are less liquid compared to the Health System's other investments. These investments held by the Health System and the Foundation at September 30, 2019 and 2018, are summarized as follows (in thousands of dollars):

	2019		2018	
	Cost	Estimated Fair Value	Cost	Estimated Fair Value
Held by the Health System:				
Private equity	$ 81,815	$ 109,835	$ 75,413	$ 92,287
Private debt	43,805	46,113	27,376	30,657
Hedge funds	137,596	161,235	147,258	171,378
Real estate	65,042	68,059	59,286	59,907
	328,258	385,242	309,333	354,229
Held by the Foundation:				
Private equity	11,548	16,120	10,237	12,443
Private debt	7,288	7,908	4,524	5,192
Hedge funds	14,614	18,201	15,965	19,685
Real estate	7,795	8,150	6,926	6,998
	41,245	50,379	37,652	44,318
Total	$369,503	$ 435,621	$346,985	$398,547

Alternative investments include limited partnerships, limited liability corporations, and offshore investment funds. Included in investments of the limited partnerships are certain types of financial instruments, including, among others, futures and forward contracts, options, and securities sold not yet purchased, intended to hedge against changes in the market value of investments. These instruments may contain elements of both credit and market risks. Such risks include, but are not limited to, limited liquidity, dependence upon key individuals, emphasis on speculative investments (both derivatives and nonmarketable investments), and nondisclosure of portfolio composition. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. Such differences could be material.

Estimated fair values of private equity investments are based on a series of inputs that provide support to the valuations provided by the private equity managers, including analysis of the investment statements and supporting documents performed by management and its investment adviser, as well as audited consolidated financial statements provided by external independent auditors. Portfolio updates are provided by the managers at least quarterly and are updated more frequently for major events or new capital investment in the portfolio.

The total amount of unrealized losses on alternative investments recorded at cost at September 30, 2019 and 2018, was $2.6 million and $1.8 million, respectively.

Other-Than-Temporary Impairment of Investments—The Health System evaluates the near-term prospects for improvement of unrealized investment losses in relation to the severity and duration of the loss for each individual investment by analyzing the earning trends and economic conditions and other sources of information. Based on this evaluation, the Health System recorded realized losses of $6.7 million on investments that were other-than-temporarily impaired at September 30, 2019. The total amount of unrealized losses remaining at September 30, 2019, was $10.4 million, of which $3.0 million relates to investments that have been in a continuous unrealized loss position for more than 12 months. Based on this evaluation, the Health System recorded realized losses of $4.5 million on investments that were other-than-temporarily impaired at September 30, 2018. The total amount of unrealized losses remaining at September 30, 2018, was $6.9 million, of which $5.3 million relates to investments that have been in a continuous unrealized loss position for more than 12 months.

At September 30, 2019, the fair value, except for alternative investments which are recorded at cost, and gross unrealized losses of available-for-sale securities, were as follows (in thousands of dollars):

	September 30, 2019					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Fixed income	$ -	$ -	$62,934	$(1,048)	$ 62,934	$(1,048)
International equity securities and funds	101,290	(6,699)			101,290	(6,699)
Total	$101,290	$(6,699)	$62,934	$(1,048)	$164,224	$(7,747)

At September 30, 2018, the fair value, except for alternative investments which are recorded at cost, and gross unrealized losses of available-for-sale securities, were as follows (in thousands of dollars):

	September 30, 2018					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Fixed income securities and funds	$13,553	$(523)	$55,337	$(4,603)	$68,890	$(5,126)

Investment income and gains and losses for the years ended September 30, 2019 and 2018, consist of the following (in thousands of dollars):

	2019	2018
Dividend and interest income	$24,899	$19,592
Realized gains (loss)—net	(2,195)	76,991
Total	$22,704	$96,583

Investments in Unconsolidated Affiliated Entities—The Health System's investment in unconsolidated affiliated entities reflects the Health System's ownership interests in various health care-related entities accounted for primarily through the equity method.

A summary of investments, ownership percentages, investment amounts, and the Health System's share of net income for the years ended September 30, 2019 and 2018, is as follows (in thousands of dollars):

	Percent Ownership		Investment Balance		Health System's Share of Net Income	
	2019	2018	2019	2018	2019	2018
Investment name:						
Diagnostic Radiology and Imaging, LLC	50.00 %	50.00 %	$ 239	$ 422	$ 1,755	$ 1,011
Hospice at Greensboro, Inc.	50.00	50.00	17,239	16,423	816	878
Advanced Homecare, Inc.	34.49	34.49	28,401	28,478	2,847	2,931
Health Care Casualty Insurance Limited	25.00	17.80	479	1,246	1,152	1,888
Health Care Casualty Risk Retention Group, Inc.	25.00	20.00	580	506	73	506
Randolph Cancer Center, LLC	40.00	40.00	5,882	5,438	421	394
Other			9,515	7,364	303	315
Total			$ 62,335	$ 59,877	$ 7,367	$ 7,923

Financial information related to investments in unconsolidated affiliated entities at September 30, 2019 and 2018, is summarized as follows (in thousands of dollars):

	2019	2018
Assets	$243,441	$244,414
Liabilities	58,907	74,461
Equity	184,534	169,955
Total revenue	280,482	223,663
Total expenses	257,146	199,442
Net income	23,336	24,221
Health System's share of net income	7,367	7,923

5. PROPERTY AND EQUIPMENT

A summary of property and equipment at September 30, 2019 and 2018, is as follows (in thousands of dollars):

	Depreciable Lives	2019	2018
Land and land improvements	10–15 years	$ 97,937	$ 94,321
Buildings and leasehold improvements	5–40 years	1,399,984	1,334,492
Equipment	3–15 years	555,421	510,763
		2,053,342	1,939,576
Less accumulated depreciation		(1,021,441)	(916,469)
		1,031,901	1,023,107
Construction in progress		153,425	82,398
Total		$1,185,326	$1,105,505

Depreciation and amortization expense for the years ended September 30, 2019 and 2018, amounted to $132.2 million and $126.8 million, respectively.

The Health System had unexpended project contractual commitments at September 30, 2019 and 2018, of $51.9 million and $93 million, respectively.

6. ACCRUED EXPENSES

A summary of accrued expenses at September 30, 2019 and 2018, is as follows (in thousands of dollars):

	2019	2018
Accrued salaries and wages	$113,879	$ 80,092
Accrued benefits	52,815	60,071
Interest rate swaps	28,698	11,684
Self-insurance and medical insurance liabilities	35,135	28,348
Other current liabilities	30,599	51,804
Total	$261,126	$231,999

7. LONG-TERM DEBT

Long-term debt at September 30, 2019 and 2018, consists of the following (in thousands of dollars):

	2019	2018
Series 2001A and 2001B, payable in annual installments increasing in fiscal year 2024 through fiscal year 2035, interest payable monthly at variable rates (1.63% and 1.57% at September 30, 2019 and 2018, respectively)	$ 85,200	$ 85,200
Series 2004A, payable in annual installments in fiscal year 2016 through fiscal year 2035, interest payable monthly at variable rates (1.53% and 1.55% at September 30, 2019 and 2018, respectively)	45,145	46,065
Series 2011A, payable in annual installments in fiscal year 2014 through fiscal year 2024, interest payable semiannually at fixed rates of 3.2% to 5.0%	26,775	31,905
Series 2011B, payable in annual installments in fiscal year 2016 through fiscal year 2036, interest payable monthly at variable rates (1.93% and 1.91% at September 30, 2019 and 2018, respectively)	43,120	45,135
Series 2011C and 2011D, payable in annual installments in fiscal year 2014 through fiscal year 2045, interest payable monthly at variable rates (2.06% and 2.08% at September 30, 2019 and 2018, respectively)	93,750	94,750
Series 2013A, payable in annual installments in fiscal year 2024 through fiscal 2045, interest payable monthly a fixed rate of 3.08%	88,775	88,775
Series 2013B, payable in annual installments in fiscal year 2014 through fiscal 2023, interest payable monthly at a fixed rate of 2.24%	10,005	12,870
Series 2013C, payable in annual installments in fiscal year 2014 through fiscal 2023, interest payable monthly at a fixed rate of 2.26%	6,565	8,445
Series 2017, payable in annual installments in fiscal year 2026 through fiscal 2046, interest payable semiannually at a fixed rate of 4.33%	50,000	50,000
Series 2017A, payable in annual installments in fiscal year 2021 through fiscal 2046, interest payable semiannually at a fixed rate of 2.79%	100,000	100,000
Series 2017B, payable in annual installments in fiscal year 2033 through fiscal year 2046, interest payable monthly at variable rates (2.13% and 2.19% at September 30, 2019 and 2018, respectively)	60,000	60,000
Note payable to a commercial bank in annual installments beginning in fiscal year 2013, with the remaining balance due in fiscal year 2023 at a fixed rate of 2.73%	16,340	17,200
Note payable to a commercial bank with principal and interest due monthly and a final payment due February 1, 2026 at a fixed rate of 2.49%	19,780	20,700
Note payable, payable in annual installments 2015 through 2019, interest payable monthly at fixed interest 2.85%	1,296	1,724
	646,751	662,769
Less scheduled payments due within one year	16,478	16,018
Less additional portion of Series 2001A and 2001B, 2004A, and 2011B classified as current	170,140	173,465
Less unamortized debt issuance costs	2,760	2,997
Total long-term debt	$457,373	$470,289

The Obligated Group for the debt consists of the Parent Corporation; the Operating Corporation; the Foundation; Impact Alamance; Alamance Regional Medical Center, Inc.; and ARMC Health Care (excluding AEC). The weighted-average interest rate on the Health System's Master Indenture Trust debt was approximately 2.88% and 2.98% in fiscal years 2019 and 2018, respectively.

The Health System has set aside approximately $32 million and $106 million at September 30, 2019 and 2018, respectively, in a debt service interest fund designated to meet scheduled interest payments as well as $19.6 million of trustee-held 2017A & B bond funds. These amounts are included in assets limited as to use in the accompanying consolidated balance sheets at September 30, 2019 and 2018.

Certain puttable variable-rate debt instruments are included in the current portion of long-term debt because of subjective acceleration clauses or due-on-demand provisions in the respective liquidity facilities from the supporting financial institutions. The future annual scheduled principal payment requirements of long-term debt at September 30, 2019, are as follows (in thousands of dollars):

Years Ending September 30	
2020	$ 16,478
2021	15,894
2022	15,805
2023	28,855
2024	15,595
Thereafter	554,124
Total	$646,751

On August 1, 2011, the Health System issued the second amended and restated master trust indenture (the "Indenture"). The Indenture provides that the members of the obligated group are jointly and severally liable for all obligations issued and outstanding under the Indenture. The Indenture also provides that all obligations issued and outstanding under the Indenture shall be uncollateralized obligations of the Obligated Group. Certain assets of the Health System, including patient accounts receivable, may collateralize future obligations issued under the Indenture.

There are several restrictive covenants contained in the Indenture, including, but not limited to, financial reporting, debt coverage requirements, and the maintenance of insurance coverage. The Health System is also restricted from pledging, mortgaging, or assigning interest in its property. Approximately 78% of the Health System's revenues and 95% of the Health System's assets are part of the Obligated Group under the revenue bonds as of and for the year ended September 30, 2019.

The Series 2017A and 2017B Hospital Revenue Bonds were issued on December 22, 2017, in the aggregate amount of $160 million to provide funding for qualifying Health System's projects. The $100 million carries a ten-year fixed rate of 2.79% and $60 million carries a variable rate of 85% of 1 month LIBOR plus 0.34%. The bonds are payable in annual installments in fiscal year 2021 through fiscal year 2046 for 2017A and fiscal year 2033 through fiscal year 2042 for 2017B.

The Series 2017 Hospital Revenue Bonds were issued on December 26, 2016, with $50 million of proceeds to provide funding for the Health System's pension plan. The bonds are payable in annual installments in fiscal year 2026 through fiscal year 2046 at fixed rates of 4.33%.

On February 29, 2016, the Health System purchased the remaining interest in a medical services building and entered into a $23 million term loan with a commercial bank to fund the acquisition. The term loan carries a fixed interest rate of 2.49% and partially amortizes over 10 years with a final payment March 2, 2026.

The Health System entered into a revolving credit agreement with a financial institution on May 31, 2019, in the amount of $50 million, maturing October 1, 2020. There were no borrowings against the agreement at September 30, 2019. The credit agreement bears interest at an annual rate of LIBOR, plus 0.38%. Under terms of the credit agreement, the Health System is required to maintain a specific debt service coverage ratio, a specific day's cash on hand, and minimum debt rating, as those terms are defined.

The Series 2013A, 2013B, and 2013C Revenue Bonds were issued on November 20, 2013, in the aggregate amount of $130.2 million that, along with debt service reserve funds, were used to reimburse construction costs and fund a construction fund in the amount of approximately $59.8 million for construction at ARMC, fund an escrow in the amount of $29.9 million to retire the AEC Series 2007 bonds, reimburse borrowings under a bank line of credit, and pay issuance costs. On January 1, 2014, the above escrow, along with accrued interest, was used to retire the AEC Series 2007 bonds.

The Series 2011C and 2011D Hospital Revenue Bonds were issued on September 21, 2011, with $50 million each of new proceeds to provide funding for qualifying Health System's projects. The bonds are variable-rate bonds issued by a bank with variable-rate commitments through the termination date of October 1, 2020.

The Series 2011B Hospital Revenue Bonds were issued on August 3, 2011, to refund the 2008 Series bonds. The Health System provides self-liquidity in support of the bonds. Bonds that have not been remarketed for a period of 30 days are payable after an additional 180 days. The Series 2011B bonds are classified as current liabilities in the consolidated balance sheets; however, they are reflected in the table of scheduled payments above based on their stated maturities.

The Series 2011A Hospital Revenue Bonds were issued to fully refund the 1993 bonds and are payable in annual installments in fiscal year 2014 through fiscal year 2024 at fixed rates of between 3.2% and 5.0%.

The Series 2004A Hospital Revenue Bonds are puttable variable-rate bonds supported by self-liquidity of the Health System. Additionally, the Health System has entered into a revolving credit agreement through October 1, 2016 with a bank to provide loans to cover 2004A bonds that are not remarketed. The revolving loans convert to a term loan if not repaid within 366 days and the term loan is amortized in six equal semiannual installments. This revolving credit agreement has been extended until October 1, 2022, with the same terms and conditions. The Series 2004A bonds are classified as current liabilities in the consolidated balance sheets; however, they are reflected in the table of scheduled payments above based on their stated maturities.

The Series 2001A and 2001B Hospital Revenue Bonds are puttable variable-rate bonds under which the Health System has entered into two separate standby bond purchase

agreements (the "Liquidity Facilities") with a bank to provide credit and liquidity support for the bonds. The Liquidity Facilities were amended during fiscal year 2014 and expire on December 20, 2023. In the event that the bonds are tendered for purchase and cannot be remarketed, the Liquidity Facilities provide the funds to purchase the unremarketed bonds. These agreements will expire if the bonds are converted, or required to be converted, to a fixed interest rate. Principal payments by the Health System under agreement begin 455 days after the day on which the bonds failed to be remarketed and continue in six semiannual installments. The Series 2001A and Series 2001B bonds are classified as current liabilities in the consolidated balance sheets because of subjective acceleration provisions in the amended Liquidity Facilities. However, they are reflected in the table of scheduled payments above based on their stated maturities.

On November 30, 2012, the Health System purchased a medical services building and entered into a $21.5 million term loan with a commercial bank to partially fund the purchase. The loan carries a fixed interest rate of 2.73% and amortizes over 10 years, with a final payment due in fiscal year 2023.

8. LEASE COMMITMENTS

The Health System leases various equipment and buildings used in its operations. Future minimum lease payments on capital leases and operating leases that have initial or remaining non-cancellable lease terms in excess of one year as of September 30, 2019, are as follows (in thousands of dollars):

Years Ending September 30	Operating Leases	Capital Leases
2020	$13,463	$6,133
2021	11,794	6,004
2022	9,650	1,876
2023	7,699	376
2024	6,721	243
Thereafter	23,302	311
Total	$72,629	14,943
Less finance charges on capital leases		1,302
Less current portion of capital lease obligations		5,046
Capital lease obligation—net of current portion		$8,595

Rent expense for the years ended September 30, 2019 and 2018, was approximately $20.9 million and $18.1 million, respectively.

9. COMMITMENTS UNDER MRS. BERTHA LINDAU CONE GIFT

Under the terms of a gift by Mrs. Bertha Lindau Cone, the Parent Corporation is required to meet certain conditions. The more significant conditions of the gift are that the existing hospital and land will be forever used and maintained for hospital purposes and that the name of The Moses H. Cone Memorial Hospital will never be changed.

A substantial portion of the Parent Corporation's investment in its hospital building has been funded by this gift and is subject to the above conditions. Failure to comply with the conditions of the gift could result in the forfeiture to unrelated parties of all property purchased from the original gift and earnings on the gift.

10. EMPLOYEE RETIREMENT PLANS

The Health System has the right under the terms of the Employees' Retirement Plan of the Moses H. Cone Memorial Hospital (the "Plan"), a pension plan, in certain circumstances, to discontinue its contributions at any time and to terminate the Plan, subject to the provisions set forth in ERISA. On February 6, 2018, the Board of Trustees of the Moses H. Cone Memorial Hospital Board of Trustees approved a resolution to terminate the Plan, effective April 16, 2018. All required regulatory approvals were obtained in November 2018. Letters were mailed to plan participants in February 2019. Lump sum distributions were completed in May 2019. An additional $15 million employer contribution was made on June 5, 2019 to fund the Plan in liquidation. On June 6, 2019 transfer of assets for the purchase of annuities from Principal Financial Services, Inc. ("Principal") was completed. Principal will begin making payments to the participants on August 1, 2019.

Certain benefits under the Plan are insured by the Pension Benefit Guaranty Corporation (PBGC) if the Plan terminates. Generally, the PBGC guarantees most vested normal-age retirement benefits, early retirement benefits, and certain disability and survivor's pensions. However, the PBGC does not guarantee all types of benefits under the Plan and the amount of benefit protection is subject to certain limitations. Vested benefits under the Plan are guaranteed at the level in effect on the date of the Plan's termination, subject to a statutory ceiling on the amount of an individual's monthly benefit.

Defined benefit pension plan benefits are based on years of service and employees' compensation during their years of employment. The Health System's pension funding policy is based upon actuarially calculated amounts to fund normal pension cost.

The Health System froze the Plan as of December 31, 2011, at which time benefit accruals under the Plan ceased. Effective October 1, 2003, the Plan was amended to close the Plan to new participants after October 1, 2003, and to offer current participants the right to continue to participate in the Plan or to freeze their accrued benefits and participate in a defined contribution plan sponsored by the Health System. Approximately 93% of participants at October 1, 2003 elected to continue participation in the Plan.

The Health System's pension costs are calculated using various actuarial assumptions and methodologies as prescribed by ASC 715, *Compensation—Retirement Benefits*. These assumptions include discount rates, expected return on the Plan's assets, inflation, mortality rates, and other factors and are reviewed on an annual basis.

A discount rate is used to determine the present value of the Health System's future pension benefit obligations. The discount rate is determined by matching the expected cash flows to a yield curve based on long-term, high-quality fixed-income debt instruments available as of the measurement date and is updated on an annual basis.

An assumption for return on the Plan's assets is used to determine the expected return on asset component of net periodic benefit cost for the Health System's pension plan. The expected long-term target rate of return on the Plan's assets is based upon the Health System's projected investment mix of the Plan's assets, the assumption that future returns will be close to the historical long-term rate of return experienced for equity and fixed-

income securities, actuarial surveys performed in association with the Health System's investment policies, and a 10- to 15-year investment horizon. This assumption is consistent with the assumption used for funding purposes and target asset allocations.

Actuarial Assumptions—The weighted-average actuarial assumptions used to determine the net periodic benefit cost of the Health System's pension plan are as follows:

	Pension Plan	
	2019	**2018**
Discount rate	NA	3.81 %
Expected return on plan assets	NA	5.30

The weighted-average actuarial assumptions used to determine the benefit obligations of the Health System's pension plan are as follows:

	Pension Plan	
	2019	**2018**
Discount rate	NA	4.25 %
Expected return on plan assets	NA	4.25

Assets of the Plan are invested in marketable equity and fixed-income securities, hedge funds, and private investment vehicles.

Plan Asset Investment Policy—The Health System's Investment Committee establishes investment policies and strategies that support the objectives of the Plan. The primary objective of the Plan is to provide a source of retirement income for its participants and beneficiaries. The primary financial objective of the Plan is to maintain full funding of the plans, as well as minimize cash contributions over the long term. The desired investment objective is a long-term real rate of return on assets that is approximately 4.5% greater than the assumed rate of inflation, as measured by the Consumer Price Index. The target rate of return for the Plan has been based upon an analysis of historical returns supplemented with an economic and structural review for each asset class. The Plan currently has target allocations of 60% growth assets, 30% income assets, and 10% diversified strategy assets.

In fiscal year 2015, the Health System modified the pension investment policy to incorporate a separate liability hedging allocation outside of the allocation noted above. The amount of assets transferred to the liability hedging portfolio is based on the funded status of the Plan and the liability hedging portion of the total assets will grow as the Plan's funded status increases. At September 30, 2015, 20% of the total pension investment assets were allocated to the liability hedging portfolio.

The Health System's defined benefit plan asset allocations at September 30, 2019 and 2018, are as follows:

Asset Category	Percentage of Plan Assets at September 30, 2019	2018
Cash	100 %	- %
Equity securities		21
Fixed-income securities		65
Alternative investments		14
Commodities and other		
Total	100 %	100 %

The liability portfolio was allocated 100% to cash. The following table summarizes the basis used to measure the fair value of the Health System's pension plan assets as of September 30, 2019 (in thousands of dollars):

	Fair Value Measurement at September 30, 2019			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Cash and cash equivalents	$ 3	$ -	$ -	$ 3
Subtotal	$ 3	$ -	$ -	3
Investments measured at net asset value:				
US equity funds				
Subtotal				-
Alternative investments				
Total				$ 3

The following table summarizes the basis used to measure the fair value of the Health System's pension plan assets as of September 30, 2018 (in thousands of dollars):

	Fair Value Measurement at September 30, 2018			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Cash and cash equivalents	$ 975	$ -	$ -	$ 975
US equity securities and funds	1,617			1,617
Fixed-income securities and funds	118,525			118,525
Subtotal	$121,117	$ -	$ -	121,117
Investments measured at net asset value:				
US equity funds				35,749
Subtotal				35,749
Alternative investments				24,533
Total				$181,399

A reconciliation of the projected benefit obligation and a reconciliation of the Plan's assets, the funded status of the Plan, and amounts recognized in the Health System's consolidated balance sheets at September 30, 2019 and 2018, are as follows (in thousands of dollars):

	2019	2018
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 194,239	$212,414
Interest cost	5,491	7,006
Actuarial gain	(5,845)	(8,155)
Benefits paid	(2,773)	(3,238)
Plan amendments		454
Settlements	(190,270)	(14,242)
Benefit obligation at end of year	842	194,239
Change in plan assets:		
Fair value of plan assets at beginning of year	181,399	203,196
Actual return on plan assets	1,309	(4,317)
Employer contributions	15,120	
Benefits paid	(2,773)	(3,238)
Settlements	(190,270)	(14,242)
Fair value of plan assets at end of year	4,785	181,399
Net pension asset (liability)	$ 3,943	$(12,840)

The accumulated benefit obligation was $0.8 million and $194.2 million as of September 30, 2019 and 2018, respectively. The amounts recognized in the consolidated balance sheets as noncurrent liabilities are $0.8 million and $12.8 million at September 30, 2019 and 2018, respectively. Amounts recorded as changes in unrestricted net assets arising from the defined benefit plan, but not yet included in net periodic benefit cost are $0 and $80.9 million at September 30, 2019 and 2018, respectively.

A $4.8 million receivable was accrued for contract true-ups related to the annuity purchase by Principal Financial Services, which is included in other current assets on the balance sheet and reflected as a credit to pension expense, included in fringe benefits on the statement of operations. The amount was received in November 2019. There were no additional current year service costs related to the pension plan. The settlement expense related to the termination of the pension plan was $75.2 million, which is reflected in pension settlement expense on the statement of operations.

The components of net periodic pension costs and other pension-related changes in net assets for fiscal years 2019 and 2018, are as follows (in thousands of dollars):

	2019	2018
Interest cost on projected benefit obligation	$ 5,491	$ 7,006
Expected return on plan assets	(5,459)	(9,890)
Net amortization	3,955	6,019
Curtailments		454
Settlements	75,225	5,929
Net periodic pension cost	79,212	9,518
Current-year actuarial net loss	3,955	6,221
Amortization of net actuarial loss	(3,955)	(6,019)
Settlements	(75,225)	(5,929)
Total recognized in unrestricted net assets	(75,225)	(5,727)
Total recognized in net periodic benefit cost and unrestricted net assets	$ 3,987	$ 3,791

In addition, Cone Health and ARMC Health Care operate certain voluntary savings and defined contribution retirement plans. Contribution expense related to the plans was $40.5 million in 2019 and $40.7 million in 2018 and is reflected in fringe benefits expense in the accompanying consolidated statements of operations.

11. NET ASSETS

A summary of the changes in consolidated unrestricted net assets attributable to Moses H. Cone Memorial Hospital and Affiliates and the noncontrolling interests for the year ended September 30, 2019, is as follows (in thousands of dollars):

	Total	Moses H. Cone Memorial Hospital & Affiliates	Noncontrolling Interests
Balance—beginning of year	$1,730,130	$1,737,140	$(7,010)
(Deficit) excess of revenues over expenses from consolidated operations	(16,288)	(19,171)	2,882
Change in net unrealized gains and losses on investments	(8,392)	(8,392)	
Pension-related changes other than periodic benefit cost	75,225	75,225	
Change in the fair value of the floating-to-fixed swap agreements	(23,589)	(23,589)	
Distributions to noncontrolling interests	(5,486)		(5,486)
Other changes in net assets	397	(2,930)	3,328
Increase in unrestricted net assets	21,867	21,143	724
Balance—end of year	$1,751,997	$1,758,283	$(6,286)

A summary of the changes in consolidated unrestricted net assets attributable to Moses H. Cone Memorial Hospital and Affiliates and the noncontrolling interests for the year ended September 30, 2018, is as follows (in thousands of dollars):

	Total	Moses H. Cone Memorial Hospital & Affiliates	Noncontrolling Interests
Balance—beginning of year	$1,642,502	$1,641,589	$ 913
Excess (deficit) of revenues over expenses from consolidated operations	109,143	110,381	(1,238)
Change in net unrealized gains and losses on investments	(29,033)	(29,033)	
Pension-related changes other than periodic benefit cost	5,727	5,727	
Change in the fair value of the floating-to-fixed swap agreements	8,922	8,922	
Distributions to noncontrolling interests	(6,685)		(6,685)
Other changes in net assets	(446)	(446)	
Increase (decrease) in unrestricted net assets	87,628	95,551	(7,923)
Balance—end of year	$1,730,130	$1,737,140	$(7,010)

Net assets with donor restrictions are available for the following purposes at September 30, 2019 and 2018 (in thousands of dollars):

	2019	2018
Building fund	$ 2,730	$ 2,626
Community outreach	3,184	3,056
Patient support	7,196	6,233
Staff development and education	1,854	1,330
Donor restricted net assets	$14,964	$13,245

Donor restricted funds are those which have been limited by donors to a specific time period or purpose. As required by US GAAP, donor restricted net assets are classified and reported based on the existence or absence of donor-imposed restrictions. Funds associated with donor restrictions are included in assets limited as to use.

12. CONTINGENCIES

The Health System purchases professional and general liability insurance to cover property and medical malpractice claims in excess of $4 million. There are known claims and incidents that may result in the assertion of additional claims, as well as claims from unknown incidents that may be asserted arising from services provided to patients. The Health System has estimated and recorded accruals for the self-insurance portion of these arrangements.

The Health System purchases stop loss workers' compensation insurance to cover North Carolina claims in excess of $1 million. The Health System purchases insurance coverage for employees working in states other than North Carolina. The Health System has employed independent actuaries to estimate the ultimate cost for the self-insurance portion, if any, of the settlement of such claims.

The Health System is self-insured for its employee group health insurance and has estimated and recorded accruals for the self-insurance portion of these arrangements. In management's opinion, these accruals provide adequate reserve for loss contingencies.

The Health System is involved in litigation and regulatory investigations arising in the normal course of business. Management believes that these matters will be resolved without material adverse effect on the Health System's financial position, results of operations, or cash flows.

The aggregate amount accrued for these contingencies is approximately $34.5 million and $34.3 million as of September 30, 2019 and 2018, respectively.

CNCNC Liability for Unpaid Health Claims and IBNR

A reconciliation of the changes in CNCNC's unpaid health claims and IBNR recognized in the Health System's consolidated balance sheets at September 30, 2019 and 2018, is as follows (in thousands of dollars):

	2019	2018
Balance of liability for unpaid health claims and IBNR at beginning of year	$ 12,320	$ 12,052
Incurred related to:		
Current year	138,327	111,555
Prior year	2,365	(795)
Total incurred	140,692	110,760
Paid related to:		
Current year	121,252	99,609
Prior year	14,644	10,883
Total paid	135,896	110,492
Balance of liability for unpaid health claims and IBNR at end of year	$ 17,116	$ 12,320

The above rollforward contains $27.4 million and $26.1 million of CNCNC intercompany expenses paid to THN in relation to their risk-sharing arrangement at September 30, 2019 and 2018, respectively. Management believes that the liability for unpaid claims is adequate to cover the ultimate development of claims. The reserves are continually reviewed to reflect current conditions and claim trends, and any resulting adjustments are reflected in operating results in the year the revisions are made.

13. CONCENTRATIONS OF CREDIT RISK

The Health System grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at September 30, 2019 and 2018, was as follows:

	2019	2018
Medicare	10.1 %	13.1 %
Medicare Managed Care	17.8	20.8
Medicaid	4.0	4.7
Commercial	59.5	51.7
Other	5.0	6.2
Self-Pay	3.6	3.5
	100.0 %	100.0 %

14. FUNCTIONAL EXPENSES

Expenses are presented by functional classification in accordance with the overall service mission of Cone Health. Primary program services are health care services. Expenses for auxiliary enterprises are highlighted.

A summary of the functional expenses as of September 30, 2019, is as follows (in thousands of dollars):

	Healthcare Services	General and Administration	Other Entities	Total Operating Expenses
Salaries and wages	$ 667,524	$ 114,637	$ 23,236	$ 805,397
Fringe benefits	211,395	36,304	5,451	253,150
Supplies	347,247	59,634	580	407,461
Other direct expenses	294,813	50,629	168,965	514,407
Interest expense	16,975	2,915		19,890
Depreciation/amortization	112,296	19,285	583	132,164
Total	$ 1,650,250	$ 283,404	$ 198,815	$ 2,132,469

A summary of the functional expenses as of September 30, 2018, is as follows (in thousands of dollars):

	Healthcare Services	General and Administration	Other Entities	Total Operating Expenses
Salaries and wages	$ 601,065	$ 119,550	$ 25,547	$ 746,162
Fringe benefits	204,445	40,664	4,099	249,208
Supplies	295,177	58,710	556	354,443
Other direct expenses	254,506	50,621	144,654	449,781
Interest expense	15,352	3,054		18,406
Depreciation/amortization	105,544	20,992	309	126,845
Total	$ 1,476,089	$ 293,591	$ 175,165	$ 1,944,845

* * * * * *

CONSOLIDATING SUPPLEMENTAL SCHEDULES

THE MOSES H. CONE MEMORIAL HOSPITAL AND AFFILIATES

CONSOLIDATING BALANCE SHEET
AS OF SEPTEMBER 30, 2019
(In thousands of dollars)

	Obligated Group						Nonobligated Group			
ASSETS	**Operating Corporation**	**Parent Corporation**	**Alamance Regional**	**Community Foundations**	**Reclassification and Eliminating Entries**	**Total Group**	**Other Entities**	**Alamance Extended Care**	**Reclassification and Eliminating Entries**	**Consolidated**
CURRENT ASSETS:										
Cash and cash equivalents	$ (5,884)	$ 12,133	$ 5	$ 1,322	$ -	$ 7,576	$ 27,977	$ 8,091	$ -	$ 43,644
Short-term investments	63,533					63,533				63,533
Patient accounts receivable	202,520		(760)			201,760	30,894	713		233,367
Inventories	29,016		7,322			36,338	423	20		36,781
Assets limited as to use—required for current liabilities					7,073	7,073				7,073
Other current assets	49,380	11,237	715	386		61,718	45,534	415	(35,121)	72,546
Total current assets	338,565	23,370	7,282	1,708	7,073	377,998	104,828	9,239	(35,121)	456,944
LONG-TERM INVESTMENTS	3,596	863,222		159,809	(191,897)	834,730			(3,596)	831,134
ASSETS LIMITED AS TO USE—Net of portion required for current liabilities	3,841				184,824	188,665	34,698	4,132	3,596	231,091
INVESTMENTS IN UNCONSOLIDATED AFFILIATES	55,861	433	1,621			57,915	24,336		(19,916)	62,335
PROPERTY AND EQUIPMENT—Net	177,487	661,003	258,019	5,041		1,101,550	24,026	59,750		1,185,326
GOODWILL	3,038	779				3,817	6,315			10,132
OTHER ASSETS	39,932	266	663	5		40,866	83,616	(2)	(28,992)	95,488
INTERCOMPANY RECEIVABLES (PAYABLES)	275,996	(430,450)	280,099	(5,124)		120,521	(120,474)	(47)		-
TOTAL	$ 898,316	$ 1,118,623	$ 547,684	$ 161,439	$ -	$ 2,726,062	$ 157,345	$73,072	$ (84,029)	$ 2,872,450

(Continued)

THE MOSES H. CONE MEMORIAL HOSPITAL AND AFFILIATES

CONSOLIDATING BALANCE SHEET
AS OF SEPTEMBER 30, 2019
(In thousands of dollars)

	Obligated Group						Nonobligated Group			
LIABILITIES AND NET ASSETS	Operating Corporation	Parent Corporation	Alamance Regional	Community Foundations	Reclassification and Eliminating Entries	Total Group	Other Entities	Alamance Extended Care	Reclassification and Eliminating Entries	Consolidated
CURRENT LIABILITIES:										
Accounts payable	$ 48,046	$ 10,444	$ 2,032	$ 123	$ -	$ 60,645	$ 8,354	$ 383	$ -	$ 69,382
Accrued expenses	68,060	31,294	23,697	4,989		128,040	161,541	7,655	(36,110)	261,126
Current portion of long-term debt and capital lease obligations	4,867	186,175				191,042	622			191,664
Total current liabilities	120,973	227,913	25,729	5,112	-	379,727	170,517	8,038	(36,110)	522,172
LONG-TERM DEBT—Net of current portion		456,523				456,523	27,009		(26,159)	457,373
CAPITAL LEASE OBLIGATION—Net of current portion	8,055					8,055	540			8,595
OTHER NONCURRENT LIABILITIES	51,738	4	989	4,495		57,226	45,806	15,435	(1,120)	117,347
Total liabilities	180,766	684,440	26,718	9,607	-	901,531	243,872	23,473	(63,389)	1,105,487
NET ASSETS (DEFICIT):										
Net assets without donor restrictions:										
Moses H. Cone Memorial Hospital and Affiliates	706,078	434,183	520,808	151,832	1,000	1,813,901	(90,647)	49,383	(14,354)	1,758,283
Noncontrolling interests									(6,286)	(6,286)
Total net assets (deficit) without donor restrictions	706,078	434,183	520,808	151,832	1,000	1,813,901	(90,647)	49,383	(20,640)	1,751,997
Net assets (deficit) with donor restrictions	11,470		158		(1,000)	10,628	4,120	216		14,964
Total net assets (deficit)	717,548	434,183	520,966	151,832	-	1,824,529	(86,527)	49,599	(20,640)	1,766,961
TOTAL	$898,314	$1,118,623	$547,684	$161,439	$ -	$2,726,060	$157,345	$73,072	$(84,029)	$2,872,448

Note: Entities included in the consolidating balance sheet do not reflect their equity interest in the other entities within the consolidating balance sheet

THE MOSES H. CONE MEMORIAL HOSPITAL AND AFFILIATES

CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
(In thousands of dollars)

	Obligated Group						Nonobligated Group			
	Operating Corporation	Parent Corporation	Alamance Regional	Community Foundations	Eliminating Entries	Total Group	Other Entities	Alamance Extended Care	Eliminating Entries	Consolidated
UNRESTRICTED REVENUES, GAINS, AND OTHER SUPPORT:										
Net patient service revenue	$1,352,153	$ -	$311,258	$ -	$	$1,663,411	$305,214	$14,738	$	$1,983,363
Other revenue	46,966	43,758	8,306		(42,592)	56,438	15,558	3,200	(8,829)	66,367
Premium revenue							150,043		(5,271)	144,772
Total revenue	1,399,119	43,758	319,564	-	(42,592)	1,719,849	470,815	17,938	(14,100)	2,194,502
EXPENSES:										
Salaries and wages	477,574	1,180	82,061	1,384		562,199	238,256	7,200	(2,258)	805,397
Fringe benefits	168,905	286	28,941	370		198,502	52,875	2,491	(718)	253,150
Supplies	324,311	35	58,040	68		382,454	23,662	1,433	(88)	407,461
Other direct expenses	235,582	14,110	102,041	238	(54,448)	297,523	227,015	4,842	(14,973)	514,407
Interest expense	418	19,374				19,792	280		(182)	19,890
Depreciation and amortization	65,214	43,394	15,521	326		124,455	4,907	2,827	(25)	132,164
Total expenses	1,272,004	78,379	286,604	2,386	(54,448)	1,584,925	546,995	18,793	(18,244)	2,132,469
INCOME (LOSS) FROM OPERATIONS	127,115	(34,621)	32,960	(2,386)	11,856	134,924	(76,180)	(855)	4,144	62,033
NONOPERATING INCOME (EXPENSE):										
Investment income	1,685	15,009		4,980		21,674	1,175	37	(182)	22,704
Pension settlement expense	(75,225)					(75,225)				(75,225)
Other nonoperating income (expense)—net	5,325	(8,572)	(888)	(3,958)	(11,856)	(19,949)	(19,865)	(1)	14,015	(25,800)
Total nonoperating (expense) income	(68,215)	6,437	(888)	1,022	(11,856)	(73,500)	(18,690)	36	13,833	(78,321)
EXCESS (DEFICIT) OF REVENUE OVER EXPENSE FROM CONSOLIDATED OPERATIONS	58,900	(28,184)	32,072	(1,364)	-	61,424	(94,870)	(819)	17,977	(16,288)
DEFICIT OF REVENUE OVER EXPENSE ATTRIBUTABLE TO NONCONTROLLING INTERESTS									(2,882)	(2,882)
EXCESS (DEFICIT) OF REVENUE OVER EXPENSE ATTRIBUTABLE TO MOSES H. CONE MEMORIAL HOSPITAL AND AFFILIATES	$ 58,900	$(28,184)	$ 32,072	$ (1,364)	$ -	$ 61,424	$ (94,870)	$ (819)	$ 15,095	$ (19,170)

THE MOSES H. CONE MEMORIAL HOSPITAL AND AFFILIATES

CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
(In thousands of dollars)

	Alamance Extended Care	All Other Entities	Consolidated Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
(Decrease) increase in net assets	$ (818)	$ 24,404	$ 23,586
Adjustments to reconcile increase in net assets to net cash provided by operating activities:			
Change in net unrealized gains on investments		8,392	8,392
Change in fair value of the floating-to-fixed swap agreements		23,589	23,589
Net realized gains on sale of investments		2,195	2,195
Depreciation and amortization	2,827	129,337	132,164
Provision for uncollectible accounts	96	(96)	
Pension-related changes other than net periodic pension cost		(75,225)	(75,225)
Loss on disposal of property and equipment		3,679	3,679
Earnings of unconsolidated affiliates		(7,367)	(7,367)
Distributions from unconsolidated affiliates		5,363	5,363
Distributions to noncontrolling interests		5,486	5,486
Changes in:			
Patient accounts receivable	(25)	(40,646)	(40,671)
Other current assets	(73)	(2,552)	(2,625)
Inventories	8	(2,329)	(2,321)
Accounts payable and accrued expenses	2,365	8,847	11,212
Other operating assets	46	(11,196)	(11,150)
Other operating liabilities	(4,293)	58,488	54,195
Net cash provided by operating activities	134	130,368	130,502
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to property and equipment	(3,552)	(197,218)	(200,770)
Proceeds from sale of property and equipment		26	26
Purchases of investments	(24)	(401,148)	(401,172)
Proceeds from sale of investments	67	472,611	472,678
Restriction of funds in Care N' Care Insurance Company of North Carolina, Inc.		8,959	8,959
Intercompany (payables)/receivables	(47)	47	
Pharmacy acquisition		(402)	(402)
Net cash used in investing activities	(3,556)	(117,125)	(120,681)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from debt issuances and refundable entrance fees	4,620	31,620	36,240
Repayments of debt and entrance fees refunded	(679)	(48,018)	(48,697)
Purchase of noncontrolling interest		(5,600)	(5,600)
Distributions to noncontrolling interests		(5,486)	(5,486)
Payments on capital lease obligations		(4,988)	(4,988)
Net cash provided by (used in) financing activities	3,941	(32,472)	(28,531)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	519	(19,229)	(18,710)
CASH AND CASH EQUIVALENTS:			
Beginning of year	7,572	54,782	62,354
End of year	$ 8,091	$ 35,553	$ 43,644
SUPPLEMENTAL INFORMATION:			
Cash paid during the year for interest—net of amounts capitalized	$ -	$ 19,638	$ 19,638
Purchases of equipment under capital lease	$ -	$ 7,899	$ 7,899
Property and equipment purchases in accounts payable	$ -	$ 7,539	$ 7,539

See notes to consolidated financial statements.

Attachment B
Five Year Forecast Statement

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

COMPILATION OF A FINANCIAL PROJECTION

FOR THE YEARS ENDING
SEPTEMBER 30, 2020 THROUGH SEPTEMBER 30, 2024

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INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

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

Management is responsible for the accompanying projected financial statements of Alamance Extended Care, Inc. d/b/a The Village at Brookwood (the "Village"), which comprise the projected statements of financial position as of September 30, 2020, 2021, 2022, 2023 and 2024, and the related projected statements of operations and changes in net assets, and cash flows for the years then ending, and the related summary of significant projection assumptions and accounting policies in accordance with the guidelines for presentation of a financial projection established by the American Institute of Certified Public Accountants (AICPA). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the projected financial statements, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these projected financial statements or the assumptions. Furthermore, even if the hypothetical assumptions as noted in Management's Summary of Significant Projection Assumptions and Accounting Policies on page 5 (the "Hypothetical Assumption") occurs as projected, there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

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

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Charlotte, North Carolina
April 3, 2020

ALAMANCE EXTENDED CARE, INC. D/B/A THE VILLAGE AT BROOKWOOD
PROJECTED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
ASSUMING THE HYPOTHETICAL ASSUMPTIONS ON PAGE 5
YEARS ENDING SEPTEMBER 30,
(000s Omitted)

	2020	2021	2022	2023	2024
REVENUES, GAINS, AND OTHER SUPPORT					
Patient Service Revenue, Net	$ 12,079	$ 9,771	$ 10,136	$ 10,514	$ 10,906
Amortization of Entrance Fees	1,992	2,012	2,032	2,052	2,073
Interest Income	31	35	37	47	57
Other Revenue	1,197	1,147	1,181	1,216	1,253
Total Revenues, Gains, and Other Support	15,299	12,965	13,386	13,829	14,289
OPERATING EXPENSES					
Health Care	4,364	2,946	3,016	3,089	3,163
Resident Services	561	379	388	397	407
Dietary	1,888	1,274	1,305	1,336	1,368
Plant Operations	1,423	1,006	1,030	1,055	1,080
Laundry	55	37	38	39	40
Housekeeping	506	342	350	358	367
General and Administrative	4,884	3,297	3,376	3,457	3,540
Depreciation	3,132	3,480	3,766	4,052	4,338
Total Expenses	16,813	12,761	13,269	13,783	14,303
OPERATING INCOME (LOSS)	(1,514)	204	117	46	(14)
NON-OPERATING INCOME					
Gain on Sale of Assets	1,080	-	-	-	-
Total Non-Operating Income	1,080	-	-	-	-
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENSES AND INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(434)	204	117	46	(14)
Change In Net Assets With Donor Restrictions	-	-	-	-	-
Increase (Decrease) in Net Assets	(434)	204	117	46	(14)
Net Assets - Beginning of Year	49,599	49,165	49,369	49,486	49,532
Net Assets - End of Year	$ 49,165	$ 49,369	$ 49,486	$ 49,532	$ 49,518

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

ALAMANCE EXTENDED CARE, INC. D/B/A THE VILLAGE AT BROOKWOOD
PROJECTED STATEMENTS OF CASH FLOWS
ASSUMING THE HYPOTHETICAL ASSUMPTIONS ON PAGE 5
YEARS ENDING SEPTEMBER 30,
(000s Omitted)

	2020	2021	2022	2023	2024
CASH FLOWS FROM OPERATING ACTIVITIES					
Increase (Decrease) in Net Assets	$ (434)	$ 204	$ 117	$ 46	$ (14)
Adjustments to Reconcile Decrease in Net Assets					
to Net Cash Provided by Operating Activities:					
Depreciation	3,132	3,480	3,766	4,052	4,338
Gain on Sale of Assets	(1,080)	-	-	-	-
Amortization of Entrance Fees	(1,992)	(2,012)	(2,032)	(2,052)	(2,073)
(Increase) Decrease in Current Assets:					
Accounts Receivable, Net	44	102	(18)	(19)	(20)
Inventories	(22)	7	(2)	(1)	(1)
Other Current Assets	153	84	(4)	(5)	(4)
Increase in Current Liabilities:					
Accounts Payable	(83)	(97)	5	5	5
Accrued Expenses	(743)	(1,398)	70	73	74
Net Cash Provided by (Used by) Operating Activities	(1,025)	370	1,902	2,099	2,305
CASH FLOWS FROM INVESTING ACTIVITIES					
Increase in Investments	(2,700)	(4,669)	(2,803)	(3,151)	(3,424)
(Increase) Decrease in Assets Limited as to Use	712	1,100	(56)	(57)	(58)
Acquisition of Property and Equipment	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)
Net Cash Used by Investing Activities	(3,988)	(5,569)	(4,859)	(5,208)	(5,482)
CASH FLOWS FROM FINANCING ACTIVITIES					
Entrance Fees Received	3,398	3,652	3,749	3,939	4,007
Entrance Fees Refunded	(584)	(696)	(678)	(714)	(711)
Cash Proceeds from Sale of Assets	1,080	-	-	-	-
Net Cash Provided by Financing Activities	3,894	2,956	3,071	3,225	3,296
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,119)	(2,243)	114	116	119
Cash and Cash Equivalents - Beginning of Year	8,091	6,972	4,729	4,843	4,959
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 6,972	$ 4,729	$ 4,843	$ 4,959	$ 5,078

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

ALAMANCE EXTENDED CARE, INC. D/B/A THE VILLAGE AT BROOKWOOD
PROJECTED STATEMENTS OF FINANCIAL POSITION
ASSUMING THE HYPOTHETICAL ASSUMPTIONS ON PAGE 5
AT SEPTEMBER 30,
(000s Omitted)

	2020	2021	2022	2023	2024
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	$ 6,972	$ 4,729	$ 4,843	$ 4,959	$ 5,078
Patient Accounts Receivable, Net	669	567	585	604	624
Investments	2,700	7,369	10,172	13,323	16,747
Inventories	42	35	37	38	39
Other Current Assets	262	178	182	187	191
Total Current Assets	10,645	12,878	15,819	19,111	22,679
ASSETS LIMITED AS TO USE					
Internally Designated for Statutory Operating Reserve	3,420	2,320	2,376	2,433	2,491
OTHER ASSETS	31	31	31	31	31
PROPERTY AND EQUIPMENT, NET	58,618	57,138	55,372	53,320	50,982
Total Assets	$ 72,714	$ 72,367	$ 73,598	$ 74,895	$ 76,183
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts Payable	$ 300	$ 203	$ 208	$ 213	$ 218
Accrued Expenses	4,348	2,950	3,020	3,093	3,167
Current Portion of Deferred Revenue from Entrance Fees	2,564	2,564	2,564	2,564	2,564
Total Current Liabilities	7,212	5,717	5,792	5,870	5,949
DEFERRED REVENUE AND OTHER LIABILITIES					
Deferred Revenue from Entrance Fees	5,378	5,727	6,112	6,546	6,998
Refundable Entrance Fees	10,959	11,554	12,208	12,947	13,718
Total Deferred Revenue and Other Liabilities	16,337	17,281	18,320	19,493	20,716
Total Liabilities	23,549	22,998	24,112	25,363	26,665
NET ASSETS					
Net Assets Without Donor Restrictions	48,949	49,153	49,270	49,316	49,302
Net Assets With Donor Restrictions	216	216	216	216	216
Total Net Assets	49,165	49,369	49,486	49,532	49,518
Total Liabilities and Net Assets	$ 72,714	$ 72,367	$ 73,598	$ 74,895	$ 76,183

Introduction and Background Information

Basis of Presentation

The accompanying financial projection presents, to the best of the knowledge and belief of management ("Management") the expected financial position, results of operations and changes in net assets, and cash flows of Alamance Extended Care, Inc. d/b/a The Village at Brookwood (the "Village" or "AEC") as of and for each of the five years ending September 30, 2024 (the "Projection Period"). The Village is a nonstock, nonprofit organization established to develop and operate a life plan community and provide housing, health care and related services to the elderly. The Village is an affiliate of ARMC Health Care. ARMC Health Care functions as the sole member of the Village, ARMC Foundation, Inc., ARMC Physicians Care, Inc., and Alamance Regional Medical Center, Inc. and all are considered related parties to the Village. The accompanying financial projection only includes the Village and none of the other affiliates.

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

Management's hypothetical assumption are as follows:

- The timing of the sale of the Edgewood Nursing Beds' license occurs as projected;
- The operating revenues and expenses for the Edgewood Nursing Beds transition plan occurs as projected;
- The assets on the balance sheet related to Edgewood Place are not impaired; and
- The World Health Organization declared the spread of the Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Village, COVID-19 may impact various parts of its 2020 operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of healthcare personnel, or loss of revenue due to reductions in certain revenue streams. The full impact of COVID-19 is unknown and cannot be reasonably estimated as of the date of this Projection. Management has projected that its projected occupancies or access to labor would not be adversely impacted by COVID-19.

Accordingly, the projection reflects Management's judgment as of April 3, 2020, the date of this projection, of the expected conditions and its expected course of action. The assumptions disclosed herein are the assumptions which Management believes are significant to the financial projection. There will usually be differences between projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

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

Introduction and Background Information (Continued)

Background

Organizational Information

Alamance Extended Care, Inc. d/b/a The Village at Brookwood is a North Carolina not-for-profit corporation which was founded in 1986. The Village has received a determination letter from the Internal Revenue Service stating that the corporation is an organization exempt from federal income tax under Section 501(A) of the Internal Revenue Code of 1986, as amended (the "Code"), as an organization described in Section 50l(c)(3) of the Code.

ARMC Health Care (the "Parent") is a not-for-profit corporation chartered by the State of North Carolina in 1986 and is the sole member of the Village, ARMC Foundation, Inc., ARMC Physicians Care, Inc., and Alamance Regional Medical Center, Inc., a North Carolina not-for-profit hospital system located in Burlington, North Carolina. The Parent is not liable for any activities of the Village.

In December 2011, the Parent announced its intent to integrate with the Moses H. Cone Memorial Hospital ("Cone Health"), a nonstock, not-for-profit, parent holding company, in Greensboro, North Carolina. Cone Health is a regional health care system with four hospitals located in Greensboro, North Carolina and one in Reidsville, North Carolina. A due diligence process was engaged and the required regulatory approvals were obtained. The transaction was effective on May 1, 2013. Effective that date, Cone Health became the sole member of the Parent.

In August 2015, the Village and Well-Spring Services, Inc. ("Services") entered into an agreement that provides the Village an opportunity to collaborate on services such as dining, strategic planning, and marketing. The goals of the agreement were to develop an exceptional dining program utilizing Village management versus contract management, develop a strategic plan sharing consultant resources, and to collaborate on marketing strategies to diversify each community's methods of attracting senior adults. This agreement does not affect governance, management, or financial obligations of the Village.

Effective June 2017, the Village and Well Spring Management and Development, Inc. ("WSMD") entered into a management agreement (the "Management Agreement") for an initial period of two years. In adherence to this agreement, WSMD will provide the following contracted employees to the Village: the Executive Director, a Nursing Home Administrator for the skilled nursing facility, and a Director of Nursing. WSMD will assist the Village in the day to day operations of the facility including all functional areas to ensure that all applicable laws and statutory requirements are met. WSMD will receive reimbursement for positions stated above, plus a monthly fixed fee ("Management Fees"). This Management Agreement does not affect financial obligations of the Village, with the exception of the Management Fees described. Management projects that this Management Agreement will be extended throughout the Projection Period.

The Board of Trustees for Alamance Extended Care, Inc. has been selected, nominated, and approved by the Board of Trustees of ARMC HealthCare, Inc. ARMC HealthCare, Inc. appointed the Chairperson and Vice-Chairperson who will serve until replaced. The power and authority of the Village shall be vested in its Board of Trustees, which shall have a minimum of eight members and a maximum of seventeen members.

Community Information

The Village owns and manages a life plan community ("LPC") situated on approximately 76 acres located in Burlington, North Carolina called The Village at Brookwood (the "Community"). The Community consists of 110 independent living apartment units (two of which are offline as guest and marketing suites) and 45 independent living cottage units (collectively, the "Independent Living Units"); a 24-unit assisted living facility, which contains 12 traditional assisted living units (the "Traditional Assisted Living Units") and 12 memory support units (the "Memory Support Units") (collectively, the Traditional Assisted Living Units and Memory Support Units are referred to as the "Assisted Living Units"); a 24-bed sheltered nursing unit (the "Sheltered Nursing Facility" or

Introduction and Background Information (Continued)

"Sheltered Nursing Beds"); a 71-bed skilled nursing facility open to the public (licensed as "Edgewood Place" and referred to as the "Edgewood Nursing Beds" or "Edgewood Place Public Skilled Nursing Facility" (collectively, the Sheltered Nursing Facility and Edgewood Place are referred to as the "Nursing Beds" or "Nursing Facilities"), a community center, and a wellness center. Collectively, the Assisted Living Units and Nursing Units are referred to as the "Health Care Center" or "Health Care Beds."

On January 4, 2018, Edgewood Place closed a 20-bed nursing unit, taking its total bed count from 81 to 61. On January 7, 2019, Management started a program (the "PACE Program") to lease/reserve 10 of the 20 beds to Piedmont Health Senior Care ("Piedmont"), taking its total bed count up from 61 to the current 71 total Nursing Beds. Piedmont pays the Village a flat rate per patient day for each bed, regardless of whether the bed is utilized or not. As noted in the Edgewood Nursing Beds Transaction described hereinafter, Management has projected the PACE Program to wind down operations by August 31, 2020 in conjunction with the sale of the Edgewood Nursing Beds' license as described hereinafter.

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

Table 1
Unit Configuration and Square Footage

Independent Living	Type	Number of Units	Approximate Square Feet
Apartments			
Azalea	1 BR / 1 BA	13	826
Birch[1]	1 BR / 1.5 BA	26	1,113
Camellia[2]	2 BR / 2 BA	29	1,206
Dogwood	2 BR / 2 BA	20	1,352
Elm	2 BR / 2 BA / Den	20	1,596
Garden Homes			
Holly	2 BR / 2 BA	16	1,692
Magnolia	2 BR / 2 BA	23	1,892
Oak	2 BR / 2 BA	6	1,965
Total / Weighted Average		153	1,412

Health Care Units	Number of Units	Approximate Square Feet
Assisted Living Units		
Traditional Assisted Living Units	12	289-367
Memory Support Units	12	289-367
Total	24	
Nursing Beds		
Sheltered Nursing Beds	24	205-297
Edgewood Nursing Beds[3][4]	71	205-291
Total	95	

Source: Management
Notes:

(1) One Birch unit is currently being used as a guest suite and is excluded from the table above.
(2) One Camellia unit is currently being used as a marketing unit and is excluded from the table above.
(3) Ten of the total 81 Edgewood Nursing Beds are offline and are excluded from the table above.
(4) As noted hereinafter, Management has projected the sale of the Edgewood Nursing Beds effective August 31, 2020.

Introduction and Background Information (Continued)

Edgewood Nursing Beds Transaction

AEC is an organization that includes Edgewood Place Public Skilled Nursing Facility and "The Village at Brookwood Continuing Care Retirement Community." In early 2020, AEC announced its intent to sell the license for the 81 Edgewood Nursing Beds (the "Edgewood Nursing Beds Transaction") which make up the Edgewood Place Public Skilled Nursing Facility. The Edgewood Nursing Beds' license is under contract to be sold to local companies in an attempt to keep the public skilled nursing beds within Alamance County. Management has projected the closing date of the Edgewood Nursing Beds Transaction to be August 31, 2020 and has included the assumed sales proceeds of $1,080,000 of cash on the projected statements of cash flows and a gain on the sale of the Edgewood Nursing Beds' licenses of the same amount on the projected statements of operations and changes in net assets as a gain on sale of assets. Management has projected that the sale of the Edgewood Nursing Beds' license will not affect the Sheltered Nursing Beds or its projected operations as those beds are part of The Village at Brookwood Continuing Care Retirement Community.

Table 2
Unit Configuration Before and After the Edgewood Nursing Beds Transaction

	As of October 1, 2019	Edgewood Nursing Beds Transaction	As of September 30, 2020
Independent Living			
Apartments	108	-	108
Garden Homes	45	-	45
Assisted Living			
Traditional Assisted Living Units	12	-	12
Memory Support Units	12	-	12
Nursing Beds			
Sheltered Nursing Beds	24	-	24
Edgewood Nursing Beds [1],[2]	71	(71)	-
Total	272	(71)	201

Source: Management
Notes:
(1) Ten of the total 81 Edgewood Nursing Beds are offline and are excluded from the table above.
(2) Management has projected the sale of the Edgewood Nursing Beds effective August 31, 2020.

As of the date of this Projection, Management had not determined the future use of the Edgewood Place Public Skilled Nursing Facility, and as such, Management has projected no activity during 2021 – 2024 except for utility, repairs, other administrative expenses such as insurance coverage, and depreciation expense. Management does not believe the assets for Edgewood Place Public Skilled Nursing Facility to be impaired, and as such, has not projected any impairment of these assets during the Projection Period. Management has projected the net book value of the buildings, as of September 30, 2020, to be approximately $4,851,000.

Summary of Significant Accounting Policies

Basis of Accounting

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

Use of Estimates

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

Net Assets

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

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

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

Cash and Cash Equivalents

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

Patient Accounts Receivable

The Village records accounts receivable at the net expected balance. The Village provides an allowance for uncollectible accounts using management's judgement. Accounts past due are individually analyzed for collectability. Accounts receivable that management determines will be uncollectable are written off upon such determination. It is the Village's policy to seek collection on all overdue accounts.

Investments

Investments are measured at fair market value based on quoted market values. Investment income or loss (including realized gains and losses on investments) is included in the excess of revenue, gains and other support over expenses, unless the income is restricted by donor or by law. Management does not project any unrealized gains or losses on investments during the Projection Period.

Summary of Significant Accounting Policies (Continued)

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market. Inventories include medical and surgical supplies and pharmaceuticals.

Assets Limited as to Use

Assets limited as to use are assumed to be carried at fair value and include assets set aside for North Carolina statutory operating reserves.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at fair market value on the date of receipt. Depreciation is recorded over the estimated useful life of each class of depreciable assets, and is computed using the straight-line method. The following estimated useful lives are used to calculate depreciation:

Land Improvements	10 - 15 years
Buildings and Fixed Equipment	5 - 40 years
Moveable Equipment	3 - 15 years

The Village periodically reviews its long-lived assets and evaluates such assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable.

Deferred Revenue from Entrance Fees and Refundable Entrance Fees

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

Net Resident and Health Care Service Revenue

Net resident service revenue is reported at the estimated net realizable amounts due from patients, third-party payors, and others for services rendered, including estimated retroactive revenue adjustments due to future audits, reviews, and investigations.

Income Tax Status

The Village is organized as a nonprofit, tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, as amended. Accordingly, no provision for income taxes is included in the accompanying projected statements of operations and changes in net assets.

Summary of Significant Projection Assumptions

Revenues

Independent Living Occupancy

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

Table 3
Projected Independent Living Occupancy

Year Ending September 30,	Average Units Available [1]	Average Units Occupied	Average Occupancy
2020	153.0	149.8	98%
2021	153.0	149.8	98%
2022	153.0	149.8	98%
2023	153.0	149.8	98%
2024	153.0	149.8	98%

Source: Management
Note: (1) One Birch unit is currently being used as a guest suite and is excluded from average available units. In addition, one Camellia unit is currently being used as a marketing suite and is excluded form average available units.

Management has assumed that the number of Independent Living Units to have double occupancy is approximately 36% for all years in the Projection Period.

Health Care Center Occupancy

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

Table 4
Projected Assisted Living Occupancy

Year Ending September 30,	Average Units Available	Average Units Occupied	Average Occupancy
2020	24.0	18.0	75%
2021	24.0	18.0	75%
2022	24.0	18.0	75%
2023	24.0	18.0	75%
2024	24.0	18.0	75%

Source: Management

Table 5
Projected Sheltered Nursing Beds Occupancy

Year Ending September 30,	Average Units Available	Average Units Occupied	Average Occupancy
2020	24.0	20.0	83%
2021	24.0	20.0	83%
2022	24.0	20.0	83%
2023	24.0	20.0	83%
2024	24.0	20.0	83%

Source: Management

Summary of Significant Projection Assumptions (Continued)

Table 6
Projected Edgewood Nursing Beds Occupancy

Year Ending September 30,	Average Units Available	Average Units Occupied	Average Occupancy
2020	71	27.7	39%

Source: Management
Notes:
(1) Management has projected the sale of the Edgewood Nursing Beds' license effective August 31, 2020.

Table 7
Projected Edgewood Nursing Beds Ramp Down [2]

	Year Ending September 30, 2020:	Average Unit Occupied
Actual	October	64.6
	November	61.0
	December	60.9
	January	62.0
	February	41.7
Projected	March	13.0
	April	13.0
	May	7.0
	June	5.0
	July	2.0
	August	2.0
	September [1]	-
	Year-to-Date Average	27.7

Source: Management
Notes:
(1) Management has projected the sale of the Edgewood Nursing Beds' license effective August 31, 2020.
(2) Management has projected the termination of the PACE Program concurrent with the sale of the Edgewood Nursing Beds and has included the wind-down of those occupied beds in the Projected Edgewood Nursing Beds Ramp Down noted above.

Entrance Fees Receipts and Amortization of Entrance Fees

The Village offers the following four Residence and Services Agreement (the "Residence and Services Agreements") options:

- Fee-for-Service Plans:
  - Fee-for-Service Standard Plan
- Lifecare Plans:
  - Lifecare - Traditional Plan (0% Refundable)
  - Lifecare - 90% Refund Plan
  - Lifecare - 50% Refund Plan

All options require payment of a one-time entrance fee and monthly service fees. Generally, payment of these fees entitles residents to the use and privileges of the facility for life. The Lifecare Plans entitle the resident to full services and amenities as defined in the Residence and Services Agreement. Under the Fee-for-Service Plans, residents who entered into a Residence and Services Agreement after January 1, 2007 pay additional fees for any housekeeping services and meals. Residents who entered into a Residence and Services Agreement prior to January 1, 2007 receive one meal credit per person for each day of the month. The Residence and Services Agreements do

Summary of Significant Projection Assumptions (Continued)

not entitle the residents to an interest in the real estate or other property owned by the Village. All residents are fully responsible for payment of the entrance and monthly service fees, associated with their respective plan.

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

Entrance fees generated and refunded are based on turnover of the independent living units, which has been projected by the Community's actuary (the "Actuary"), as shown in the following table.

Table 8
Projected Entrance Fees, Net
(000s Omitted)

	2020	2021	2022	2023	2024
Independent Living Turnover	15	16	16	16	16
Entrance Fees from Turnover	$ 3,398	$ 3,652	$ 3,749	$ 3,939	$ 4,007
Entrance Fees Refunded	(584)	(696)	(678)	(714)	(711)
Total Entrance Fees, Net	$ 2,814	$ 2,956	$ 3,071	$ 3,225	$ 3,296

Source: Management

Management has projected that approximately 65% of the residents would select the Fee-For-Service Standard Plan, 30% would select the Lifecare – Traditional Plan, and 5% would select the Lifecare – 90% Refund Plan. Management has not projected any incoming resident would select the Lifecare 50% Refund Plan. Entrance fees are projected to increase 4% annually during the Projection Period.

Summary of Significant Projection Assumptions (Continued)

Patient Service Revenue, Net

The monthly and daily service fee revenues are based on the projected utilization and the fee schedules in the tables that follow. It is anticipated that the monthly service fees for independent living will be increased 3.75% annually. Independent living revenues are projected net of contractual allowances and discounts.

Table 9
Independent Living Entrance Fees - 2020

		Lifecare Plans			Fee-for-Service Plan
Independent Living	**Number of Units**	**Traditional**	**90% Refund**	**50% Refund**	**Standard**
Apartments					
Azalea	13	$ 175,200	$ 301,340	$ 236,520	$ 96,300
Birch	26	215,300	370,320	290,660	126,900
Camellia	29	228,700	393,360	308,750	143,400
Dogwood	20	255,700	439,800	345,200	166,200
Elm	20	282,600	486,070	381,510	184,200
Garden Homes					
Holly	16	288,700	496,560	389,750	219,100
Magnolia	23	310,700	534,400	419,450	239,000
Oak	6	323,500	556,420	436,730	250,500
Total / Weighted Average	153	$ 254,771	$ 438,204	$ 343,945	$ 171,395
Second Person Fee		$ 31,100	$ 53,490	$ 41,990	$ 18,700

Source: Management

Summary of Significant Projection Assumptions (Continued)

Table 10
Independent Living Monthly Service Fees - 2020

Independent Living	Number of Units	All Lifecare Plans	Fee-for-Service Plan
Apartments			
Azalea	13	$ 2,705	$ 2,271
Birch	26	2,941	2,507
Camellia	29	3,216	2,780
Dogwood	20	3,490	3,081
Elm	20	3,784	3,377
Garden Homes			
Holly	16	4,131	3,406
Magnolia	23	4,323	3,625
Oak	6	4,448	3,751
Total / Weighted Average	153	$ 3,546	$ 3,038
Second Person Fee		$ 1,315	$ 760

Source: Management

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

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

Residents under the Fee-for-Service contracts requiring skilled nursing and assisted living services also receive priority for admission to the Health Care Center but pay the current market monthly rate or per diem rate for care.

The monthly and daily service fees for Fee-For-Service and private pay per diem residents in the Health Care Center have been projected to increase 4% annually during the Projection Period. Lifecare rates are projected to increase 3.75% annually, Medicare rates are projected to increase 2.00% annually, and Medicaid and PACE program rates are projected to increase 1.00% annually during the Projection Period. Health Care Center revenues are projected net of contractual allowances and discounts.

Summary of Significant Projection Assumptions (Continued)

Table 11
Health Care Center Pricing – 2020

Level of Care	Number of Units	Lifecare Monthly Rates	Fee-for-Service Monthly Rates	Fee-for-Service Per Diem Rates
Traditional Assisted Living Units	12	$4,040	$5,514	$181
Memory Support Units	12	$4,040	$7,134	$235
Sheltered Nursing Beds	24	$4,040	$9,922	$326
Edgewood Nursing Beds [1]	71	N/A	N/A	$309 - $449

Source: Management
Note: (1) Of the total 71 Edgewood Nursing Beds, 10 are part of the PACE Program and receive $184 per day, in 2020 dollars, regardless if the bed is utilized or not.

Ancillary revenues are projected at approximately 1.3% of net patient service revenue throughout the Projection Period.

Resident Mix

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

Table 12
Health Care Center Resident Mix by Contract and Payor Type

	Assisted Living		Sheltered Nursing				Edgewood Nursing [1]			
Year Ending September 30,	Life Care	Fee-for-Service	Life Care	Medicare	Medicaid	Private Pay	Life Care	Medicare	Medicaid	Private Pay
2020	53%	47%	50%	12%	0%	38%	0%	25%	52%	23%
2021	53%	47%	50%	12%	0%	38%	n/a	n/a	n/a	n/a
2022	53%	47%	50%	12%	0%	38%	n/a	n/a	n/a	n/a
2023	53%	47%	50%	12%	0%	38%	n/a	n/a	n/a	n/a
2024	53%	47%	50%	12%	0%	38%	n/a	n/a	n/a	n/a

Source: Management
Note: (1) Management has projected the sale of the Edgewood Nursing Beds' license effective August 31, 2020.

Investment Income

Investment income included in the accompanying projected statements of operations and changes in net assets is based on an assumed blended rate of return of 0.25% annually during the Projection Period, based on cash and cash equivalents and assets limited as to use projected balances.

Other Revenue

Other revenue includes income from additional resident meals and snacks, guest meals, guest apartment rentals, respite care revenue, barber and beauty fees, private duty nursing services, and other miscellaneous revenue. Other revenue is projected to increase 3% annually during the Projection Period, according to Management.

Summary of Significant Projection Assumptions (Continued)

Operating Expenses

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

Salaries and Benefits

Staffing of the Village is based on the Village's existing staffing levels and the experience of Management giving effect to the level of services offered at the Village. The Village is estimated to employ full-time equivalent ("FTE") employees throughout the Projection Period as noted below in Table 13. An FTE is based on 2,080 hours. Average salary and wage rates are based on current rates paid and are projected to increase approximately 2% annually during the Projection Period.

The costs of employees' fringe benefits are assumed to approximate 34% of salaries and wages and primarily include FICA, medical and dental insurance, long-term disability, life insurance, worker's compensation, and retirement benefits.

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

Table 13
Projected FTEs

Department:	2020 FTEs [1]	2021 -2024 FTEs
Health Care	77.06	38.50
Resident Services	10.12	8.70
Dietary	42.46	34.50
Plant Operations	8.64	7.00
Laundry and Housekeeping	15.83	11.75
General and Administrative	9.38	7.00
Total	163.49	107.45

Source: Management
Note:
(1) Management has projected the sale of the Edgewood Nursing Beds' license effective August 31, 2020. As such, the FTEs presented above in 2020 reflect the assumed FTEs for The Village at Brookwood Continuing Care Retirement Community and Management's projected FTEs for Edgewood Place Public Skilled Nursing Facility. The FTEs presented in 2021 through 2024 reflect assumed FTEs for The Village at Brookwood Continuing Care Retirement Community only.

Health Care

Non-salary related Health Care Center costs are projected based upon Management's estimate of the costs of health care supplies, purchased services, consultants, and other miscellaneous costs associated with providing health care services. These costs are anticipated to increase 3% annually during the Projection Period.

Resident Services

Non-salary related resident service costs are projected based upon Management's estimate of providing resident service programs, activities supplies, and other miscellaneous costs associated with resident services. These costs are anticipated to increase 3% annually during the Projection Period.

Summary of Significant Projection Assumptions (Continued)

Dietary

Non-salary related dietary costs are projected based upon Management's estimate of the costs of providing food services to residents of the Village including raw food, dietary supplies, and other miscellaneous costs associated with providing dietary services. These costs are anticipated to increase 3% annually during the Projection Period.

Plant Operations

Non-salary related plant operations costs are projected based upon Management's estimate of the costs of utilities, service contracts, repairs, general maintenance, supplies, and other miscellaneous costs associated with providing plant operations services. These costs are anticipated to increase 3% annually during the Projection Period.

Laundry

Non-salary related laundry costs are projected based upon Management's estimate of the costs of service contracts, laundry supplies, and other miscellaneous costs associated with providing laundry services. These costs are anticipated to increase 3% annually during the Projection Period.

Housekeeping

Non-salary related housekeeping costs are projected based upon Management's estimate of the costs of service contracts, housekeeping supplies, and other miscellaneous costs associated with providing housekeeping services. These costs are anticipated to increase 3% annually during the Projection Period.

General and Administrative

Non-salary related general and administrative costs are projected based upon Management's estimate of the costs of professional fees, Management Fees, insurance, supplies, and other miscellaneous costs. These costs are anticipated to increase 3% annually during the Projection Period.

Property and Equipment and Depreciation Expense

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

Summary of Significant Projection Assumptions (Continued)

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

Table 14
Projected Property and Equipment
(000s Omitted)

	As of September 30,				
	2020	**2021**	**2022**	**2023**	**2024**
Land and Land Improvements	$ 9,337	$ 9,337	$ 9,337	$ 9,337	$ 9,337
Buildings & Fixed Equipment	64,564	66,504	68,444	70,384	72,324
Movable Equipment	2,088	2,148	2,208	2,268	2,328
	75,989	77,989	79,989	81,989	83,989
Less: Accumulated Depreciation	(17,409)	(20,889)	(24,655)	(28,707)	(33,045)
	58,580	57,100	55,334	53,282	50,944
Plus: Construction in Progress	38	38	38	38	38
Property and Equipment, Net	$ 58,618	$ 57,138	$ 55,372	$ 53,320	$ 50,982

Source: Management

Long-Term Debt and Interest Expense

In conjunction with the affiliation of ARMC Health Care with Cone Health in 2013, all bond debt on the buildings of the Village was refinanced by Cone Health. As a result of the refinancing of the debt, the Village is no longer part of the obligated group. The Village has no obligation related to its previous debt and reports no interest expense.

Current Assets and Current Liabilities

Cash and Cash Equivalents
Cash and cash equivalents balances for the Projection Period are projected based on historical levels which approximate 186 days operating expenses (excluding depreciation).

Patient Accounts Receivable, Net
Patient accounts receivable, net of allowance for uncollectible accounts are projected at historical levels which approximate 16 days operating revenue (excluding investment income).

Investments
Investments are projected based on the anticipated cash flows of the Projected Statements of Cash Flows.

Inventories
Inventories have been projected based on historical levels which approximate 1 day operating expense (excluding depreciation).

Other Current Assets
Other current assets have been projected based on historical levels which approximate 7 days operating expenses (excluding depreciation).

Summary of Significant Projection Assumptions (Continued)

Accounts Payable
Accounts payable have been projected based on historical levels which approximate 8 days operating expenses (excluding depreciation).

Accrued Expenses
Accrued expenses have been projected based on historical levels which approximate 116 days operating expenses (excluding depreciation).

Current Portion of Deferred Revenue from Entrance Fees
The current portion of deferred revenue from entrance fees has been projected based on the historical experience of the Village.

Assets Limited as to Use

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

Table 15
Statutory Operating Reserve
(000s Omitted)

	As of September 30,				
	2020	**2021**	**2022**	**2023**	**2024**
Total Operating Expenses	$ 16,813	$ 12,761	$ 13,269	$ 13,783	$ 14,303
Exclude:					
Depreciation	(3,132)	(3,480)	(3,766)	(4,052)	(4,338)
Total Operating Costs	$ 13,681	$ 9,281	$ 9,503	$ 9,731	$ 9,965
Operating Reserve Percentage [1]	25%	25%	25%	25%	25%
Operating Reserve at 12/31	$ 3,420	$ 2,320	$ 2,376	$ 2,433	$ 2,491

Source: Management

Notes:

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

Available Units:					
Independent Living	153	153	153	153	153
Assisted Living	24	24	24	24	24
Total Available Units	177	177	177	177	177
Occupied Units:					
Independent Living	150	150	150	150	150
Assisted Living	18	18	18	18	18
Total Occupied Units	168	168	168	168	168
Occupancy at Year-end	94.9%	94.9%	94.9%	94.9%	94.9%

Summary of Significant Projection Assumptions (Continued)

Risks and Uncertainties

During March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Village, COVID-19 may impact various parts of its 2020 operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of healthcare personnel, or loss of revenue due to reductions in certain revenue streams. Management believes the Village is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of the date of this Projection. Management has projected that its projected occupancies or access to labor would not be adversely impacted by COVID-19.

During the period from January 1, 2020 through April 3, 2020 both domestic and international equity markets have experienced significant declines. These losses are not reflected in the projected financial statements.

Attachment C
Un-audited Financial Statement

Alamcne Extended Care, Inc
BALANCE SHEET
December 31, 2019

ASSETS:		**LIABILITIES AND NET ASSETS:**	
CURRENT ASSETS:		CURRENT LIABILITIES	
Cash	6,629,855	Accrued Payroll	2,215,247
		Accounts Payable	119,884
Patient Accounts Receivable	962,110	Pal & Retirement	321,084
Allowance for Uncollectibles	(344,800)	Other Current Liabilities	3,837,607
Net Patient Accounts Receivable	617,311		
		TOTAL CURRENT LIABILITIES	6,493,822
Other Receivables	340,328		
Inventories	19,703	OTHER NON-CURRENT LIABILITIES	14,983,572
Prepaid Expenses	-		
TOTAL CURRENT ASSETS	7,607,197	TOTAL LIABILITIES	21,477,394
PROPERTY, PLANT & EQUIPMENT:			
Land & Land Improvements	9,337,020		
Buildings & Fixed Equipment	62,771,641	NET ASSETS:	
Movable Equipment	2,108,188		
Accumuated Depreciation	(15,045,496)	UNRESTRICTED FUNDS	49,297,906
Construction in Progress/Equipment in Progress	64,893	TEMPORARILY RESTRICTED FUNDS	204,899
Property, Plant & Equipment (Net)	59,236,245		
		NET ASSETS	49,502,805
Investments	4,138,608		
Other Assets	(1,850)		
TOTAL ASSETS	70,980,199	LIABILITIES AND NET ASSETS	70,980,199

Alamance Extended Care
Consolidated Statements of Operations
December 31, 2019

	ACTUAL 12/31/2019	ACTUAL Prior R3 Avg	ACTUAL Prior R12 Avg	ACTUAL 12/31/2018	$ Var Prior R3 Avg	$ Var Prior R12 Avg	$ Var 12/31/2018
REVENUE							
Gross Patient Revenue	$ 1,582,704	$ 1,638,179	$ 1,615,177	$ 1,479,457	$ (55,475)	$ (32,473)	$ 103,247
Revenue Deductions	352,727	344,254	363,343	309,865	(8,473)	10,616	(42,862)
Net Patient Service Revenue (Note 1)	1,229,977	1,293,925	1,251,834	1,169,592	(63,948)	(21,857)	60,385
Other Operating Revenue	276,441	252,909	266,466	274,917	23,532	9,975	1,524
TOTAL OPERATING REVENUES	**1,506,418**	**1,546,834**	**1,518,300**	**1,444,509**	**(40,416)**	**(11,882)**	**61,909**
EXPENSE							
Salaries and Wages	612,813	584,924	553,509	539,107	(27,889)	(59,304)	(73,706)
Fringe Benefits	213,228	195,963	209,610	190,880	(17,265)	(3,618)	(22,348)
Purchased Personnel	62,684	58,588	58,600	60,648	(4,096)	(4,084)	(2,036)
Supplies	119,653	119,701	119,754	115,806	48	101	(3,847)
Other Operating Expense	409,405	371,190	389,455	384,919	(38,215)	(19,950)	(24,486)
Depreciation/Amortization	258,664	249,909	240,341	222,550	(8,755)	(18,323)	(36,114)
TOTAL OPERATING EXPENSE	**1,676,447**	**1,580,275**	**1,571,269**	**1,513,910**	**(96,172)**	**(105,178)**	**(162,537)**
INCOME FROM OPERATIONS	**(170,029)**	**(33,441)**	**(52,969)**	**(69,401)**	**(96,172)**	**(105,178)**	**(162,537)**
OTHER INCOME							
Other Expense (Note 3)	-	-	(42)	(1)	-	(42)	(1)
Total Other Income (Expense)	**2,515**	**3,539**	**3,497**	**4,189**	**1,024**	**982**	**1,674**
EXCESS OF REVENUES OVER EXPENSE	**(167,514)**	**(29,902)**	**(49,472)**	**(65,212)**	**(137,612)**	**(118,042)**	**(102,302)**
INCREASE IN UNRESTRICTED NET ASSETS	**$ (167,514)**	**$ (29,902)**	**$ (49,472)**	**$ (65,212)**	**$ (137,612)**	**$ (118,042)**	**$ (102,302)**
Operating Margin %	-11.29%	-2.16%	-3.49%	-4.80%	-9.13%	-7.80%	-6.48%
Operating EBIDA Margin %	5.88%	13.99%	12.34%	10.60%	-8.11%	-6.46%	-4.72%
Excess Revenue over Expense Margin %	-11.10%	-1.93%	-3.25%	-4.50%	-9.17%	-7.85%	-6.60%

Alamance Extended Care
Consolidated Statements of Cash Flows
December 31, 2019

	December 31, 2019
CASH FLOWS FROM OPERATING AND NON OPERATING ACTIVITIES	
CASH PROVIDED BY OPERATING ACTIVITIES	
Increase (Decrease) in net assets	(95,201)
Adjustments to reconcile revnue and gains in excess of expenses and losses to new cash provided by operating activities	
Depreciation and amortization	768,657
Provision for uncollectible accounts	49,095
Loss on disposal of property and equipment	-
(Increase) Decrease in patient accounts receivable	47,009
(Increase) Decrease in prepaids and other receivables	27,992
(Increase) Decrease in inventory	-
Increase (Decrease) in accounts payable and accrued expenses	(1,544,564)
Change in other operating assets and liabilities (net)	(458,564)
Net cash provided by operating activities and gains and losses	$ (1,205,576)
CASH FLOWS FROM INVESTING ACTIVITIES	
(Additions) to Property, Plant and Equipment	(255,173)
Loss on write off of property and equipment	-
Net cash used in investing activities	(255,173)
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on capital lease obligations	-
Net cash used in financing activities	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,460,749)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	8,090,604
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 6,629,855

Attachment D
Residence and Service Agreement
Life Care

LIFE CARE
RESIDENCE AND SERVICES AGREEMENT
The Village at Brookwood

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

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

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

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

Residence Number: _____

Residence Type: _____
(hereinafter referred to as "Residence")

Resident Entrance Fee: _____

Co-Resident Entrance Fee: _____

Entrance Fee Option: _____

Resident Monthly Fee: _____

Co-Resident Monthly Fee: _____

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

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

A. Residence. Except as set forth in this Agreement, the Resident has the right to occupy, use, and enjoy the Residence and services of The Village during the term of this Agreement.

B. Furnishings in the Residence. The Village provides flooring, appliances and other furnishings per current standards as described in The Village's current literature. The Resident will be responsible for furnishing the Residence. All furniture and electrical and other appliances provided by the Resident shall be subject to The Village's approval in order to keep the Residence safe and sanitary.

C. Options and Custom Features in the Residence. The Resident may select certain options and custom features for the Residence as described in The Village's literature for an additional charge. Any such options and custom features selected and paid for by the Resident will become the property of The Village. The value of any such improvements will be considered in computing refunds if such options or custom features involve structural changes to the Residence or substantially increase livable square footage in the Residence.

D. Common Areas and Amenities. The Village maintains common areas and amenities for the use and benefit of all residents.

E. Parking. The Village provides parking areas for the Resident's personal vehicle and limited parking for guests.

F. Storage. Limited storage space of one (1) unit per apartment is provided by The Village for apartment residents and shall be in addition to the space in each apartment. Garden homes have storage rooms adjacent to the carport and/or garage.

G. Services and Programs.

1. Utilities. The Village furnishes heating, air conditioning, electricity, water, sewer service, trash removal, telephone including long distance, basic cable TV and secure WIFI access. The Resident is responsible for the charges for expanded cable television service. The Village shall not be responsible for any periods of disruption regarding these utilities.

2. Dining Services. The Village will provide nutritionally balanced meals per published dining hours. The Resident's monthly service fee will include a meal plan, which the Resident may choose in accordance with The Village dining services procedures. The cost of additional meals taken by the Resident will be billed on a monthly basis.

3. **Special Diets**. When authorized by the Village's medical and dietary personnel, meals accommodating special diets may be provided. The Provider may make additional charges for special diets.

4. **Tray Service**. When authorized by The Village, meal delivery may be provided to you in your Residence. The Village may make additional charges for meals delivered to the Residence per current scheduled fees.

5. **Housekeeping Services**. The Village provides weekly housekeeping services. Additional housekeeping may be scheduled at the request and expense of the Resident.

6. **Laundry**. The Village provides washers and dryers in the Residence.

7. **Grounds-keeping**. The Village furnishes basic grounds-keeping services including lawn, tree, and shrubbery care. The Resident may plant and maintain certain areas designated for such purpose by The Village.

8. **Maintenance and Repairs**. The Village maintains and repairs its own improvements, furnishings, appliances, and equipment. The Resident will be responsible for the cost of repairing damage to property of The Village caused by the Resident or any guests of the Resident, ordinary wear and tear excepted.

9. **Transportation**. The Village provides local transportation for medical appointments for residents on a regularly scheduled basis. An additional charge may be made for transportation for special, personal, or group trips.

10. **Security**. The Village provides twenty-four (24) hour staffing to include evening and nighttime security patrol. Emergency call devices are provided, and smoke detectors will be located in each Residence. Security cameras may be located in parking areas and at building entrances or other common areas.

11. **Life Enrichment**. The Village provides planned and scheduled social, recreational, spiritual, educational and cultural activities; arts and crafts classes; and other special activities. Some activities may require an additional charge.

12. **Wellness Programs**. The Village provides a variety of exercise programs, including aquatic classes, exercise equipment and aerobics as a part of an overall Wellness Program.

13. **Health Care Services**:

    a. **Health Care Center**. The Health Care Center consists of licensed Assisted Living, Memory Care, and Skilled Nursing accommodations.

        (1) **Assisted Living Services**. The Assisted Living section of the Provider is licensed by North Carolina as an Adult Care Home, where assistance with daily living activities may include: bathing, dressing, administration of

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

(2) **Memory Care**. The Village provides, in a separate Assisted Living section of the facility licensed by North Carolina as an Adult Care Home, specialized services for memory support. Assistance with daily living activities tailored to the different needs of the residents may include: bathing, dressing, administration of medication, bed making, three (3) meals per day, housekeeping, transportation, specialized activities, and personal laundry service.

(3) **Skilled Nursing Services**. The Village provides nursing care in its licensed nursing center as may be deemed necessary by the Medical Director and/or their staff. The Resident agrees that nursing care provided by The Village shall be limited to care in keeping with licensure requirements. Services may include three (3) meals per day, housekeeping, assistance with daily living activities, and nursing services as ordered by the appropriate physician.

(4) **Staffing**. The Health Care Center is staffed by licensed and certified nursing staff twenty-four (24) hours per day and meets all North Carolina licensing requirements.

b. **Clinic Services**:

(1) A health clinic, staffed with a licensed nurse, is available on site during scheduled hours for resident use.

(2) Additional periodic services may be provided through the Clinic as deemed necessary by The Village. The cost of such services shall be the responsibility of the Resident.

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

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

II. FINANCIAL ARRANGEMENTS

A. **Entrance Fee Refund Options**. The Resident agrees to pay to The Village an Entrance Fee as a condition of becoming a Resident. Refunds will be handled as described in Section VI below. The Resident shall choose one of the following Entrance Fee Refund Options:

Entrance Fee Refund Option	Amortization Schedule
Standard	The Entrance Fee (less an initial 6% nonrefundable fee) will be amortized at 2% per month for 47 months after which time the Entrance Fee is fully amortized. Any refund due to the Resident will be paid (as described in Section VI below).
50% Refund	The Entrance Fee (less an initial 6% nonrefundable fee) will be amortized at 2% per month for 22 months. Any refund due to the Resident will be paid (as described in Section VI below).
90% Refund	The Entrance Fee (less an initial 6% nonrefundable fee) will be amortized at 2% per month for 2 months. Any refund due to the Resident will be paid (as described in Section VI below).

The Resident must notify The Village in writing of the selection of the Standard, 50% Refund or 90% Refund Entrance Fee Option on or before the date that the balance of the Entrance Fee is paid as provided in Section II.B. below. The Resident may not change the refund option selected after the date that the balance of the Entrance Fee is paid.

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

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

D. **Adjustments in the Monthly Fee**. The Monthly Fee provides for the facilities, programs, and services described in this Agreement and is intended to meet the cost of the expenses associated with the operation and management of The Village. The Village shall have the authority and discretion to adjust the Monthly Fee during the term of this Agreement to reflect increases and changes in costs of providing the facilities, programs, and services described herein consistent with operating on a sound

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

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

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

G. Fees and Charges for Health Care Services.

1. Life Care Benefit. Should the Resident qualify for services in the Health Care Center, it is understood that at the time of transfer the Resident will be charged a monthly fee known as the Life Care Benefit. The Life Care Benefit will apply to Assisted Living, Assisted Living Memory Care and Skilled Nursing accommodations.

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

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

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

III. ADMISSION REQUIREMENTS AND PROCEDURES

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

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

A. Age. Generally, admission is restricted to persons 62 years of age or older. If one member of the residential party is 62, the co-resident may be 55 years of age or older.

B. Residence and Services Agreement. Upon notification of acceptance by Provider, the Resident shall enter into this Agreement.

C. Representations. The Resident affirms that the representations made in the required Application for Residency as well as the Reservation Agreement that was previously executed by the parties (which representations include a confidential personal and health history and a financial disclosure), are true and correct and may be relied upon by the Provider as a basis for entering into this Agreement.

D. Direct Admission to Health Care Center. Upon admission, if it is determined by Provider that Resident is unable to live independently in the residence, such resident may be offered direct admission to the Health Care Center. Such Resident shall pay monthly fees equal to the current Fee for Service per diem rate (as described in The Village's current literature) in the Health Care Center (for the required level of care, Assisted Living, Skilled Care or Memory Care). Residents directly admitted to the Health Care Center shall complete the Amendment to Residence and Services Agreement for Direct Admission to Health Care and documents as required by the Provider and North Carolina licensure statutes. In the event a Resident that qualifies for direct admission into the Health Care Center has a Co-Resident that does not qualify for such direct admission, the Co-Resident shall continue to be governed by the terms of this Agreement as a single occupant of the Residence.

IV. TERMS OF OCCUPANCY

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

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

B. Policies and Procedures. The Resident will abide by The Village's policies and procedures and such amendments, modifications, and changes of the policies and procedures as may hereafter be adopted by the Provider.

C. Changes in the Residence, Services, or Fees. Provider has the right to change the Residence, the services offered, or the fees charged to meet requirements of, or changes to any applicable statute, law, or regulation. The Residence may not be used in any manner in violation of any zoning ordinances or other governmental law or regulation.

D. **Visitors**. The Resident shall be free to invite guests to the Residence for daily and overnight visits. Guest rooms may be available from time to time at a reasonable rate for overnight stays by your guests. The Village reserves the right to make rules regarding visits and guest behavior and may limit or terminate a visit at any time for reasons it deems appropriate. Two (2) weeks is the maximum continuous stay for guests unless prior approval from the Executive Director is obtained. Except for short-term guests, no person other than the Resident or a Co-Resident, if any, may reside in the Residence without prior approval of The Village.

E. **Occupancy by Two Residents**. In the event that two Residents occupy a Residence under the terms of this Agreement, upon the permanent transfer to the Health Care Center or the death of one Resident, or in the event of the termination of this Agreement with respect to one of the Residents, the Agreement shall continue in effect as to the remaining or surviving Resident who shall have the option to retain the same Residence. Should the remaining or surviving Resident wish to move to another residence, the policies of The Village governing said residence transfer will prevail.

F. **Addition of a Co-Resident or Marriage**. If a Resident marries a person who is also a Resident, the two Residents may occupy the Residence of either Resident and shall surrender the Residence not to be occupied by them. Such married Residents will pay the Monthly Fee for double occupancy associated with the Residence occupied by them. In the event that a Resident shall marry a person who is not a Resident of The Village, the spouse may become a Resident if such spouse meets all the current requirements for admission to The Village, enters into a current version of the Life Care Residence and Services Agreement with Provider, and pays the current single person Entrance Fee for the smallest one bedroom apartment at The Village. The Resident and spouse shall pay the Monthly Fee for double occupancy associated with the Residence occupied by them. If the Resident's spouse does not meet the requirements of The Village for admission as a resident, the Resident may terminate this Agreement in the same manner as provided in Section VI.B. hereof with respect to a voluntary termination.

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

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

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

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

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

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

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

V. TRANSFERS OR CHANGES IN LEVELS OF CARE

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

1. **Transfer of Resident to a Larger Residence**. If the Resident elects to transfer to a larger Residence, an additional Entrance Fee (according to the Entrance Fee Refund Option selected at the original Date of Occupancy) equal to the difference between the Entrance Fee for the smaller Residence and the Entrance Fee for the larger Residence will be due to The Village. The Resident will also pay the Monthly Service Fee associated with the larger Residence.

2. **Transfer of Resident to a Smaller Residence**. The Resident may elect to transfer to a smaller Residence and pay the current monthly service fee for that Residence. The transfer to a smaller Residence shall not result in any entrance fee refund.

B. **Transfer to the Health Care Center**. The Resident agrees that Provider shall have authority to determine that the Resident be transferred from one level of care to another

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

C. Transfer to Hospital or Other Facility. If it is determined by Provider that the Resident needs care beyond that which can be provided by The Village; the Resident may be transferred to a hospital, center, or institution equipped to give such care and such care will be at the expense of the Resident. Such transfer of the Resident will be made only after consultation to the extent possible with the Resident or the Resident's chosen and legal representative.

D. Surrender of Residence. If a determination is made by Provider that any transfer described in Section V.B. or V.C. is likely to be permanent in nature, the Resident agrees to surrender the Residence upon such transfer. The Provider shall continue charging the monthly fees until such time that the Residence is vacated. If Provider subsequently determines that the Resident can resume occupancy in a Residence or accommodation comparable to that occupied by the Resident prior to such transfer, the Resident shall have priority to such residence as soon as it becomes available.

VI. TERMINATION AND REFUND PROVISIONS

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

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

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

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

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

C. Termination upon Death. In the event of death of the Resident at any time after occupancy, this Agreement shall terminate and the refund of the Entrance Fee paid by the Resident shall be calculated based upon the Entrance Fee option chosen by the Resident and as described in Section II.A. Any refund due to the Resident's estate will be made at such time as such Resident's Residence shall have been reserved by a prospective resident and such prospective resident shall have paid to The Village the full Entrance Fee, or within one (1) year from the date of termination, whichever first occurs. All refunds may be reduced by the cost of returning the Residence to its original condition and by any outstanding charges due from Resident.

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

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

VII. RIGHT OF RESCISSION

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

VIII. FINANCIAL ASSISTANCE

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

IX. GENERAL

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

B. **Assignment**. The rights and privileges of the Resident under this Agreement to the Residence, common areas, and amenities, and services, and programs of The Village are personal to the Resident and may not be transferred or assigned by the Resident or otherwise.

C. **Management of The Village at Brookwood**. The absolute rights of management are reserved by Provider, its Board of Directors, and its administration as delegated by said Board of Directors. The Village retains all authority regarding acceptance of Residents, adjustment of fees, financial assistance, and all other aspects of the management of The Village. Residents do not have the right to determine admission or terms of admission of any other Resident.

D. **Entire Agreement**. This Agreement constitutes the entire agreement between Provider and the Resident. Provider shall not be liable or bound in any manner by any statements, representations, or promises made by any person representing or assuming to represent Provider, unless such statements, representations, or promises are set forth in this Agreement.

E. **Successors and Assigns**. Except as set forth herein, this Agreement shall bind and inure to the benefit of the successors and assigns of The Village and the heirs, executors, administrators, and assigns of the Resident.

F. **Power of Attorney, Will, Living Will, and Health Care Power of Attorney**. The Resident agrees to execute a power of attorney designating some competent person as attorney-in-fact. The Resident is also encouraged to execute a will, Living Will and Health Care Power of Attorney. The Resident shall provide The Village with copies of Power of Attorney, Living Will, and Health Care Power of Attorney, as well as the location of the Will, prior to occupancy.

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

H. **Governing Law**. This Agreement shall be governed by the laws of the State of North Carolina.

I. **Disclosure Statement**. The Resident acknowledges that a current copy of the Disclosure Statement for The Village at Brookwood has been received.

J. **Third Party Injuries and Claims**. Provider is not required to provide any medical, surgical, nursing or other care for the Resident when the Resident is injured as a result of the fault or negligence of a third party or parties. The Resident shall promptly notify Provider of any such injury. In the event that Provider provides such care as can be furnished by its employees and facilities, the Resident hereby assigns to Provider any compensation that the Resident may recover from such third party or parties to the extent necessary to reimburse Provider for the cost of such care furnished by Provider. The Resident or his legal representative shall have the duty to pursue diligently any and all proper claims for compensation due from a third party or parties for injury to the Resident and to cooperate with Provider in collecting such compensation and reimbursing Provider for the cost of all such care provided the Resident.

K. **Affiliations of the Provider**. The Village at Brookwood is not affiliated with any religious or charitable provider other than its owner, ARMC Health Care. All financial and contractual obligations of The Village at Brookwood will be the sole responsibility of The Village; the owner will not be responsible for any of these obligations.

L. **Notice Provisions**. Any notices, consents, or other communications to The Village hereunder (collectively "notices") shall be in writing and addressed as follows:

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

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

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

Witness	Resident
Witness	Co-Resident
	Date
	Address (Prior to Occupancy)
	City, State, Zip Code
	Telephone
	THE VILLAGE AT BROOKWOOD
	Signature (Executive Director)
	Date

EXHIBIT A

TARGET OCCUPANCY DATE: _____

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

RESIDENCE NUMBER: _____

RESIDENCE TYPE: _____

ENTRANCE FEE FOR:

( ) Resident _____

( ) Co-Resident _____

TOTAL ENTRANCE FEE: _____

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

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

ENTRANCE FEE BALANCE DUE AND PAYABLE: _____

MONTHLY FEE FOR:

( ) Resident _____

( ) Co-Resident _____

TOTAL MONTHLY FEE: _____

REFUND OPTION SELECTED:

( ) Life Care – Standard, Declining Refund

( ) Life Care – Fifty Percent (50%) Refund

( ) Life Care – Ninety Percent (90%) Refund

ADDRESSES FOR REQUIRED NOTICE:

To The Village:

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

To You Prior to Occupancy:

Name: _____

Address: _____

City, State, Zip Code: _____

To You Following Occupancy:

Name: _____

Address: _____

City, State, Zip Code: _____

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

Applicant: _____

Co-Applicant: _____

Date: _____

Attachment E
Residence and Services Agreement
Fee for Service

FEE FOR SERVICE
RESIDENCE AND SERVICES AGREEMENT
The Village at Brookwood

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

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

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

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

Residence Number: _____

Residence Type: _____
(hereinafter referred to as "Residence")

Resident Entrance Fee: _____

Co-Resident Entrance Fee: _____

Resident Monthly Fee: _____

Co-Resident Monthly Fee: _____

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

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

A. Residence. Except as set forth in this Agreement, the Resident has the right to occupy, use, and enjoy the Residence and services of The Village during the term of this Agreement.

B. Furnishings in the Residence. The Village provides flooring, appliances and other furnishings per current standards as described in The Village's current literature. The Resident will be responsible for furnishing the Residence. All furniture and electrical and other appliances provided by the Resident shall be subject to The Village's approval in order to keep the Residence safe and sanitary.

C. Options and Custom Features in the Residence. The Resident may select certain options and custom features for the Residence as described in The Village's literature for an additional charge. Any such options and custom features selected and paid for by the Resident will become the property of The Village. The value of any such improvements will be considered in computing refunds if such options or custom features involve structural changes to the Residence or substantially increase livable square footage in the Residence.

D. Common Areas and Amenities. The Village maintains common areas and amenities for the use and benefit of all residents.

E. Parking. The Village provides parking areas for the Resident's personal vehicle and limited parking for guests.

F. Storage. Limited storage space of one (1) unit per apartment is provided by The Village for apartment residents and shall be in addition to the space in each apartment. Garden homes have storage rooms adjacent to the carport and/or garage.

G. Services and Programs.

1. Utilities. The Village furnishes heating, air conditioning, electricity, water, sewer service, trash removal, telephone including long distance, basic cable TV and secure WIFI access. The Resident is responsible for the charges for expanded cable television service. The Village shall not be responsible for any periods of disruption regarding these utilities.

2. Dining Services. The Village will provide nutritionally balanced meals per published dining hours. The Resident's monthly service fee will include a meal plan, which the Resident may choose in accordance with The Village dining services procedures. The cost of additional meals taken by the Resident will be billed on a monthly basis.

3. **Special Diets.** When authorized by the Provider's medical and dietary personnel, meals accommodating special diets may be provided. The Provider may make additional charges for special diets.

4. **Tray Service.** When authorized by The Village, meal delivery may be provided to you in your Residence. The Village may make additional charges for meals delivered to the Residence per current scheduled fees.

5. **Housekeeping Services.** The Village provides housekeeping services every other week. Additional housekeeping may be scheduled at the request and expense of the Resident.

6. **Laundry.** The Village provides washers and dryers in the Residence.

7. **Grounds-keeping.** The Village furnishes basic grounds-keeping services including lawn, tree, and shrubbery care. The Resident may plant and maintain certain areas designated for such purpose by The Village.

8. **Maintenance and Repairs.** The Village maintains and repairs its own improvements, furnishings, appliances, and equipment. The Resident will be responsible for the cost of repairing damage to property of The Village caused by the Resident or any guests of the Resident, ordinary wear and tear excepted.

9. **Transportation.** The Village may provide transportation services for residents. An additional charge may be made for transportation for special, personal, or group trips.

10. **Security.** The Village provides twenty-four (24) hour staffing to include evening and nighttime security patrol. Emergency call devices are provided and smoke detectors will be located in each Residence. Security cameras may be located in parking areas and at building entrances or other common areas.

11. **Life Enrichment.** The Village provides planned and scheduled social, recreational, spiritual, educational and cultural activities; arts and crafts classes; and other special activities. Some activities may require an additional charge.

12. **Wellness Programs.** The Village provides a variety of exercise programs, including aquatic classes, exercise equipment and aerobics as a part of an overall Wellness Program.

13. **Health Care Services:**

    a. **Health Care Center**. The Health Care Center consists of licensed Assisted Living, Memory Care, and Skilled Nursing accommodations.

        (1) **Assisted Living Services**. The Assisted Living section of the Provider is licensed by North Carolina as an Adult Care Home, where assistance with daily living activities may include: bathing, dressing, administration of

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

(2) **Memory Care**. The Village provides, in a separate Assisted Living section of the facility licensed by North Carolina as an Adult Care Home, specialized services for memory support. Assistance with daily living activities tailored to the different needs of the residents may include: bathing, dressing, administration of medication, bed making, three (3) meals per day, housekeeping, transportation, specialized activities, and personal laundry service.

(3) **Skilled Nursing Services**. The Village provides nursing care in its licensed nursing center as may be deemed necessary by the Medical Director and/or their staff. The Resident agrees that nursing care provided by The Village shall be limited to care in keeping with licensure requirements. Services may include three (3) meals per day, housekeeping, assistance with daily living activities, and nursing services as ordered by the appropriate physician.

(4) **Staffing**. The Health Care Center is staffed by licensed and certified nursing staff twenty-four (24) hours per day and meets all North Carolina licensing requirements.

b. **Clinic Services**:

(1) A health clinic, staffed with a licensed nurse, is available on site during scheduled hours for resident use.

(2) Additional periodic services may be provided through the health clinic as deemed necessary by The Village. The cost of such services shall be the responsibility of the Resident.

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

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

II. FINANCIAL ARRANGEMENTS

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

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

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

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

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

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

F. **Fees and Charges for Health Care Services**.

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

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

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

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

III. ADMISSION REQUIREMENTS AND PROCEDURES

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

A. Age. Generally, admission is restricted to persons 62 years of age or older. If one member of the residential party is 62, the co-resident may be 55 years of age or older.

B. Residence and Services Agreement. Upon notification of acceptance by Provider, the Resident shall enter into this Agreement.

C. Representations. The Resident affirms that the representations made in the required Application for Residency as well as the Reservation Agreement that was previously executed by the parties (which representations include a confidential personal and health history and a financial disclosure), are true and correct and may be relied upon by the Provider as a basis for entering into this Agreement.

D. Direct Admission to Health Care Center. Upon admission, if it is determined by Provider that Resident is unable to live independently in the Residence, the Resident may be offered direct admission to the Health Care Center. Such Resident shall pay monthly fees equal to the current Fee for Service per diem rate (as described in The Village's current literature) in the Health Care Center (for the required level of care, Assisted Living, Skilled Care or Memory Care). Residents directly admitted to the Health Care Center shall complete the Amendment to Residence and Services Agreement for Direct Admission to Health Care and documents as required by the Provider and North Carolina licensure statutes. In the event a Resident that qualifies for direct admission into the Health Care Center has a Co-Resident that does not qualify for such direct admission, the Co-Resident shall continue to be governed by the terms of this Agreement as a single occupant of the Residence.

IV. TERMS OF OCCUPANCY

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

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

B. Policies and Procedures. The Resident will abide by The Village's policies and procedures and such amendments, modifications, and changes of the policies and procedures as may hereafter be adopted by the Provider.

C. Changes in the Residence, Services, or Fees. Provider has the right to change the Residence, the services offered, or the fees charged to meet requirements of, or changes to any applicable statute, law, or regulation. The Residence may not be used in any manner in violation of any zoning ordinances or other governmental law or regulation.

D. Visitors. The Resident shall be free to invite guests to the Residence for daily and overnight visits. Guest rooms may be available from time to time at a reasonable rate for overnight stays by your guests. The Village reserves the right to make rules regarding visits and guest behavior and may limit or terminate a visit at any time for reasons it deems appropriate. Two (2) weeks is the maximum continuous stay for guests unless prior approval from the Executive Director is obtained. Except for short-term guests, no person other than the Resident or a Co-Resident, if any, may reside in the Residence without prior approval of The Village.

E. Occupancy by Two Residents. In the event that two Residents occupy a Residence under the terms of this Agreement, upon the permanent transfer to the Health Care Center or the death of one Resident, or in the event of the termination of this Agreement with respect to one of the Residents, the Agreement shall continue in effect as to the remaining or surviving Resident who shall have the option to retain the same Residence. Should the remaining or surviving Resident wish to move to another residence, the policies of The Village governing said residence transfer will prevail.

F. Addition of a Co-Resident or Marriage. If a Resident marries a person who is also a Resident, the two Residents may occupy the Residence of either Resident and shall surrender the Residence not to be occupied by them. Such married Residents will pay the Monthly Fee for double occupancy associated with the Residence occupied by them. In the event that a Resident shall marry a person who is not a Resident of The Village, the spouse may become a Resident if such spouse meets all the current requirements for admission to The Village, enters into a current version of the Fee for Service Residence and Services Agreement with Provider, and pays the current single person Entrance Fee for the smallest one bedroom apartment at The Village. The

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

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

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

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

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

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

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

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

V. TRANSFERS OR CHANGES IN LEVELS OF CARE

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

1. **Transfer of Resident to a Larger Residence**. If the Resident elects to transfer to a larger Residence, an additional Entrance Fee (according to the Entrance Fee at the original Date of Occupancy) equal to the difference between the Entrance Fee for the smaller Residence and the Entrance Fee for the larger Residence will be due to The Village. The Resident will also pay the Monthly Service Fee associated with the larger Residence.

2. **Transfer of Resident to a Smaller Residence**. The Resident may elect to transfer to a smaller Residence, and pay the current monthly service fee for that Residence. The transfer to a smaller Residence shall not result in any entrance fee refund.

B. **Transfer to the Health Care Center**. The Resident agrees that Provider shall have authority to determine that the Resident be transferred from one level of care to another level of care within The Village. Such determination shall be based on the professional opinion of the Medical Director, and shall be made after reasonable efforts to consult with the Resident or the Resident's chosen and legal representative.

C. **Transfer to Hospital or Other Facility**. If it is determined by Provider that the Resident needs care beyond that which can be provided by The Village, the Resident may be transferred to a hospital, center, or institution equipped to give such care and such care will be at the expense of the Resident. Such transfer of the Resident will be made only after consultation to the extent possible with the Resident or the Resident's chosen and legal representative.

D. **Surrender of Residence**. If a determination is made by Provider that any transfer described in Section V.B. or V.C. is likely to be permanent in nature, the Resident agrees to surrender the Residence upon such transfer. The Provider shall continue charging the monthly fees until such time that the Residence is vacated. If Provider subsequently determines that the Resident can resume occupancy in a Residence or accommodation comparable to that occupied by the Resident prior to such transfer, the Resident shall have priority to such residence as soon as it becomes available.

VI. TERMINATION AND REFUND PROVISIONS

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

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

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

B. **Voluntary Termination after Occupancy**. At any time after occupancy, the Resident may terminate this Agreement by giving Provider thirty (30) days written notice of such termination. Such notice effectively releases the Residence to The Village. Any refunds of the Entrance Fee due to the Resident shall be calculated as described in Section II.A. Any refund due the Resident under this paragraph will be made at such time as such Resident's Residence shall have been reserved by a prospective resident and such prospective resident shall have paid to The Village the full Entrance Fee, or within one (1) year from the date of termination, whichever first occurs. All refunds may be reduced by the cost of returning the Residence to its original condition and by any outstanding charges due from Resident.

C. **Termination upon Death**. In the event of death of the Resident at any time after occupancy, this Agreement shall terminate and the refund of the Entrance Fee paid by the Resident shall be calculated as described in Section II.A. Any refund due to the Resident's estate will be made at such time as such Resident's Residence shall have been reserved by a prospective resident and such prospective resident shall have paid to The Village the full Entrance Fee, or within one (1) year from the date of termination, whichever first occurs. All refunds may be reduced by the cost of returning the Residence to its original condition and by any outstanding charges due from Resident.

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

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

VII. RIGHT OF RESCISSION

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

VIII. FINANCIAL ASSISTANCE

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

IX. GENERAL

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

B. Assignment. The rights and privileges of the Resident under this Agreement to the Residence, common areas, and amenities, and services, and programs of The Village

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

C. Management of The Village at Brookwood. The absolute rights of management are reserved by Provider, its Board of Directors, and its administration as delegated by said Board of Directors. The Village retains all authority regarding acceptance of Residents, adjustment of fees, financial assistance, and all other aspects of the management of The Village. Residents do not have the right to determine admission or terms of admission of any other Resident.

D. Entire Agreement. This Agreement constitutes the entire agreement between Provider and the Resident. Provider shall not be liable or bound in any manner by any statements, representations, or promises made by any person representing or assuming to represent Provider, unless such statements, representations, or promises are set forth in this Agreement.

E. Successors and Assigns. Except as set forth herein, this Agreement shall bind and inure to the benefit of the successors and assigns of The Village and the heirs, executors, administrators, and assigns of the Resident.

F. Power of Attorney, Will, Living Will, and Health Care Power of Attorney. The Resident agrees to execute a power of attorney designating some competent person as attorney-in-fact. The Resident is also encouraged to execute a will, Living Will and Health Care Power of Attorney. The Resident shall provide The Village with copies of Power of Attorney, Living Will, and Health Care Power of Attorney, as well as the location of the Will, prior to occupancy.

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

H. Governing Law. This Agreement shall be governed by the laws of the State of North Carolina.

I. Disclosure Statement. The Resident acknowledges that a current copy of the Disclosure Statement for The Village at Brookwood has been received.

J. Third Party Injuries and Claims. Provider is not required to provide any medical, surgical, nursing or other care for the Resident when the Resident is injured as a result of the fault or negligence of a third party or parties. The Resident shall promptly notify Provider of any such injury. In the event that Provider provides such care as can be furnished by its employees and facilities, the Resident hereby assigns to Provider any compensation that the Resident may recover from such third party or parties to the extent necessary to reimburse Provider for the cost of such care furnished by Provider. The Resident or his legal representative shall have the duty to pursue diligently any and all proper claims for compensation due from a third party or parties for injury to the

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

K. **Affiliations of the Provider**. The Village at Brookwood is not affiliated with any religious or charitable provider other than its owner, ARMC Health Care. All financial and contractual obligations of The Village at Brookwood will be the sole responsibility of The Village; the owner will not be responsible for any of these obligations.

L. **Notice Provisions**. Any notices, consents, or other communications to The Village hereunder (collectively "notices") shall be in writing and addressed as follows:

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

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

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

Witness	Resident
Witness	Co-Resident
	Date
	Address (Prior to Occupancy)
	City, State, Zip Code
	Telephone
	THE VILLAGE AT BROOKWOOD
	Signature (Executive Director)
	Date

EXHIBIT A

TARGET OCCUPANCY DATE: _____

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

RESIDENCE NUMBER: _____

RESIDENCE TYPE: _____

ENTRANCE FEE FOR:
( ) Resident _____

( ) Co-Resident _____

TOTAL ENTRANCE FEE: _____

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

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

ENTRANCE FEE BALANCE DUE AND PAYABLE: _____

MONTHLY FEE FOR:
( ) Resident _____

( ) Co-Resident _____

TOTAL MONTHLY FEE: _____

ADDRESSES FOR REQUIRED NOTICE:

To The Village:

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

To You Prior to Occupancy:

Name: _____

Address: _____

City, State, Zip Code: _____

To You Following Occupancy:

Name: _____

Address: _____

City, State, Zip Code: _____

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

Applicant: _____

Co-Applicant: _____

Date: _____

Attachment F
Amendment to Residence and Services Agreement for Direct Admission to Health Care

AMENDMENT TO
RESIDENCE AND SERVICES AGREEMENT
of
The Village at Brookwood
FOR DIRECT ADMISSION TO HEALTH CARE

The Residence and Services Agreement (the "Agreement") made and entered into on _____, 20____, by and between Alamance Extended Care, Inc., d.b.a. THE VILLAGE AT BROOKWOOD (the "Provider"), and _____ ("Resident") is hereby amended by both parties.

The Resident has had a change in health status since entering into the Agreement. This change in health status may result in Resident being unable to move into the selected Independent Residence when such Residence becomes available.

Accordingly, Resident wishes to release the selected independent residence previously reserved by the Agreement and is hereby notifying the Provider of Resident's intent to move directly into a Health Care Residence when such Health Care Residence becomes available. Such Direct Admission to a Health Care Residence shall be governed by Section III.D. of the Agreement.

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

IN WITNESS WHEREOF, the Provider executes this Amendment and the Resident has read, understands and executes this Amendment to the Agreement as of the day and year below written.

Amended this _____ day of _____, 20_____.

_____	_____
Witness	Resident
_____	_____
Witness	Co-Resident
	_____
	Date
	THE VILLAGE AT BROOKWOOD
	_____
	Signature (*Authorized Representative*)
	_____
	Title
	_____
	Date

Attachment G
Reservation Agreement

RESERVATION AGREEMENT
The Village at Brookwood

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

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

TERM

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

THE RESERVED RESIDENCE

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

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

FEES

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

- The Reservation Fee shall equal ten percent (10%) of the Entrance Fee (less the One Thousand Dollar ($1,000.00) FAP fee, if applicable) as set forth in Exhibit A. It shall be paid upon execution of this Reservation Agreement and will be credited to the total Entrance Fee. The Entrance Fee for your Reserved Residence for the Refund Option selected shall not be increased above the Entrance Fee set forth on Exhibit A.

- The balance of the Entrance Fee and first month's Monthly Fee shall be due and payable at or before your Target Occupancy Date (as described on Exhibit A).

- Checks for all fees should be made payable to The Village at Brookwood.

ACCEPTANCE TO THE VILLAGE

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

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

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

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

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

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

TERMINATION AND REFUNDS

This Agreement will terminate upon any of the following occurrences:

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

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

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

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

MISCELLANEOUS

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

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

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

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

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

_____ _____
Applicant's Signature Date

_____ _____
Co-Applicant's Signature Date

THE VILLAGE AT BROOKWOOD

_____ _____
Authorized Representative Date

EXHIBIT A

TARGET OCCUPANCY DATE: _____

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

RESIDENCE NUMBER: _____

RESIDENCE TYPE: _____

ENTRANCE FEE FOR:

( ) Resident _____

( ) Co-Resident _____

TOTAL ENTRANCE FEE: _____

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

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

ENTRANCE FEE BALANCE DUE AND PAYABLE: _____

MONTHLY FEE FOR:

( ) Resident _____

( ) Co-Resident _____

TOTAL MONTHLY FEE: _____

REFUND OPTION SELECTED:

( ) Life Care – Standard, Declining Refund

( ) Life Care – Fifty Percent (50%) Refund

( ) Life Care – Ninety Percent (90%) Refund

( ) Fee For Service – Standard, Declining Refund

ADDRESSES FOR REQUIRED NOTICE:

To The Village:

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

To You Prior to Occupancy:

Name: _____

Address: _____

City, State, Zip Code: _____

To You Following Occupancy:

Name: _____

Address: _____

City, State, Zip Code: _____

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

Applicant: _____

Co-Applicant: _____

Date: _____