Disclosure Statement

February 28, 2021

River Landing at Sandy Ridge

A Division of The Presbyterian Homes, Inc.

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

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

- **This Disclosure Statement may be delivered until revised, but not after July 27, 2022;**
- **Delivery of the Disclosure Statement to a contracting party before execution of a contract for continuing care is required;**
- **This Disclosure Statement has not been reviewed or approved by any government agency or representative to ensure accuracy or completeness of the information set out.**

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I. ORGANIZATION INTRODUCTION AND INFORMATION

A. Narrative Description of the Organization and Its Operation

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

B. Non-Profit/For Profit Status

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

C. Affiliation

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

D. Accreditation

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

II. FACILITY INTRODUCTION AND INFORMATION

A. Narrative Description of the Community and Its Operation

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

<u>Independent Living</u> includes 12 townhomes, 30 villas and 90 cottages. These accommodations are divided into four villages that are separate from, but within walking distance to the community center.

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

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

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

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

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

B. Non-Profit/For-Profit Status

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

C. Accreditation

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

D. Legal Description

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

E. Organization

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

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

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

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

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

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

THE PRESBYTERIAN HOMES, INC.
BOARD OF GOVERNORS
2021

Mrs. Angela Butler 2109 Sandy Ridge Road Colfax, NC 27235	Attorney, Partner McAllister, Aldridge & Kreinbrink, PLLC High Point, NC
Mr. David Coulter 2109 Sandy Ridge Road Colfax, NC 27235	Retired WakeMed, Senior VP, Administrator at Cary Hospital Cary, NC
Dr. Mac Doubles 2109 Sandy Ridge Road Colfax, NC 27235	Clergy/Retired College Educator Hartsville, SC
Mrs. Lori Haddock 2109 Sandy Ridge Road Colfax, NC 27235	Managing Partner Midtown Financial Advisors Greensboro, NC
Mr. Bubba Judy 2109 Sandy Ridge Road Colfax, NC 27235	Sales Manager Beeson Hardware Company High Point, NC
Mrs. Leigh Ann Klee 2109 Sandy Ridge Road Colfax, NC 27235	CFO/COO PACE Communications Greensboro, NC
Mrs. Connie Laster 2109 Sandy Ridge Road Colfax, NC 27235	Retired / Accountant High Point, NC
Mr. Alexander L. Maultsby 2109 Sandy Ridge Road Colfax, NC 27235	Attorney, Partner Ramseur Maultsby, LLP Greensboro, NC
Mr. D. Hector McEachern 2109 Sandy Ridge Road Colfax, NC 27235	Consultant The McEachern Group High Point, NC
The Hon. Judge Bill McIlwain 2109 Sandy Ridge Road Colfax, NC 27235	Retired / District Court Judge Laurinburg, NC
Mr. Gene McLaurin 2109 Sandy Ridge Road Colfax, NC 27235	President Quality Oil Rockingham, NC
Mr. Debbie Pappas 2109 Sandy Ridge Road Colfax, NC 27235	Retired Teacher and Counselor
Mr. Bill Smith 2109 Sandy Ridge Road Colfax, NC 27235	Retired U.S. Navy Commander/Ship Engineer Multiple locations
Mr. Christopher B. Taylor 2109 Sandy Ridge Road Colfax, NC 27235	Past Assistant Secretary North Carolina Medical Care Commission Raleigh, NC

River Landing at Sandy Ridge
<u>2021 Board of Trustees</u>

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

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

No member of the Board of Governors or the Board of Trustees or the named management staff has a ten percent or greater interest in any professional service firm, association, trust, partnership, or corporation which is presently or expects to provide goods, leases or services to the community or to Residents of the community of an aggregate value of $500 or more within any year. No entity that provides or will provide goods or services to the community of $500 or more has a ten percent or greater interest in any members of the Board of Governors, Trustees, or management staff.

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

F. Location and Description of Physical Property

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

G. Number of Residents

As of December 31, 2020 River Landing at Sandy Ridge had 637 Residents all of whom are covered by contracts for continuing care.

III. POLICIES – ADMISSION/OCCUPANCY

A. Health Criteria

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

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

B. Financial and Insurance Criteria

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

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

C. Changes of Condition Prior to Occupancy

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

D. Cancellation/Termination

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

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

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

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

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

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

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

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

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

E. Moves

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

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

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

F. Marriage/New Second Occupant

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

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

G. Inability to Pay

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

IV. SERVICES

A. Standard Services Available

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

B. Services Available at Extra Charge

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

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

C. Health Services Available

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

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

D. Personal Services Available

For purposes of counseling and assistance, River Landing at Sandy Ridge will provide professional staff in Resident relations, social work, activities and a chaplain. Visits by outside counselors are facilitated. Recreation, entertainment and a specialized wellness program for Residents called “Encompass” have been introduced to meet the needs and interests of the Residents.

V. FEES

A. Application/Registration Fee

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

B. Entrance Fees

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

Type of Unit	
Residential Apartments	
*One bedroom	$132,000
*Two bedroom	$183,000
*Three bedroom	$260,000
*Three bedroom deluxe	$341,000
*** Add $5,000 for apartment with patio or balcony**	
Residential Hybrid Apartments	
Two bedroom	$327,000 - $377,000
Three bedroom	$417,000
Townhomes	
Two bedroom	$222,000
Three bedroom	$292,000
Villas	
Two bedroom	$239,000
Three bedroom	$308,000
Cottages	
Two bedroom	$292,000
Three bedroom	$396,000
Cottages (New)	
Two bedroom	$351,000
Three bedroom	$447,000
Health Care	
Residential Assisted Living	
Studio	$20,000
One bedroom	$25,000
Alzheimer/Dementia Care	$11,500
Skilled nursing	$11,500

C. Monthly Fee

Below is a schedule of monthly fees:

Type of Unit	
Residential Apartments	
One bedroom	$3,111
Two bedroom	$3,826
Three bedroom	$4,067
Three bedroom deluxe	$4,579
Residential Hybrid Apartments	
Two bedroom	$4,134 - $4,246
Three bedroom	$4,715
Townhomes	
Two bedroom	$3,847
Three bedroom	$4,110

Villas	
Two bedroom	$3,902
Three bedroom	$4,160
Cottages	
Two bedroom	$4,003
Three bedroom	$4,210
Cottages (New)	
Two bedroom	$4,211
Three bedroom	$4,321
Second Person Fee	$1,317
Health Care	
Residential Assisted Living	
Studio	$5,179
One bedroom	$6,361
Alzheimer/Dementia Care	$8,203
Skilled Nursing – discounted rate	$353/day

D. Fee Change Policy

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

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

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

	1-1-2017	**1-1-2018**	**1-1-2019**	**1-1-2020**	**1-1-2021**
Average Dollar Increase	$97	$102	$105	$108	$121

VI. FINANCIAL INFORMATION

A. Financial Overview Statement

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

B. Reserves, Escrow and Trusts

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

The required reserve for 2021 based on the forecasted operating costs is $17,127,000 and is shown on the balance sheet as Reserves Required by State Statute. These assets are managed by Bank of America. The current investment manager is Mrs. Mary Stokes a Senior Vice President and Senior Portfolio Strategist in the U.S. Trust, Bank of America office of Customized Portfolio Management.

VII. OTHER MATERIAL INFORMATION

A. Explanation of Material Differences

The threshold for materiality is $2,000,000. (Continued on Page 13)

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(in thousands of dollars)	2020 Forecast	2020 Audit	Difference	Explanation ($2,000)
Statement of Balance Sheets				
Cash and cash equivalents	6,407	38,184	(31,777)	Note 1
Assets limited as to use, required for current liabilities	1,608	1,296	312	
Accounts receivable	1,558	1,038	520	
Other receivables	1,088	3,061	(1,973)	
Other current assets	321	655	(334)	
Unconditional promises to give	11	11	-	
Under bond agreement	-	9	(9)	
Reserves required by state statute	15,639	15,225	414	Note 1
Endowment funds	3,312	3,653	(341)	Note 1
Investments	93,921	93,277	644	Note 1
Deferred financing costs	100	102	(2)	
Land, buildings and equipment	353,556	310,191	43,365	Note 2
Construction in progress	3,212	32,094	(28,882)	Note 2
Accumulated depreciation	(105,183)	(107,015)	1,832	Note 2
Current maturities of long-term debt	8,310	7,928	382	
Accounts payable	4,254	4,416	(162)	
Accrued expenses, excluding interest	1,615	1,876	(261)	
Accrued interest	907	868	39	
Other accrued expenses	701	709	(8)	
Estimated refundable entrance fees	1,044	1,077	(33)	
Long-term debt	116,440	116,672	(232)	
Deferred revenue - nonrefundable fees	43,694	40,142	3,552	Note 3
Deferred revenue - refundable fees	24,401	35,272	(10,871)	Note 3
Refundable entrance fees	10,913	12,505	(1,592)	Note 3
Admission deposits	6,636	10,410	(3,774)	Note 3
Deferred revenue - CARES funds	-	1,462	(1,462)	
Other accrued expenses	1,437	1,551	(114)	
Interest rate swap agreement	1,515	8,821	(7,306)	Note 4
Unrestricted net assets	145,655	140,097	5,558	Note 5
Assets with donor restrictions	8,028	7,977	51	
Statements of Operations				
Amortization of advance fees	14,577	12,098	2,479	Note 6
Service fees, residential	31,219	31,424	(205)	
Service fees, assisted living	7,697	7,963	(266)	
Service fees, nursing	18,807	18,385	422	
Adult day care	158	67	91	
Food service income	378	240	138	
Reimbursed medical	2,106	2,509	(403)	
Golf course revenue	25	30	(5)	
Management fee	-	2,186	(2,186)	Note 7
Other	1,527	852	675	Note 7
Routine services	16,704	16,836	(132)	
Resident services	1,541	1,390	151	
Dietary	9,054	8,496	558	
Environmental services	2,758	2,640	118	
Maintenance	6,491	6,514	(23)	
Marketing	1,688	1,492	196	
Administration	12,006	12,934	(928)	
Depreciation and amortization	6,690	8,556	(1,866)	
Bond interest and amortization	4,570	3,379	1,191	
Purchased medial services	2,388	2,289	99	
Golf course and grounds expense	1,065	1,003	62	
Miscellaneous, net	224	585	(361)	
Contributions	1,058	1,332	(274)	
Net realized investment income	3,742	5,025	(1,283)	
Net unrealized appreciation of investments	-	1,936	(1,936)	
Net assets released from restrictions	-	(3,146)	3,146	Note 4
Change in fair value of interest rate swap agreement	-	(7,306)	7,306	Note 4
Other	-	122	(122)	
Statement of Cash Flows				
Change in net assets	16,115	10,460	5,655	Note 5
Entrance fees received	32,130	34,394	(2,264)	Note 1
Amortization of entrance fees	(14,577)	(12,098)	(2,479)	Note 6
Depreciation	6,871	8,556	(1,685)	
Change in fair value of interest rate swap agreement	-	7,306	(7,306)	Note 4
Realized and Unrealized gains on investments and investment income	-	(1,935)	1,935	
Net realized investment income	-	(5,023)	5,023	Note 4
Investment in perpetual endowment	-	(402)	402	
Amortization of deferred CON costs	6	-	6	
Amortization of deferred financing costs	124	-	124	
Amortization of bond premium	(311)	-	(311)	
Trade and other receivables	1,956	(303)	2,259	Note 8
Unconditional promises to give	11	-	11	
Other assets	(5)	(276)	271	
Decrease in accounts payable and accrued expenses	(5,779)	(4,778)	(1,001)	
Purchases of property and equipment	(41,617)	(27,234)	(14,383)	Note 2
Payments on issuance costs	-	(154)	154	
Net proceeds (purchases) of investments	(18,046)	1,110	(19,156)	Note 9
Principal payments of long-term debt	(27,461)	(27,457)	(4)	
Proceeds from long-term borrowings	25,133	25,133	-	
Refunds of refundable fees	(809)	(1,332)	523	

Note 1 - Cash is forecasted to remain constant and excess funds to be invested. Excess funds were held in cash at year end. Total cash and investments of $ 150,339 are more than forecasted unrestricted cash, reserves required by state statute, endowment funds and investments of $ 119,279. This is due to deposits collected on the River Landing expansion totaling $ 22,660 and on the Glenaire expanstion totaling $8,400,000.

Note 2 - At River Landing approximately $15 million of the expansion projects weren't completed as shown in the forecast.

Note 3 - Glenaire expansion deposits and wait lists totaling approximately $9 million and River Landing expansion deposits and wait lists totaling approximately $4 million.

Note 4 - Items aren't adjusted for forecast.

Note 5 - Factor of differences in other categories.

Note 6 - Younger residents moving in due to expansion.

Note 7 - $1,272 of Management fee in Other for forecast.

Note 8 - Sales & Use tax refund not received in audit to reduce account's receivable.

Note 9 - Forecast reflected all interest as an expense and the interest on the expansion is capitalized as part of the asset cost.

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

Audited financial statements of The Presbyterian Homes, Inc. for the fiscal year ended September 30, 2020, are attached as Exhibit A.

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

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

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

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

E. Actuarial Summary Report

None required.

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

Interim Financial Statements for the period ended December 31, 2020 are attached as Exhibit D.

Exhibit A

THE PRESBYTERIAN HOMES, INC.
AND ITS COMBINED AFFILIATES

COMBINED FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2020 AND 2019

THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES
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Bernard Robinson & Company, L.L.P.

Independent Auditor's Report

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

We have audited the accompanying combined financial statements of The Presbyterian Homes, Inc. and Its Combined Affiliates (the "Organization"), which comprise the combined statements of financial position as of September 30, 2020 and 2019, and the related combined statements of operations and changes in net assets, expenses by nature and function, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of The Presbyterian Homes, Inc. and Its Combined Affiliates as of September 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Bernard Robinson & Company, L.L.P.

Greensboro, North Carolina
January 13, 2021

THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES
Combined Statements of Financial Position
September 30, 2020 and 2019

	2020	2019
Assets		
Current Assets:		
Cash and cash equivalents	**$ 38,183,511**	$ 32,217,151
Assets limited as to use, required for current liabilities	**1,296,391**	1,356,257
Accounts receivable, net of allowance for doubtful accounts **$675,842 in 2020;** $607,381 in 2019	**1,038,402**	1,533,446
Other receivables	**3,060,875**	3,068,796
Unconditional promises to give, net	**11,000**	21,500
Other	**654,948**	314,915
Total current assets	**44,245,127**	38,512,065
Assets limited as to use, net of amount required for current liabilities:		
Under bond agreement	**9,141**	21,799
Reserves required by state statute	**15,224,883**	14,068,855
By donors for permanent endowment funds	**3,653,271**	3,311,974
Residents' cash deposits	**716**	938
	18,888,011	17,403,566
Investments and other assets:		
Investments	**93,277,261**	88,451,121
Other assets	**101,971**	106,885
	93,379,232	88,558,006
Property and Equipment:		
Land, buildings and equipment	**310,190,917**	266,850,506
Construction-in-progress	**32,094,242**	48,300,073
	342,285,159	315,150,579
Less accumulated depreciation	**107,014,625**	98,312,312
	235,270,534	216,838,267
Total assets	**$ 391,782,904**	$ 361,311,904

See Notes to Combined Financial Statements

THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES
Combined Statements of Financial Position (Continued)
September 30, 2020 and 2019

	2020	2019
Liabilities and Net Assets		
Current Liabilities:		
Current maturities of long-term debt	**$ 7,927,828**	$ 7,033,855
Accounts payable	**4,416,071**	9,660,280
Accrued payroll and related expenses	**1,875,578**	1,607,875
Accrued interest	**868,269**	801,418
Other accrued expenses	**708,851**	699,411
Estimated refundable entrance fees	**1,076,851**	1,043,587
Total current liabilities	**16,873,448**	20,846,426
Long-term debt, less current maturities and unamortized deferred financing costs	**116,671,501**	120,230,589
Deferred revenue and other liabilities:		
Deferred revenue from entrance fees - non refundable	**40,141,839**	36,669,285
Deferred revenue from entrance fees - refundable	**35,271,870**	20,444,368
Refundable entrance fees	**12,504,718**	9,609,631
Admission deposits	**10,410,120**	12,952,684
Deferred revenue - CARES funds	**1,462,435**	-
Interest rate swap agreement	**8,820,518**	1,514,522
Other accrued expenses	**1,551,155**	1,429,313
Residents' cash deposits	**716**	938
	110,163,371	82,620,741
Total liabilities	**243,708,320**	223,697,756
Net Assets:		
Assets without donor restrictions	**140,097,215**	129,585,674
Assets with donor restrictions	**7,977,369**	8,028,474
Total net assets	**148,074,584**	137,614,148
Total liabilities and net assets	**$ 391,782,904**	$ 361,311,904

See Notes to Combined Financial Statements

THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES
Combined Statements of Operations and Changes in Net Assets
Years Ended September 30, 2020 and 2019

	2020	2019
Changes in net assets without donor restrictions:		
Operating revenues:		
Resident fees, including amortization of entrance fees of **$12,097,764** in **2020** and $10,274,106 in 2019	**$ 69,936,355**	$ 64,926,413
Food service income	**240,080**	355,039
Reimbursed medical	**2,508,571**	2,276,703
Golf course revenue	**29,763**	200
Management fee	**2,185,568**	1,931,797
Other	**851,960**	280,313
Total operating revenues	**75,752,297**	69,770,465
Operating expenses:		
Routine services	**16,835,659**	15,647,174
Special services	**1,390,342**	1,295,557
Dining services	**8,495,644**	7,722,242
Environmental services	**2,639,899**	2,537,421
Maintenance	**6,513,848**	6,218,510
Project and development	**287,572**	275,277
Marketing	**1,492,232**	1,388,867
Administrative	**12,934,336**	11,321,195
Depreciation and other charges	**8,555,964**	7,863,488
Bond and note interest, and amortization	**3,379,057**	3,016,712
Purchased medical services	**2,289,338**	2,391,384
Miscellaneous, net	**584,703**	396,744
Golf course and grounds expense	**1,002,727**	779,591
Total operating expenses	**66,401,321**	60,854,162
Increase in net assets without donor restrictions from operations	**9,350,976**	8,916,303
Nonoperating gains (losses):		
Contributions	**239,745**	501,505
Net realized investment income	**4,763,391**	4,405,605
Net unrealized appreciation of investments	**1,767,574**	611,185
Net assets released from restrictions	**1,573,431**	501,896
Change in fair value of interest rate swap agreement	**(7,305,996)**	(4,609,108)
Other, net	**122,420**	385,731
Total nonoperating gains	**1,160,565**	1,796,814
Change in net assets without donor restrictions	**10,511,541**	10,713,117

THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES
Combined Statements of Operations and Changes in Net Assets (Continued)
Years Ended September 30, 2020 and 2019

	2020	2019
Changes in net assets with donor restrictions:		
Contributions	**$ 731,271**	$ 922,342
Contributions in perpetual endowment	**361,469**	265,794
Net unrealized (appreciation) depreciation of investments	**167,884**	(51,056)
Net realized investment income	**261,702**	231,018
Net assets released from restrictions	**(1,573,431)**	(501,896)
Increase (decrease) net assets with donor restrictions	**(51,105)**	866,202
Changes in net assets	**10,460,436**	11,579,319
Net assets, beginning	**137,614,148**	126,034,829
Net assets, ending	**$148,074,584**	$137,614,148

THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES
Combined Statement of Expenses by Nature and Function (Excluding depreciation and amortization, bond and note interest, and miscellaneous, net)
Year Ended September 30, 2020

	Routine Services	Special Services	Dining Services	Environmental Services	Maintenance	Project and Development
Salaries and wages	$ 14,024,258	$ 1,058,281	$ 3,812,217	$ 2,088,927	$ 2,115,019	$ 196,987
Payroll taxes and employee benefits	1,299,944	152,923	345,881	160,658	248,369	29,004
Supplies	865,337	37,478	596,890	227,672	134,903	902
Contracted outside services	22,032	1,699	15,896	765	263,081	15,756
Raw food and nourishments	-	-	3,683,309	-	-	-
Repairs and maintenance, equipment	17,940	12,724	80,629	24,366	82,448	-
Repairs and maintenance, buildings	-	-	-	-	1,025,276	-
Repairs and maintenance, grounds	-	-	-	-	132,236	-
Gas	-	-	-	-	183,402	-
Electricity	-	-	-	-	1,261,419	-
Water	-	-	-	-	572,247	-
Telephone	11,058	4,318	225	58	12,275	922
Dues and subscriptions	11,094	11,043	9,775	52	1,027	1,329
Insurance, general	731	-	3,420	-	-	-
Printing	-	-	(167)	-	-	36,192
Promotions	43	-	-	-	-	-
Postage	-	-	256	-	-	2,339
Legal and accounting	16,776	-	-	-	-	-
Consultant's fees	247,888	-	5,266	-	-	-
Travel and seminars	40,174	13,478	1,469	-	31,085	3,199
Employee recruitment and retention	1,848	-	-	-	-	-
Meetings and special events	39,135	47,776	(92,149)	610	679	-
Purchased medical	55,754	-	-	-	-	-
Outside services	164,556	49,079	31,810	136,449	449,629	-
Rent, buildings and equipment	-	-	-	-	-	-
Reimbursed foundation expenses	-	1,656	-	-	-	-
Miscellaneous	17,091	(113)	917	342	753	942
Changes in net assets without restrictions	$ 16,835,659	$ 1,390,342	$ 8,495,644	$ 2,639,899	$ 6,513,848	$ 287,572

See Notes to Combined Financial Statements

THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES
Combined Statement of Expenses by Nature and Function (Excluding depreciation and amortization, bond and note interest, and miscellaneous, net)
Year Ended September 30, 2020

	Marketing	Administration	Purchased Medical Services	Golf Course	Totals
Salaries and wages	$ 849,212	$ 5,146,587	$ -	$ 394,904	$ 29,686,392
Payroll taxes and employee benefits	99,732	3,750,399	-	37,518	6,124,428
Supplies	5,953	684,256	111,465	24,278	2,689,134
Contracted outside services	-	1,173,158	-	70,931	1,563,318
Raw food and nourishments	-	-	-	-	3,683,309
Repairs and maintenance, equipment	1,621	82,963	-	14,874	317,565
Repairs and maintenance, buildings	-	565	-	-	1,025,841
Repairs and maintenance, grounds	-	3,115	-	228,740	364,091
Gas	-	272	-	-	183,674
Electricity	-	9,366	-	2,433	1,273,218
Water	-	1,784	-	-	574,031
Telephone	1,922	89,247	-	626	120,651
Dues and subscriptions	5,285	84,030	-	625	124,260
Insurance, general	-	895,805	-	-	899,956
Printing	111,650	18,594	-	-	166,269
Promotions	199,270	13,002	-	-	212,315
Postage	36,288	18,488	-	-	57,371
Legal and accounting	-	105,060	-	-	121,836
Consultant's fees	144,113	96,821	-	-	494,088
Travel and seminars	1,812	72,887	-	4,201	168,305
Employee recruitment and retention	-	226,266	-	-	228,114
Meetings and special events	28,484	64,549	-	-	89,084
Purchased medical	-	-	2,177,873	-	2,233,627
Outside services	6,790	42,249	-	223,487	1,104,049
Rent, buildings and equipment	-	126,554	-	-	126,554
Reimbursed foundation expenses	-	145,090	-	-	146,746
Miscellaneous	100	83,229	-	110	103,371
Changes in net assets without restrictions	$ 1,492,232	$ 12,934,336	$ 2,289,338	$ 1,002,727	$ 53,881,597

See Notes to Combined Financial Statements

THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES
Combined Statement of Expenses by Nature and Function (Excluding depreciation and amortization, bond and note interest, and miscellaneous, net)
Year Ended September 30, 2019

	Routine Services	Special Services	Dining Services	Environmental Services	Maintenance	Project and Development
Salaries and wages	$ 12,943,005	$ 936,559	$ 3,451,357	$ 1,957,152	$ 1,862,599	$ 191,084
Payroll taxes and employee benefits	1,230,726	103,891	300,873	202,154	216,774	23,013
Supplies	833,627	18,308	407,564	212,321	137,165	50
Contracted outside services	18,499	2,440	22,000	-	227,172	8,923
Raw food and nourishments	-	-	3,590,885	-	-	-
Repairs and maintenance, equipment	14,427	21,855	66,256	20,660	87,934	-
Repairs and maintenance, buildings	-	-	-	-	934,144	-
Repairs and maintenance, grounds	-	-	-	-	142,537	-
Gas	-	-	-	-	216,756	-
Electricity	-	-	-	-	1,292,452	-
Water	-	-	-	-	555,399	-
Telephone	9,661	3,368	-	477	11,469	620
Dues and subscriptions	7,416	14,529	6,500	192	2,618	1,095
Insurance, general	793	-	-	-	-	-
Printing	-	125	-	-	-	45,298
Promotions	195	-	-	-	-	-
Postage	-	-	-	-	-	789
Legal and accounting	16,275	-	-	-	-	-
Consultant's fees	251,096	25,426	6,196	-	-	-
Travel and seminars	30,754	13,879	4,206	(15)	34,942	2,403
Employee recruitment and retention	6,339	-	75	-	-	-
Meetings and special events	56,763	53,844	(140,344)	739	243	-
Purchased medical	61,034	-	-	-	-	-
Outside services	163,145	87,439	6,674	143,630	493,946	-
Rent, buildings and equipment	-	-	-	-	-	-
Reimbursed foundation expenses	2,152	13,665	-	-	-	-
Miscellaneous	1,267	229	-	111	2,360	2,002
Changes in net assets without restrictions	$ 15,647,174	$ 1,295,557	$ 7,722,242	$ 2,537,421	$ 6,218,510	$ 275,277

See Notes to Combined Financial Statements

THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES
Combined Statement of Expenses by Nature and Function (Excluding depreciation and amortization, bond and note interest, and miscellaneous, net)
Year Ended September 30, 2019

	Marketing	Administration	Purchased Medical Services	Golf Course	Totals
Salaries and wages	$ 672,214	$ 4,664,929	$ -	$ 373,891	$ 27,052,790
Payroll taxes and employee benefits	63,826	3,636,508	-	37,497	5,815,262
Supplies	10,987	59,641	190,261	7,005	1,876,929
Contracted outside services	-	968,215	-	16,313	1,263,562
Raw food and nourishments	-	-	-	-	3,590,885
Repairs and maintenance, equipment	-	75,928	-	16,836	303,896
Repairs and maintenance, buildings	-	220	-	1,082	935,446
Repairs and maintenance, grounds	-	1,650	-	158,381	302,568
Gas	-	301	-	-	217,057
Electricity	-	5,620	-	11,751	1,309,823
Water	-	1,727	-	1,366	558,492
Telephone	1,192	156,871	-	807	184,465
Dues and subscriptions	5,351	106,048	-	625	144,374
Insurance, general	-	787,098	-	-	787,891
Printing	144,362	8,472	-	-	198,257
Promotions	230,076	1,285	-	-	231,556
Postage	31,389	20,079	-	-	52,257
Legal and accounting	-	155,450	-	-	171,725
Consultant's fees	150,195	55,718	-	-	488,631
Travel and seminars	1,998	162,069	-	3,769	254,005
Employee recruitment and retention	-	182,827	-	-	189,241
Meetings and special events	58,888	72,496	-	63	102,692
Purchased medical	-	-	2,201,123	-	2,262,157
Outside services	17,848	32,185	-	149,656	1,094,523
Rent, buildings and equipment	-	107,272	-	-	107,272
Reimbursed foundation expenses	-	22,449	-	-	38,266
Miscellaneous	541	36,137	-	549	43,196
Changes in net assets without restrictions	$ 1,388,867	$ 11,321,195	$ 2,391,384	$ 779,591	$ 49,577,218

See Notes to Combined Financial Statements

THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES
Combined Statements of Cash Flows
Years Ended September 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Changes in net assets	**$ 10,460,436**	$ 11,579,319
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Entrance fees received	**15,352,031**	11,538,936
Entrance fees received - initial units	**19,042,250**	10,312,975
Amortization of entrance fees	**(12,097,764)**	(10,274,106)
Depreciation and amortization	**8,555,964**	7,863,488
Change in fair value of interest rate swap agreement	**7,305,996**	4,609,107
Realized and unrealized gains on investments and investment income	**(1,935,458)**	(560,129)
Net realized investment income	**(5,022,795)**	(4,634,995)
Investment in perpetual endowment	**(402,288)**	(265,794)
Changes in working capital components:		
(Increase) decrease in:		
Trade and other receivables	**(303,187)**	(2,919,477)
Other assets	**(276,425)**	259,160
Increase (decrease) in:		
Accounts payable and accrued expenses	**(4,778,372)**	7,101,729
Net cash provided by operating activities	**35,900,388**	34,610,213
Cash flows from investing activities:		
Purchases of property and equipment	**(27,234,064)**	(46,104,466)
Payments on issuance costs	**(154,110)**	-
Redemption of investments, net of proceeds	**707,534**	1,223,412
Net cash used in investing activities	**(26,680,640)**	(44,881,054)
Cash flows from financing activities:		
Investment in perpetual endowment	**402,288**	265,794
Proceeds from issuance of long-term debt	**25,133,148**	28,624,816
Principal payments of long-term debt	**(27,457,016)**	(6,478,813)
Refunds of refundable fees	**(1,331,808)**	(1,645,203)
Net cash provided by (used in) financing activities	**(3,253,388)**	20,766,594
Net increase in cash and cash equivalents	**5,966,360**	10,495,753
Cash and cash equivalents, beginning	**32,217,151**	21,721,398
Cash and cash equivalents, ending	**$ 38,183,511**	$ 32,217,151
Supplemental disclosures of cash flow information:		
Cash payments for interest	**$ 3,312,206**	$ 3,035,188

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities and Control

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

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

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

Principles of Combination

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

Cash and Cash Equivalents

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

Assets Limited As To Use

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

Investments and Fair Value

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

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

Property and Equipment

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

Paid Annual Leave

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

At September 30, 2020 and 2019, the total liability for PAL was $2,260,006 and $2,128,724, respectively, and is recorded as other accrued expense. Of this amount, $708,851 and $699,411 is shown as a current liability as of September 30, 2020 and 2019, respectively. The current amount is the amount of PAL that management estimates will be paid out in the next year.

Deferred Financing Costs

Financing costs relative to the permanent financing of the facilities have been deferred and are being amortized using the effective interest method to bond and note interest and amortization on the combined statements of operations and changes in net assets over the terms of the loans. During 2020 and 2019, amortization expense for deferred financing costs was $124,623 and $133,316, respectively.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Financing Costs (Continued)

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

Years Ending September 30,		
2021	$	200,817
2022		172,930
2023		93,268
2024		81,859
2025		70,210
Thereafter		247,965
	$	867,049

Bond Premiums and Discounts

Bond premiums and discounts are being amortized to bond and note interest, and amortization on the combined statements of operations and changes in net assets over the terms of the loans. During 2020 and 2019, the net amortization expense for bond discounts was $311,760 and $315,079, respectively.

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

Years Ending September 30,		
2021	$	308,476
2022		305,230
2023		302,019
2024		298,844
2025		295,703
Thereafter		1,824,120
	$	3,334,392

Interest Rate Swap Agreement

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Net Assets

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

With donor restrictions: All revenues restricted by donors as to either timing or purpose of the related expenditures or required to be maintained in perpetuity as a source of investment income are accounted for in donor restricted net assets. The investment income arising from endowment funds, if any, are accounted for in accordance with donor stipulations. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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

Changes in Assets Without Restrictions

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

Revenue Recognition

The Organization generates revenues, primarily by providing housing, amenities (recreational, dining, etc.) and access to health care services to its residents. The various life care contract streams of revenue are recognized as follows:

Entrance fees: The nonrefundable entrance fees are recognized as deferred revenue upon receipt of the payment under the life care contract and are included in liabilities in the statements of financial position until the performance obligations are satisfied. These deferred amounts are then amortized on a straight-line basis into revenue on a monthly basis over the life of the resident as the performance obligation is associated with access to future services. The refundable portion of an entrance fee is not considered part of the transaction price and as such is recorded as a liability in the statements of financial position.

Health care services: The Organization also provides assisted and nursing care to residents who are covered by government and commercial payers. The Organization is paid fixed rates from government and commercial payers. These fixed rates are billed in arrears monthly when the service is provided. The monthly fees represent the most likely amount to be received from the 3rd party payors.

Monthly service fees: The life care contracts that residents select require an advanced fee and monthly fees based upon the type of space they are applying for. Resident fee revenue for recurring and routine monthly services is generally billed monthly in advance. Payment terms are usually due within 30 days. The services provided encompass social, recreational, dining, along with assisted living and nursing care and these performance obligations are earned each month. Resident fee revenue for non-routine or additional services are billed monthly in arrears and recognized when the service is provided.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax Status

The Presbyterian Homes, Inc. and Glenaire, Inc. are nonprofit organizations exempt from income taxes under Internal Revenue Code Section 501(c)(3), and The Presbyterian Homes Foundation, Inc. is an organization exempt from income taxes under Internal Revenue Code Section 501(a). The Organization has determined that it does not have any material unrecognized tax benefits or obligations as of September 30, 2020.

It is the Organization's policy to evaluate all tax positions to identify any that may be considered uncertain. All identified material tax positions are assessed and measured by a more-likely-than-not threshold to determine if the tax position is uncertain and what, if any, the effect of the uncertain tax position may have on the combined financial statements. No material uncertain tax positions were identified for 2020 and 2019.

Resident Fees

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

Obligation to Provide Future Services

The Communities annually calculate the present value of the net cost of future services and use of facilities to be provided to current residents, and compares that amount with the balance of deferred revenue from entrance fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to income. At September 30, 2020 and 2019, deferred revenue from entrance fees exceeded the present value of the net cost of future services and use of facilities, thus no obligation is recorded.

Estimated Third-Party Payor Settlements

The Communities have agreements with third-party payors that provide for payments to the Communities at amounts different from their established rates. Payment arrangements include prospectively determined per diem payments. Revenue under third-party payor agreements is subject to audit and retroactive adjustments. Provisions for estimated third-party payor settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement.

Entrance Fees

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Tax Exemption

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

Benevolent Assistance

The Communities have a policy of providing benevolent assistance to residents who are unable to pay. Such residents are identified based on financial information obtained from the resident and subsequent review and analysis. Since the Communities do not expect to collect the normal charges for services provided, estimated charges for benevolent assistance are not included in revenue. Costs associated with services provided were approximately $2,847,000 and $2,975,000 for the years ended September 30, 2020 and 2019, respectively.

Social Accountability

The Communities provide building space to several religious and charitable organizations and a pharmacy school rent free, and a reduced rental rate to a childcare center. The dollar amount of space provided based upon local fair market value rental rates is approximately $362,000 and $634,000 for the years ended September 30, 2020 and 2019, respectively. The Communities also provide numerous charity benefits which include donated volunteer services in the amounts of approximately $219,000 and $108,000 for the years ended September 30, 2020 and 2019, respectively. These contribution amounts are not reflected in the combined statements of operations and changes in net assets.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, receivables and other assets approximate fair value. Investments are reported at fair value as of the date of the combined financial statements. The carrying amount of accounts payable, accrued expenses and other liabilities approximate fair value. The interest rate swap agreement is reported at fair value as of the date of the combined financial statements. Fixed-rate long-term debt is carried at cost net of any unamortized premiums or discounts. The fair value of the fixed-rate long-term debt is approximately $112,000 less than the carrying value.

Use of Estimates

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

The Organization evaluated the effect of subsequent events through January 13, 2021, which is the date the combined financial statements were available to be issued.

NOTE B - INVESTMENTS

Investments are carried at fair value and consist of the following at September 30, 2020 and 2019:

	2020	2019
Investments:		
Mutual funds:		
Equity funds	**$ 7,280,398**	$ 7,040,984
Fixed-income funds	**28,472,383**	28,723,582
Tangible assets	**2,188,240**	1,606,774
Equity securities	**70,561,123**	65,148,636
	108,502,144	102,519,976
Less assets classified as assets limited as to use -		
Operating reserves required by state statute	**15,224,883**	14,068,855
	$ 93,277,261	$ 88,451,121
Investments included in assets limited as to use:		
Under bond agreement:		
Cash and cash equivalents	**$ 1,305,532**	$ 1,378,056
	1,305,532	1,378,056
Less assets limited as to use:		
Required for current liabilities	**1,296,391**	1,356,257
	$ 9,141	$ 21,799
Permanent endowment funds:		
Equity funds	**$ 810,732**	$ 711,739
Fixed-income funds	**783,716**	756,918
Tangible assets	**61,916**	43,520
Equity securities	**1,996,907**	1,799,797
	$ 3,653,271	$ 3,311,974

Net realized investment income consists of $1,891,932 and $1,073,274 of realized gains, and $3,133,161 and $3,563,349 of interest and dividends for the years ended September 30, 2020 and 2019, respectively.

NOTE B - INVESTMENTS (Continued)

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

Charitable Remainder Trust

One donor has established a charitable remainder trust naming Presbyterian Home of High Point Foundation, Inc., which is now known as The Presbyterian Homes Foundation, Inc., as the beneficiary of the trust. The trust provides for the payment of distributions to the foundation until the year 2021, at which point the trust will be dissolved and all proceeds become the property of Presbyterian Home of High Point Foundation, Inc. Assets held in the trust are carried at fair market value and totaled $1,008,826 and $1,046,258 at September 30, 2020 and 2019, respectively.

NOTE C - PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows:

	2020	2019
Land	**$ 17,840,516**	$ 17,840,516
Land improvements	**4,106,442**	3,621,177
Buildings	**275,454,706**	233,879,107
Equipment, furniture, and other	**12,789,253**	11,509,706
Construction-in-progress	**32,094,242**	48,300,073
	$ 342,285,159	$ 315,150,579

NOTE D - LONG-TERM DEBT

Long-term debt as of September 30, 2020 and 2019 consists of the following:

	2020	2019
North Carolina Medical Care Commission Series 2015 first revenue refunding bonds at a fixed rate of 3.42% per annum due July 1, 2031.	**$ 8,697,734**	$ 10,372,739
North Carolina Medical Care Commission Series 2016A first mortgage revenue bonds at a variable rate of 68% of one-month LIBOR plus 0.9875% per annum due April 1, 2027 swapped to a fixed rate of 2.395%.	**12,890,302**	14,716,724

NOTE D - LONG-TERM DEBT (Continued)

Long-term debt as of September 30, 2020 and 2019 consists of the following:

	2020	2019
North Carolina Medical Care Commission Series 2016B tax-exempt bonds at a variable rate of 68% of one-month LIBOR plus 0.8690% per annum due October 1, 2027 swapped to a fixed rate of 2.176%.	**$ 37,169,385**	$ 40,279,538
North Carolina Medical Care Commission Series 2016C tax-exempt bonds with the following maturities and rates:		
Term bonds at 4% due October 1, 2031 priced to yield	**10,000,000**	10,000,000
Term bonds at 5% due October 1, 2031 priced to yield	**15,770,000**	15,770,000
Term bonds at 3% due October 1, 2036 priced to yield	**1,000,000**	1,000,000
Term bonds at 5% due October 1, 2037 priced to yield	**2,450,000**	2,450,000
	29,220,000	29,220,000
Total North Carolina Medical Care Commission non-taxable bonds	**87,977,421**	94,589,001
Entrance fee loan of $20,426,000 payable to a bank, with interest only payments payable through maturity on June 28, 2023. The loan bears interest at the monthly LIBOR rate plus 0.95% (1.11% at September 30, 2020).	**-**	20,426,000
Construction loan of $34,574,000 payable to a bank, with interest only payments through July 1, 2020, and interest and principle payments beginning on August 1, 2020 through maturity on July 1, 2035. The loan was drawn down as spent from the date of issuance on June 28, 2018. The Organization entered into a forward rate swap agreement on June 28, 2018, effective July 1, 2020 at a rate of 4.152% through July 1, 2035.	**34,154,565**	9,440,853
	122,131,986	124,455,854
Less unamortized deferred financing costs	**867,049**	837,562
Less unamortized bond premium	**(3,334,392)**	(3,646,152)
Less current maturities	**7,927,828**	7,033,855
	$ 116,671,501	$ 120,230,589

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

Years Ending September 30,	
2021	$ 7,927,828
2022	9,634,122
2023	10,037,115
2024	10,265,518
2025	10,503,361
Thereafter	73,764,042
	$ 122,131,986

NOTE D - LONG-TERM DEBT (Continued)

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

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

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

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

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

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

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

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

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

NOTE D - LONG-TERM DEBT (Continued)

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

NOTE E - REFUNDABLE FEES

The Presbyterian Homes, Inc. offers three alternative entrance fee plans which provide refunds to residents from re-occupancy proceeds. Under the standard entrance fee option, prior to 48 months of occupancy, the resident would receive a refund equal to the entrance fee, less 2% per month of occupancy less a 4% non-refundable fee. The 50% refundable plan offers the resident a refund equal to 50% of the entrance fee after 23 months of occupancy. Prior to 23 months of occupancy, the resident is entitled to a refund of the entrance fee, less 2% per month of occupancy, less a 4% non-refundable fee. The 90% refundable plan offers the resident a refund equal to 90% of the entrance fee after 6 months of occupancy. Prior to 6 months of occupancy, the resident is entitled to a refund of the entrance fee, less 1% per month of occupancy, less a 4% non-refundable fee. The estimated amount of entrance fee that is expected to be refunded to current residents is shown on the combined statements of financial position as refundable fees. This amount is estimated using an average of the last eight years' refunds. The total amount of contractual refund obligations under existing contracts totaled approximately $48,853,000 and $31,098,000 at September 30, 2020 and 2019, respectively, and is included in deferred revenue from entrance fees, net of the estimated amount to be refunded to current residents, on the combined statements of financial position.

NOTE F - NET ASSETS

Net assets without donor restrictions contain $26,814,311 and $26,186,036 in board-designated amounts at September 30, 2020 and 2019, respectively. Of these amounts, $80,131 and $127,100 is designated for special maintenance projects as of September 30, 2020 and 2019, respectively. The remaining portion relates to resident assistance in the amount of $26,734,180 and $26,058,936 as of September 30, 2020 and 2019, respectively.

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

	2020	2019
Subject to expenditures for specified purposes or passage of time:		
Principal amount:		
Special maintenance project	**$ 428,206**	$ 1,102,089
Resident assistance	**-**	4,247
Any activities of the Organization	**1,147,927**	1,127,835
	1,576,133	2,234,171

NOTE F - NET ASSETS (Continued)

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

	2020	2019
Subject to expenditures for specified purposes or passage of time (Continued):		
Investment activity:		
Net unrealized appreciation of investments whose income is restricted for resident assistance and special maintenance projects	**$ 442,872**	$ 332,512
Undistributed realized appreciation of investments whose income is restricted as to purpose including dividends interest	**2,066,040**	1,971,754
	4,085,045	4,538,437
Subject to the Organization's spending policy and appropriation to support:		
Resident subsidies	**3,013,547**	2,727,928
Maintenance of rose garden	**45,252**	45,152
Healthcare equipment	**29,588**	29,588
Employee scholarship	**563,781**	447,213
Any activities of the Organization	**240,156**	240,156
	$ 7,977,369	$ 8,028,474

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

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

Purpose restrictions accomplished:	2020	2019
Special maintenance expenses	**$ 1,376,743**	$ 309,141
Resident assistance	**151,638**	140,255
Release of assets by trustee	**45,050**	52,500
	$ 1,573,431	$ 501,896

NOTE G - ENDOWMENTS

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

NOTE G - ENDOWMENTS (Continued)

The Board of Trustees has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The portion of the donor-restricted endowment fund that is above the original gift amount is appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

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

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

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

Endowment net assets composition by type of fund as of September 30, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Board-designated endowment funds	**$ 26,795,688**	**$ -**	**$ 26,795,688**
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	**-**	**3,892,324**	**3,892,324**
Accumulated investment gains	**576,281**	**3,675,463**	**4,251,744**
	$ 27,371,969	**$ 7,567,787**	**$ 34,939,756**

NOTE G - ENDOWMENTS (Continued)

Changes in endowment net assets as of September 30, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Endowment net assets, beginning	**$ 26,692,134**	**$ 6,928,359**	**$ 33,620,493**
Contributions	**52,880**	**386,288**	**439,168**
Investment income	**1,230,425**	**254,371**	**1,484,796**
Net appreciation	**396,143**	**169,491**	**565,634**
Appropriated	**(999,612)**	**(170,723)**	**(1,170,335)**
Endowment net assets, ending	**$ 27,371,970**	**$ 7,567,786**	**$ 34,939,756**

Endowment net assets composition by type of fund as of September 30, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Board-designated endowment funds	$ 26,154,735	$ -	$ 26,154,735
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	3,490,036	3,490,036
Accumulated investment gains	537,399	3,438,323	3,975,722
	$ 26,692,134	$ 6,928,359	$ 33,620,493

Changes in endowment net assets as of September 30, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Endowment net assets, beginning	$ 25,604,819	$ 6,686,443	$ 32,291,262
Contributions	99,826	265,794	365,620
Investment income	1,129,982	227,174	1,357,156
Net depreciation	422,849	(42,884)	379,965
Appropriated	(565,342)	(208,168)	(773,510)
Endowment net assets, ending	$ 26,692,134	$ 6,928,359	$ 33,620,493

NOTE H - CREDIT RISK

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

In addition to providing services to private pay residents, the Communities also serve residents covered under various third-party payor programs including Medicaid and Medicare programs. As of September 30, 2020 and 2019, approximately 30% and 29%, respectively, of the Communities' unreserved accounts receivable were due from these programs.

NOTE I - JOINT VENTURE AGREEMENT

In April 2016, The Presbyterian Homes, Inc. ("PHI") entered into a Joint Venture Agreement with DHIC, Inc. ("DHIC") to form Capital Towers III, LLC, whereby PHI and DHIC will combine their abilities, skills and experience to renovate the Capital Towers I ("CTI") and Capital Towers II ("CTII") communities located in Raleigh, North Carolina and to provide high quality affordable senior housing to benefit the citizens of Wake County. PHI is a guarantor on the construction and renovation of CTI and CTII, up to $1.9 million, through the date of completion of construction.

In November 2019, The Presbyterian Homes, Inc. ("PHI") entered into a Joint Venture Agreement with DHIC, Inc. ("DHIC") to develop an affordable housing project, Milner Senior Housing Partners, LLC, for senior adults at the site of the former Milner Memorial Presbyterian Church in Raleigh, North Carolina. At this time the project is in the initial development stage with expenses shared equally by each party. On December 3, 2019 Milner Senior Housing Partners, LLC entered into a ground lease agreement with The Presbytery of New Hope Corporation securing the land for the project.

NOTE J - COMMITMENTS

At September 30, 2020, the remaining construction commitments for the Communities are:

Community/Project:		Amount
Glenaire:	- Community Center	$ 4,412,000
	- 12 Acre Expansion	150,073,000
River Landing:	- Healthcare Renovation	470,000
	- General Conditions	164,000
	- 100 Acre Wood/Bridge	10,000
	- Annexation and Zoning	10,000
Scotia Village	- Master Planning	467,000
	Total	$ 155,606,000

NOTE K - FAIR VALUE MEASUREMENTS

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

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

NOTE K - FAIR VALUE MEASUREMENTS (Continued)

Level 2 Inputs to the valuation methodology include:

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

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

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

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

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

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

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

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

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

The following tables set forth by level the fair value hierarchy of the Organization's financial assets and liabilities accounted for at fair value on a recurring basis as of September 30, 2020 and 2019.

	2020			
	Level 1	Level 2	Level 3	Fair Value
Investments:				
Equity securities:				
U.S.	**$ 63,830,188**	**$ 6,612,877**	**$ -**	**$ 70,443,065**
International	**10,568,667**	**-**	**-**	**10,568,667**
Fixed-income:				
Asset-backed	**-**	**2,250,156**	**-**	**2,250,156**
Certificates of deposit	**-**	**236,895**	**-**	**236,895**
Corporate bonds	**-**	**28,656,629**	**-**	**28,656,629**
Cash and cash equivalents	**1,305,535**	**-**	**-**	**1,305,535**
	$ 75,704,390	**$ 37,756,557**	**$ -**	**$ 113,460,947**

NOTE K - FAIR VALUE MEASUREMENTS (Continued)

	2019			
	Level 1	Level 2	Level 3	Fair Value
Investments:				
Equity securities:				
U.S.	$ 63,103,239	$ 6,443,849	$ -	$ 69,547,088
International	5,540,936	-	-	5,540,936
Fixed-income:				
Asset-backed	-	3,809,792	-	3,809,792
Certificates of deposit	-	622,985	-	622,985
Corporate bonds	-	26,311,148	-	26,311,148
Cash and cash equivalents	1,378,057	-	-	1,378,057
	$ 70,022,232	$ 37,187,774	$ -	$ 107,210,006

NOTE L - ASSETS LIQUIDITY

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

Financial assets, at year end	$ 155,755,451
Less those unavailable for general expenditures within one year, due to contractual or donor-imposed restrictions:	
Restricted by donor with purpose restrictions	3,653,271
Assets limited as to use	1,297,107
Board designations: Quasi-endowment fund for long-term investing	27,371,969
Financial assets available to meet cash needs for general expenditures within one year	$ 123,433,104

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

NOTE M - RETIREMENT PLAN

The Organization offers a 401(k) plan to their employees to promote tax-deferred savings. The plan covers substantially all employees who are age 21 or older. The Organization contributes 100 percent of the first 3 percent, plus 50 percent of the next 2 percent of the participant's contribution to the plan. The Organization's contributions relating to the plan were approximately $643,000 and $599,000 in 2020 and 2019, respectively.

NOTE N - SUBSEQUENT EVENTS

On October 1, 2020, The Presbyterian Homes, Inc. entered into Loan and Security agreements with the NCMCC pursuant to a $96,035,000 First Mortgage Revenue Bond, Series 2020A, and a $80,000,000 First Mortgage Revenue Bond, Series 2020B to finance capital projects, maturing October 1, 2055 and October 1, 2025, respectively. Proceeds from these offerings have been used to fund a construction reserve to pay costs related to capital improvements at the Communities, and to pay the expenses incurred in connection with the issuance of the bonds.

Exhibit B

PRESBYTERIAN HOMES, INC.
AND ITS COMBINED AFFILIATES

COMPILED FORECAST

FOR THE YEARS ENDING
SEPTEMBER 30, 2021 THROUGH 2025

THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES
Compiled Forecast
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Bernard Robinson & Company, L.L.P.

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

Management is responsible for the accompanying forecast of The Presbyterian Homes, Inc. and its combined affiliates (the "Organization"), which comprises the forecasted combined statements of financial position as of September 30, 2021, 2022, 2023, 2024 and 2025 and the forecasted combined statements of operations and changes in net assets, and cash flows for the years then ending, including the related summaries of significant assumptions and accounting policies in accordance with guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants (AICPA). We have performed the compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the forecast nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on this forecast.

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

Bernard Robinson & Company, L.L.P.

Greensboro, North Carolina
February 23, 2021

THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES
Forecasted Combined Statements of Financial Position
September 30, 2021 through 2025

(In Thousands of Dollars)

	2021	2022	2023	2024	2025
Assets					
Current Assets:					
Cash and cash equivalents	$ 14,442	$ 14,463	$ 6,484	$ 6,505	$ 6,527
Assets limited as to use, required for current liabilities	2,502	3,589	3,751	3,749	3,746
Accounts receivable, net	1,054	1,070	1,141	1,500	1,958
Other receivables	2,501	2,529	2,590	2,824	3,117
Other current assets	666	679	711	790	886
Total Current Assets	21,165	22,330	14,677	15,368	16,234
Assets Limited As to Use:					
Under bond agreement	49,385	5,537	11,763	5,099	-
Reserves required by state statute	17,127	18,230	19,377	21,009	21,793
Endowment funds	3,653	3,653	3,653	3,653	3,653
	70,165	27,420	34,793	29,761	25,446
Investments, Deferred Costs and Other Assets:					
Investments	104,848	107,676	113,589	120,707	132,642
Deferred CON costs, net	95	89	83	77	71
	104,943	107,765	113,672	120,784	132,713
Property and Equipment:					
Land, buildings and equipment	405,241	513,684	548,847	553,299	558,437
Construction in progress	4,509	-	-	-	-
	409,750	513,684	548,847	553,299	558,437
Less accumulated depreciation	114,457	124,793	137,463	152,374	167,350
	295,293	388,891	411,384	400,925	391,087
Total Assets	$ 491,566	$ 546,406	$ 574,526	$ 566,838	$ 565,480
Liabilities and Net Assets					
Current Liabilities:					
Current maturities of long-term debt	$ 9,636	$ 10,040	$ 10,269	$ 10,506	$ 10,605
Accounts payable	3,999	4,001	4,092	4,416	4,817
Accrued expenses	1,887	1,896	1,976	2,243	2,572
Accrued interest	1,999	3,085	3,061	3,038	3,014
Other accrued expenses	712	717	722	724	726
Estimated refundable entrance fees	1,077	1,077	1,077	1,077	1,077
Total Current Liabilities	19,310	20,816	21,197	22,004	22,811
Long-Term Debt	202,009	247,745	230,408	171,344	157,592
Deferred Revenue and Other Liabilities:					
Deferred revenue - nonrefundable fees	39,443	38,699	37,936	37,183	36,469
Deferred revenue - refundable fees	34,806	34,266	72,270	108,335	101,096
Refundable entrance fees	12,218	11,930	11,647	11,379	11,133
Admission deposits	10,056	9,717	9,400	9,110	8,852
Other accrued expenses	9,268	1,567	1,575	1,583	1,592
Interest rate swap agreement	1,111	8,820	8,820	8,820	8,820
	106,902	104,999	141,648	176,410	167,962
Total Liabilities	328,221	373,560	393,253	369,758	348,365
Net Assets:					
Assets without donor restrictions	155,367	164,868	173,295	189,102	209,137
Assets with donor restrictions	7,978	7,978	7,978	7,978	7,978
Total Net Assets	163,345	172,846	181,273	197,080	217,115
Total Liabilities and Net Assets	$ 491,566	$ 546,406	$ 574,526	$ 566,838	$ 565,480

THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES
Forecasted Combined Statements of Operations and Changes in Net Assets
Years Ending September 30, 2021 through 2025

(In Thousands of Dollars)

	2021	2022	2023	2024	2025
Changes in Net Assets without Donor Restrictions:					
Revenue:					
Amortization of advance fees	$ 14,917	$ 15,023	$ 16,900	$ 20,624	$ 22,489
Service fees, residential	33,443	34,410	36,695	45,599	49,521
Service fees, assisted living	7,884	8,152	8,769	11,447	12,023
Service fees, nursing	18,787	19,647	20,153	20,677	21,225
Adult day care	60	158	290	400	411
Food service income	245	383	383	383	383
Reimbursed medical	2,564	2,564	2,564	2,564	2,564
Golf course revenue	25	25	25	25	25
Other	3,359	1,672	1,716	1,762	1,805
Total operating revenue	81,284	82,034	87,495	103,481	110,446
Expenses:					
Routine services	17,578	18,185	19,165	20,491	21,373
Special services	1,620	1,671	1,871	2,222	2,378
Dining services	9,612	9,876	10,813	13,011	13,956
Environmental services	3,095	3,194	3,596	4,295	4,624
Maintenance	6,902	7,090	7,577	8,851	9,414
Marketing	1,793	1,788	1,801	1,941	1,942
Administration	13,568	13,927	14,655	16,012	16,783
Depreciation and amortization	6,719	9,610	11,942	14,178	14,240
Bond interest and amortization	6,263	8,583	9,191	8,162	7,422
Purchased medical services	2,846	2,845	2,845	2,845	2,845
Golf course and grounds expense	1,040	1,068	1,098	1,128	1,160
Miscellaneous, net	223	223	223	224	223
Total operating expenses	71,259	78,060	84,777	93,360	96,360
Operating income	10,025	3,974	2,718	10,121	14,086
Nonoperating income:					
Contributions	1,272	1,272	1,272	1,272	1,272
Net realized investment income	3,973	4,255	4,437	4,414	4,677
Net nonoperating income	5,245	5,527	5,709	5,686	5,949
Changes in net assets without donor restrictions	15,270	9,501	8,427	15,807	20,035
Net assets, beginning	148,075	163,345	172,846	181,273	197,080
Net assets, ending	$ 163,345	$ 172,846	$ 181,273	$ 197,080	$ 217,115

THE PRESBYTERIAN HOMES, INC. AND ITS COMBINED AFFILIATES
Forecasted Combined Statements of Cash Flows
Years Ending September 30, 2021 through 2025

	(In Thousands of Dollars)				
	2021	2022	2023	2024	2025
Cash flows from operating activities:					
Changes in net assets	$ 15,270	$ 9,501	$ 8,427	$ 15,807	$ 20,035
Adjustments to reconcile changes in net assets to net cash provided by operating activities:					
Entrance fees received	14,016	14,016	54,445	56,282	14,936
Amortization of entrance fees	(14,917)	(15,023)	(16,900)	(20,624)	(22,489)
Depreciation	7,443	10,336	12,670	14,911	14,976
Amortization of deferred CON costs	6	6	6	6	6
Amortization of deferred financing costs	200	190	179	166	155
Amortization of bond premium	(930)	(922)	(913)	(905)	(897)
Changes in working capital:					
(Increase) decrease in:					
Trade and other receivables	546	(44)	(132)	(593)	(751)
Unconditional promises to give	11	-	-	-	-
Other assets	(12)	(13)	(32)	(79)	(96)
Increase (decrease) in:					
Decrease in accounts payable and accrued expenses	(727)	1,110	160	578	717
Net cash provided by operating activities	20,906	19,157	57,910	65,549	26,592
Cash flows from investing activities:					
Purchases of property and equipment	(67,465)	(103,934)	(35,163)	(4,452)	(5,138)
Net proceeds (purchases) of investments	(64,055)	38,830	(13,448)	(2,084)	(7,617)
Net cash provided by (used in) investing activities	(131,520)	(65,104)	(48,611)	(6,536)	(12,755)
Cash flows used in financing activities:					
Principal payments on long-term debt	(8,310)	(9,636)	(39,815)	(58,088)	(12,911)
Proceeds from long-term borrowings	96,086	56,508	23,441	-	-
Refunds of refundable fees	(904)	(904)	(904)	(904)	(904)
Net cash provided by (used in) financing activities	86,872	45,968	(17,278)	(58,992)	(13,815)
Net increase (decrease) in cash and cash equivalents	(23,742)	21	(7,979)	21	22
Cash and cash equivalents, beginning	38,184	14,442	14,463	6,484	6,505
Cash and cash equivalents, ending	$ 14,442	$ 14,463	$ 6,484	$ 6,505	$ 6,527
Supplemental disclosure of cash flow information:					
Cash payments for interest	$ 5,131	$ 7,673	$ 9,417	$ 8,387	$ 7,665

NOTE 1 - BASIS OF PRESENTATION

The accompanying financial forecast presents, to the best of the knowledge and belief of the management ("Management") of The Presbyterian Homes, Inc. and Glenaire, Inc.'s (collectively, the "Communities") expected combined financial position, changes in net assets, and cash flows as of and for each of the five years ending through September 30, 2025. Accordingly, the combined forecast reflects Management's judgment as of February 23, 2021, of the expected conditions and its expected course of action during the forecast period.

The assumptions disclosed herein are those which Management believes are significant to the combined forecast. Management recognizes there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

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

NOTE 2 - BACKGROUND OF THE ORGANIZATION

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

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

Principles of Combination

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

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES AND ASSUMPTIONS

Classification of Net Assets

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

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES AND ASSUMPTIONS (Continued)

Classification of Net Assets (Continued)

With donor restrictions: All revenues restricted by donors as to either timing or purpose of the related expenditures or required to be maintained in perpetuity as a source of investment income are accounted for in donor restricted net assets. The investment income arising from endowment funds, if any, are accounted for in accordance with donor stipulations. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Changes in Assets Without Restrictions

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

Cash and Cash Equivalents

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

Accounts Receivable

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

Assets Limited As To Use

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

Resident Fees

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES AND ASSUMPTIONS (Continued)

Estimated Third-Party Payor Settlements

The Communities have agreements with third-party payors that provide for payments to the Communities at amounts different from their established rates. Payment arrangements include prospectively determined per diem payments. Revenue under third-party payor agreements is subject to audit and retroactive adjustment. Provisions for estimated third-party payor settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement.

Investments

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

Property and Equipment

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

Deferred Financing Costs

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

Income Tax Status

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

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES AND ASSUMPTIONS (Continued)

Revenue Recognition

The Organization generates revenues, primarily by providing housing, amenities (recreational, dining, etc.) and access to health care services to its residents. The various life care contract streams of revenue are recognized as follows:

Entrance fees: The nonrefundable entrance fees are recognized as deferred revenue upon receipt of the payment under the life care contract and included in liabilities in the balance sheet until the performance obligations are satisfied. These deferred amounts are then amortized on a straight-line basis into revenue on a monthly basis over the life of the resident as the performance obligation is associated with access to future services. The refundable portion of an entrance fee is not considered part of the transaction price and as such is recorded as a liability in the balance sheet.

Health care services: The Organization also provides assisted and nursing care to residents who are covered by government and commercial payers. The Organization is paid fixed rates from government and commercial payers. These fixed rates are billed in arrears monthly when the service is provided. The monthly fees represent the most likely amount to be received from the 3rd party payors.

Monthly service fees: The life care contracts that residents select require an advanced fee and monthly fees based upon the type of space they are applying for. Resident fee revenue for recurring and routine monthly services is generally billed monthly in advance. Payment terms are usually due within 30 days. The services provided encompass social, recreational, dining, along with assisted living and nursing care and these performance obligations are earned each month. Resident fee revenue for non-routine or additional services are billed monthly in arrears and recognized when the service is provided.

Entrance Fees

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

Refundable Fees

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES AND ASSUMPTIONS (Continued)

Obligation to Provide Future Services

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

Paid Annual Leave

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

Property Tax Exemption

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

Fair Value of Financial Instruments

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

Benevolent Assistance

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

Social Accountability

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES AND ASSUMPTIONS (Continued)

Revenues

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

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

Glenaire, Inc.

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

		Monthly Fees	
Unit Type	Entrance Fees	First Person	Second Person
Independent living studio	$67,000	$2,587	N/A
One bedroom	$128,000-$160,000	$3,030	$1,142
One bedroom w/study	$170,000	$3,543	$1,142
Two bedrooms	$207,000-$211,000	$3,543	$1,142
Two bedrooms w/den	$307,000-$424,000	$3,847-$4,713	$1,142
Cottage (2 br) w/ study	$299,000-$413,000	$3,671-$4,065	$1,142
Cottage (3 br) w/ study	$413,000	$4,065	$1,142
Health Center:			
Assisted living	$17,650	$6,217	N/A
Nursing	$12,475	$322/Day	N/A

Occupancy is forecasted at 96% in independent living, 90% in assisted living and 87 to 93% in nursing.

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

Management is currently renovating its community center and independent living common space. Glenaire has also purchased an adjacent piece of property and is constructing 192 independent living apartment units, 37 assisted living units, an expanded adult day care center and the programs and services to support the expansion. The construction began in the Fall of 2020 and is projected to be completed and ready for occupancy by May 2023. The current financial projections include the revenues and cost associated with the planned expansion. The projected entry fees for the expansion range from $362,000 to $704,000 with monthly service fees ranging from $3,982 to $5,240 per month.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES AND ASSUMPTIONS (Continued)

River Landing at Sandy Ridge

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

		Monthly Fees	
Unit Type	Entrance Fees	First Person	Second Person
Apartments:			
One bedroom	$132,000	$3,111	$1,353
Two bedroom	$183,000	$3,826	$1,353
Three bedroom	$260,000	$4,067	$1,353
Three bedroom deluxe	$341,000	$4,579	$1,353
Apartments (Expansion):			
Two bedroom	$327,000-$377,000	$4,134-$4,246	$1,353
Three bedroom	$417,000	$4,715	$1,353
Townhouses:			
Two bedroom	$222,000	$3,847	$1,353
Three bedroom	$292,000	$4,110	$1,353
Villas:			
Two bedroom	$239,000	$3,902	$1,353
Three bedroom	$308,000	$4,160	$1,353
Cottages:			
Two bedroom	$292,000	$4,003	$1,353
Three bedroom	$396,000	$4,210	$1,353
Cottages (Expansion):			
Two bedroom	$351,000	$4,211	$1,353
Three bedroom	$447,000	$4,321	$1,353
Assisted Living:			
Studio	$20,000	$5,179	N/A
One bedroom	$25,000	$6,361	$4,769
Skilled nursing	$11,500	$353/day	N/A
Alzheimer's healthcare	$11,500	$8,203	N/A

Occupancy is forecasted at 95% in independent living, 95% in assisted living and 83 to 93% in nursing.

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES AND ASSUMPTIONS (Continued)

Scotia Village

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

Unit Type	Entrance Fees	Monthly Fees First Person	Monthly Fees Second Person
Apartments:			
Efficiency	$44,000	$2,448	N/A
Expanded efficiency	$48,000	$2,628	N/A
One bedroom	$65,000	$2,782	$1,006
Expanded one bedroom	$81,000	$2,930	$1,006
Deluxe one bedroom	$101,000	$2,947	$1,006
Two bedroom	$134,000	$3,241	$1,006
Deluxe two bedroom	$143,000	$3,386	$1,006
Expanded two bedroom	$181,000	$3,510	$1,006
Clustered cottages:			
One bedroom	$99,000	$3,015	$1,006
Two bedroom	$156,000	$3,310	$1,006
Expanded two bedroom	$160,000	$3,620	$1,006
Villas:			
Two bedroom	$207,000	$3,495	$1,006
Three bedroom	$245,000	$3,613	$1,006
Single family home:			
Single family home (2 br)	$267,000	$3,623	$1,006
Single family home (3 br)	$323,000	$3,764	$1,006
Assisted living:			
Assisted living I	$15,000	$4,488	N/A
Assisted living II	$20,000	$5,241-$6,016	$4,472
Skilled nursing	$10,000	$298/day	N/A
Alzheimer's healthcare	$10,000	$304/day	N/A

Occupancy is forecasted at 92 to 94% in independent living, 89% in assisted living and 91% in nursing.

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

Other Revenues

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

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

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES AND ASSUMPTIONS (Continued)

Expenses

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

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

Financing expenses of $131,250, $170,944, $751,205 and $1,844,736 incurred in conjunction with issuance of the 2015 bank-qualified debt, the 2016B bonds, the 2016C bonds, and 2020 bonds, respectively, have been deferred and are assumed to be amortized over the respective lives of the issues.

Nonoperating Gains

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

Funds Held by Trustee

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

	2021	2022	2023	2024	2025
Interest	$ 11,773	$ 8,299	$ 4,015	$ 2,884	$ 2,860
Principal	628	827	846	865	886
Construction Fund	39,486	-	-	-	-
Entry Fee Fund	-	-	10,653	5,099	-
	$ 51,887	$ 9,126	$ 15,514	$ 8,848	$ 3,746

NOTE 4 - LONG-TERM DEBT

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

Long-term debt, consists of the following:

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

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

NOTE 4 - LONG-TERM DEBT (Continued)

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

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

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

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

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

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

NOTE 4 - LONG-TERM DEBT (Continued)

On October 1, 2020, The Presbyterian Homes, Inc. entered into Loan and Security agreements with the North Carolina Medical Care Commission pursuant to a $96,035,000 First Mortgage Revenue Bond, Series 2020A, and a $80,000,000 First Mortgage Revenue Bond, Series 2020B to finance capital projects at Glenaire, Inc. The Series 2020A bonds have a final maturity of October 1, 2055. The Series 2020B bonds have a final maturity of October 1, 2025 and will be repaid from the entry fees received from the new independent living units. Proceeds from the debt have been used to fund a construction reserve to pay cost of the expansion and to pay the expenses incurred in connection with the issuance of the bonds.

Bonds payable to the North Carolina Medical Care Commission and Bank Qualified Debt as of October 1, 2020 are expected to be as follows:

Series 2015	
Fixed rate of 3.42% per annum due July 1, 2031	$ 8,697,734
Series 2016A	
Variable rate swapped to fixed rate of 2.395% due April 1, 2027	$12,890,302
Series 2016B	
Variable rate swapped to fixed rate of 2.176% due October 1, 2027	$37,169,385
Series 2016C	
Term bonds at rates between 3 and 5% due October 1, 2037	$29,220,000
Construction Loan	
Forward rate swap agreement of 4.152% due July 1, 2035	$34,154,565
Series 2020A	
Term bonds at rates between 4 and 5% due October 1, 2055	$96,035,000
Series 2020B	
Entrance Fee Loan at variable rate 79% LIBOR plus 1.0665% subject to a LIBOR floor of 1.4615%	$ 50,001

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

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

NOTE 6 - CURRENT ASSETS AND CURRENT LIABILITIES

Balances in receivables and other assets and payables and accrued expenses are based on balances at September 30, 2020, adjusted for increases in revenues and expenses.

NOTE 7 - PROPERTY AND EQUIPMENT

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

	2021	2022	2023	2024	2025
Beginning balance, cost	$ 342,285	$ 409,750	$ 513,684	$ 548,847	$ 553,299
Purchases:					
Routine	8,024	8,285	6,742	4,452	5,138
Glenaire Projects	54,932	95,649	28,421	-	-
River Landing Projects	4,509	-	-	-	-
Property and equipment, cost	409,750	513,684	548,847	553,299	558,437
Accumulated depreciation	114,457	124,793	137,463	152,374	167,350
	$ 295,293	$ 388,891	$ 411,384	$ 400,925	$ 391,087

Glenaire Projects

Glenaire, Inc. and The Presbyterian Homes, Inc. is in the process of expanding its Glenaire campus by adding 192 independent living apartments, 37 units of assisted housing (Multi-unit Assisted Housing with Services) and a new Adult Day Care Center for seniors, which is a relocation of our existing center. This expansion is located across the street at 960 Kildaire Farm Road. Amenities such as resident services, environmental services, dining services, maintenance and marketing along with the spaces for each will be provided at this new site. In addition to the expansion of the campus, Glenaire is renovating the main community center of its existing buildings, which will include the main dining room, auditorium, administrative offices and main rotunda. We estimate the total cost of all these projects to be approximately $190,000,000. The expansion apartments will consist of 36 two bedroom units, 91 two bedroom units with den; 45 two bedroom with den deluxe units; 18 three bedroom units; and 2 units with approximately 2,700 square feet. Construction is estimated to begin in Fall 2020 and to be completed and ready for occupancy by May 2023.

The expansion and renovations are projected to cost $190,000,000, after a $8,500,000 projected equity contribution. Project costs were financed with a hybrid of publicly offered bonds and a direct bank placement structure. The $198,500,000 total project costs include design, engineering, marketing, construction and other development costs related to the project.

The Presbyterian Homes has contributed equity to the project through the purchase of an approximate 10-acre tract of land. This equity contribution totals approximately $8,500,000. It is also assumed that any costs incurred above $190,000,000 will be in the form of an equity contribution to the project. This equity contribution comes from reserves of the Organization.

Project costs:

Land	$ 8,500,000
Construction and Site Work cost, related to the project	161,000,000
Contingency	8,050,000
Architectural and Engineering expenses	6,675,000
Furniture, Fixtures and Equipment	11,897,000
Permits, Surveys and Other expenses	2,222,000
Miscellaneous	156,000
	$ 198,500,000

NOTE 8 - EXPENSES BY NATURE AND FUNCTION

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

	2021	2022	2023	2024	2025
Salaries and wages	$ 31,861	$ 32,775	$ 34,946	$ 39,186	$ 41,300
Payroll taxes and employee benefits	6,573	6,762	7,210	8,084	8,520
Supplies	2,886	2,969	3,166	3,550	3,741
Contracted outside services	1,678	1,726	1,840	2,064	2,175
Raw food and nourishments	3,953	4,067	4,336	4,862	5,124
Repairs and maintenance, equipment	341	351	374	419	442
Repairs and maintenance, buildings	1,101	1,133	1,208	1,354	1,427
Repairs and maintenance, grounds	391	402	429	481	507
Gas	197	203	216	242	256
Electricity	1,367	1,406	1,499	1,681	1,771
Water	616	634	676	758	799
Telephone	129	133	142	159	168
Dues and subscriptions	133	137	146	164	173
Insurance, general	966	994	1,059	1,188	1,252
Printing	178	184	196	219	231
Promotions	228	234	250	280	295
Postage	62	63	68	76	80
Legal and accounting	131	135	143	161	169
Consultant's fees	530	545	582	652	687
Travel and seminars	181	186	198	222	234
Employee recruitment and retention	245	252	269	301	317
Meetings and special events	96	98	105	118	124
Purchased medical	2,845	2,845	2,845	2,845	2,845
Outside services	1,185	1,219	1,300	1,457	1,536
Rent, buildings and equipment	136	140	149	167	176
Miscellaneous	268	274	292	330	349
Total expenses by function	$ 58,277	$ 59,867	$ 63,644	$ 71,020	$ 74,698

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

River Landing at Sandy Ridge

A Division of The Presbyterian Homes, Inc.

RESIDENCE AND CARE AGREEMENT

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

WITNESSETH:

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

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

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

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

NOW, THEREFORE, Resident and PHI agree as follows:

1. **ACCOMMODATIONS AND SERVICES**

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

(a) **Living Accommodation.**

Type: ____

Residence Number: ____

Description: ____

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

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

(d) **Meals**. PHI will make available to Residents three nutritionally well-balanced meals each day. PHI provides a meal allowance to each Resident in Independent Living which is subject to change from time to time as determined by PHI. The meal allowance is included in the Monthly Charge. The amount of the meal allowance for each Resident may vary depending on where the Resident resides in Independent Living. The meal allowance will be charged each month based on meals consumed by the Resident at the current prevailing meal prices as published or posted for Residents. If Resident exceeds the meal allowance in any given month, the additional cost incurred by Resident above the current meal allowance will be added to Resident's next monthly statement in addition to the standard Monthly Charge. Any unused portion of the meal allowance remaining at the end of any month is forfeited and cannot be carried over to subsequent months. An extra charge may be made at PHI's discretion for special dietary meals.

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

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

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

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

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

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

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

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

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

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

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

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

(ii) A twenty-four (24) hour nursing staff will be maintained in the Health Center.

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

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

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

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

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

2. FINANCIAL ARRANGEMENTS

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

Entrance Fee Option	Amount of Entrance Fee	Amortization Schedule
1. Standard	$__________________	2% per month for 48 months less a 4% non-refundable fee
2. 50% Refundable	$__________________	2% per month for 23 months less a 4% non-refundable fee. Refund never less than 50%
3. 90% Refundable	$__________________	1% per month for 6 months less a 4% non-refundable fee. Refund never less than 90%

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

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

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

(d) **Monthly Statement.** PHI will furnish the Resident with a monthly statement on or about the tenth of the month showing the total amount of fees and other charges owed by the Resident, which shall be payable by the 15th day of the month. PHI may charge interest at the rate of 1½% per month (18% APR) or the maximum annual rate as allowed by law on any unpaid balance owed by the Resident thirty (30) days after the monthly statement is furnished.

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

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

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

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

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

3. ADMISSIONS REQUIREMENTS

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

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

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

(c) **Application, Health History, and Financial Statement**. Resident shall submit within 30 days of execution of this Agreement for review by the Admissions Committee appointed by PHI, an Application for Admission, a Personal Health History, and a Confidential Financial Statement, all on forms furnished by PHI. During the term of this Agreement, PHI reserves the right to require Resident and Resident agrees to provide PHI with an updated Confidential Financial Statement within 60 days upon written request, provided however, PHI will not require Resident to provide an updated Confidential Financial Statement more than one time in any 12 month period.

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

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

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

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

4. TERMS OF RESIDENCY

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

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

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

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

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

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

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

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

Resident and non-resident spouse/cohabitant. If the Resident's spouse/cohabitant shall not meet the requirements of RLSR for admission as a Resident, the current Resident may terminate this Agreement pursuant to Paragraph 7.

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

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

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

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

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

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

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

6. **RIGHT OF RESCISSION**

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

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

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

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

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

7. **TERMINATION AND REFUND PROVISIONS**

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

(b) **Termination During Residency Trial Period**. The first sixty (60) days of residency at RLSR will be considered to be on a trial basis. During such sixty (60) day period, the Resident will have the right to terminate this Agreement by giving PHI written notice of such termination and Resident shall receive a refund of the Entrance Fee paid less 4% thereof as a non-refundable fee. During such sixty (60) day period, PHI shall have the right to terminate this Agreement based on PHI's determination that Resident's physical or mental condition or emotional adjustment will not permit adaptation to the living environment at RLSR. In the event of such termination by PHI as previously described, PHI will refund the full Entrance Fee paid to PHI within sixty (60) days after the Living Accommodation has been vacated.

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

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

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

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

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

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

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

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

8. **FINANCIAL ASSISTANCE**

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

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

9. **MISCELLANEOUS PROVISIONS**

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

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

(c) **Management of RLSR**. The absolute rights of management of RLSR are reserved by PHI, its Board of Governors and its administrators as delegated by said Board of Governors. PHI reserves the right to accept or reject any person for residency. Residents do not have the right to determine admissions or terms of admission of any other Resident.

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

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

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

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

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

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

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

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

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

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

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

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

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

THE PRESBYTERIAN HOMES, INC.

By:___________________________________
Name: _________________________
Title: __________________________
River Landing at Sandy Ridge,
an operating division of
The Presbyterian Homes, Inc.

____
Witness

RESIDENT(S):

_____________________________________(Seal)
Print Name:____________________________

____
Witness

RESIDENT(S):

_____________________________________(Seal)
Print Name:____________________________

____
Witness

____
Current Address (Number and Street)

____
City, State, Zip Code

____
Telephone Number

Exhibit D

THE PRESBYTERIAN HOMES, INC
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2020

ASSETS	
CURRENT ASSETS:	
CASH & SHORT-TERM INVESTMENTS	$35,354,898
TRUSTEE HELD FUNDS REQUIRED FOR CURRENT LIABILITIES	966,946
ACCOUNTS RECEIVABLE	2,315,767
CAMPAIGN PLEDGES RECEIVABLE	11,000
REFUNDABLE SALES TAX	1,499,398
INVENTORIES-OPERATING SUPPLIES	101,961
PREPAID EXPENSES	901,029
DUE FROM OTHER DIVISIONS	392,482
TOTAL CURRENT ASSETS	41,543,481
OTHER ASSETS:	
RESERVES REQUIRED BY STATE STATUTE	17,127,000
TRUSTEE HELD FUNDS:	
CONSTRUCTION, INTEREST & PRINCIPAL FUNDS	96,757,498
TOTAL TRUSTEE HELD FUNDS	113,884,498
CASH-MEMBERS DEPOSITORY ACCOUNTS	1,041
INVESTMENTS	113,055,566
DEFERRED EXPENSES	2,634,299
SWAP ASSET	-
TOTAL OTHER ASSETS	115,690,906
PROPERTY PLANT & EQUIPMENT	238,957,306
TOTAL ASSETS	$ 510,076,191

THE PRESBYTERIAN HOMES, INC
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2020

LIABILITIES AND FUND BALANCE	
CURRENT LIABILITIES:	
CURRENT MATURITIES OF LONG-TERM DEBT	$ 7,808,392
ACCOUNTS PAYABLE	1,544,700
ACCRUED PAYROLL	979,775
ACCRUED PERSONNEL COSTS AND WITHHOLDINGS	897,050
ACCRUED INTEREST PAYABLE	535,025
DUE TO OTHER DIVISIONS	385,554
TOTAL CURRENT LIABILITIES	12,150,496
LONG-TERM DEBT	
LONG-TERM DEBT	223,956,289
TOTAL LONG-TERM DEBT	223,956,289
DEFERRED REVENUE AND OTHER LIABILITIES:	
REFUNDABLE ENTRY FEES	61,541,262
NONREFUNDABLE ENTRY FEES	37,568,712
MEMBERS DEPOSITORY ACCOUNTS	1,041
SWAP LIABILITY	7,822,175
DEFERRED CARES FUNDS	1,523,909
RESERVE PAL	1,551,153
TOTAL DEFERRED INCOME AND OTHER LIABILITIES	110,008,252
FUND BALANCE:	
RESTRICTED	3,892,324
UNRESTRICTED	160,068,830
TOTAL FUND BALANCE	163,961,154
TOTAL LIABILITIES AND FUND BALANCE	$ 510,076,191

THE PRESBYTERIAN HOMES, INC.
STATEMENT OF REVENUE & EXPENSES
FOR THE THREE MONTH PERIOD ENDED DECEMBER 31, 2020

REVENUE:	
RESIDENT FEES, INCLUDING AMORTIZATION OF ENTRANCE FEES	17,170,085
FOOD SERVICE INCOME	39,224
REIMBURSED MEDICAL	545,655
GOLF COURSE	5,031
OTHER	269,694
TOTAL OPERATING REVENUE	18,029,689
EXPENSES:	
ROUTINE SERVICES	4,370,949
SPECIAL SERVICES	390,625
DINING SERVICES	2,474,242
ENVIRONMENTAL SERVICES	753,303
MAINTENANCE	1,592,446
PROJECT AND DEVELOPMENT	85,608
MARKETING	324,342
ADMINISTRATIVE	3,408,414
DEPRECIATION AND OTHER CHARGES	2,328,228
BOND AND NOTE INTEREST, AND AMORTIZATION	982,411
PURCHASED MEDICAL SERVICES	494,600
MISCELLANEOUS, NET	55,991
MANAGEMENT SERVICES OFFICE EXPENSE, NET	(583,152)
GOLF COURSE AND GROUNDS	271,526
TOTAL OPERATING EXPENSES	16,949,533
OPERATING INCOME (LOSS)	1,080,156
NONOPERATING REVENUE (EXPENSES)	
CONTRIBUTIONS	253,822
NET REALIZED INVESTMENT INCOME	3,275,710
NET UNREALIZED APPRECIATION (DEPRECIATION) OF INVESTMENTS	10,303,250
CHANGE IN FAIR VALUE OF INTEREST RATE SWAPS	998,343
OTHER, NET	24,998
TOTAL NONOPERATING REVENUE (EXPENSE)	14,856,123
EXCESS (DEFICIT) OF REVENUE OVER EXPENSES AND NONOPERATING INCOME (EXPENSE)	$ 15,936,279

THE PRESBYTERIAN HOMES, INC
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTH PERIOD ENDED DECEMBER 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
CHANGE IN NET ASSETS	$ 15,936,279
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO	
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:	
ADVANCE FEES RECEIVED, NET OF REFUNDS	3,287,833
DEFERRED CARES FUNDS	61,474
AMORTIZATION OF ENTRANCE FEES	(2,573,127)
DEPRECIATION AND AMORTIZATION	2,274,809
CHANGE IN FAIR VALUE OF INTEREST REATE SWAP AGREEMENT	(998,343)
UNREALIZED GAINS (LOSSES) ON INVESTMENTS	10,303,250
NET REALIZED GAINS (LOSSES) ON INVESTMENTS AND INVESTMENT INCOME	3,275,710
CHANGES IN WORKING CAPITAL COMPONENTS:	
(INCREASE) DECREASE IN:	
TRADE AND OTHER RECEIVEABLES	(726,020)
OTHER ASSETS	(348,042)
DUE TO (FROM) OTHER DIVISIONS	(6,928)
INCREASE (DECREASE) IN ACCOUNTS PAYABLE AND	
ACCRUED EXPENSES	(3,561,459)
NET CASH PROVDED BY (USED IN)	
OPERATING ACTIVITIES	10,989,157
CASH FLOWS FROM INVESTING ACTIVITIES	
PURCHASES OF PROPERTY AND EQUIPMENT	(6,014,994)
PAYMENTS ON ISSUANCE COSTS	(1,611,860)
PROCEEDS FROM (PUCHASES OF) INVESTMENTS	(124,082,698)
NET CASH PROVIDED BY (USED IN)	
INVESTING ACTIVITIES	(131,709,552)
CASH FLOWS FROM FINANCING ACTIVITIES	
NET, PRINCIPAL RECEIPTS (PAYMENTS) ON LONG-TERM BORROWINGS	106,298,303
NET CASH PROVIDED BY (USED IN)	
FINANCING ACTIVITIES	106,298,303
NET INCREASE (DECREASE) IN CASH	
AND CASH EQUIVALENTS	(14,422,092)
CASH AND CASH EQUIVALENTS:	
BEGINNING	33,840,712
ENDING	$ 35,354,899

Exhibit E

THE PRESBYTERIAN HOMES, INC.

Non-Conflict of Interest Statement

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

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

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

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

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

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

Print Name: ______________________________

Signature: ________________________________

Date: ____________________________________

THE PRESBYTERIAN HOMES, INC.

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

Decision Making

- Board members should respect the orderly process by which recommendations for discussion and action flow from established committees to the Executive Committee for review and referral, as deemed appropriate, to the Board;

- Board members should, in turn, direct information coming to them and their own initiatives to either the President for immediate action or to the proper committees for consideration;

- Board members should keep in mind at all times the fiduciary nature of their roles and the obligations to treat all matters of Board business with discretion and confidence;

- Board members should endeavor to make policy decisions only after being fully informed and after discussion and debate has occurred;

- Board members should never surrender independent judgment to that of other individuals or special interest groups;

- Board members should focus on policy issues alone, refraining from delving into operational matters entrusted to the President and the management team;

Ethics

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

Conflicts of Interest

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

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

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

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

Orientation

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

Education

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

Exit Surveys

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