



DISCLOSURE STATEMENT

August 28, 2020

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, up to one (1) year and 150 days after the date of this Disclosure Statement. This statement may be delivered until revised, but not after January 25, 2022.**
- **Delivery of this Disclosure Statement to a contracting party before the execution of a contract for the provision of continuing care is required by North Carolina Law.**
- **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. (North Carolina Statutes do not provide for such governmental approval.)**

TABLE OF CONTENTS

	<u>Page</u>
Organization Introduction and Information	5
Continuing Care Retirement Community	
Description of the Organization and its Operations	
Continuing Care Retirement Community	
Non-Profit Status	
Mission, Vision and Value Statements	
Licensure	
Quality First Community	
Board of Trustees, Management and Professional Services	
Criminal Violation Statement	
Location and Description of the Physical Property	
Bank Services	
I. Services	17
Continuing Care Retirement Community	
Community	
Health Care Center	
Masten Assisted Living Center	
Services, which are not Covered Under a Residence and Services Agreement, Which will be at Resident’s Additional Expense	
II. Fees (Schedule of Fees)	22
Continuing Care Retirement Community	
Direct Entry to the Assisted Living Center or the Health Care Center	
Deposit	
Entrance Fee	
Monthly/Daily Fees	
Notification of Fee Increase	
Historic Changes in Major Fees	
Refunds	
Health Insurance	
Financial Assistance	
III. Entry/Admission	31
Continuing Care Retirement Community	
Criteria	
Temporary Entry to the Assisted Living Center or the Health Care Center	
Cancellations/Terminations	
Transfers of Changes in Levels of Care	
Dual Occupancy (married or not)	
Guests	
Pet(s)	
Smoking	

IV. Financial Information	38
Continuing Care Retirement Community	
Financial Overview	
Estimated Number of Residents	
Other Material Information, as applicable	
V. Navigation by Salemtowne (Continuing Care at Home Program)	48
Description of the Program	
Mission Statement	
Non-Profit Status	
Board of Trustees, Management and Professional Services	
Licensure	
Services	
Fees	
Membership	
Criteria	
Cancellations/Terminations	
Transfers or Changes in Care Providers	

**Appendix A
Financial Information**

- A1 Audited Financial Statements as of March 31, 2020 and 2019
- A2 Interim Financial Statements as of June 30, 2020 (Unaudited)
- A3 Summary of Calculation of Obligation to Provide Future Service as of March 31, 2020 (Continuing Care Retirement Community)
- A4 Summary of Calculation of Obligation to Provide Future Service as of March 31, 2020 (CCRC @ Home Program)
- A5 Independent Accountants' Compilation Report as of August 28, 2019 for the years ending 2021 through 2025.
- A6 Actuary Report for Population and Entrance Fee Projections

**Appendix B
Agreements (Continuing Care Retirement Community)**

- B1 Residence and Services Agreement – Direct Entry to Independent Living
- B2 Residence and Services Agreement – Direct Entry to Masten Assisted Living Center
- B3 Residence and Services Agreement – Direct Entry to Westerly Memory Support
- B4 Residence and Services Agreement – Direct Entry to Health Care Center
- B5 Short-term Residence and Services Agreement – Health Care Center or Masten Assisted Living Center

Agreement (Navigation by Salemtowne - Continuing Care At Home Program)

B6 Member Services Agreement

B7 Consultative Care Plus Agreement

Appendix C - Schedule of Fees effective June 1, 2020

Organization Introduction and Information

Moravian Home, Incorporated d/b/a Salemtowne (referenced herein as “the Corporation”, “Salemtowne”, “we”, “our”, “it” or “us”), is a private, continuing care retirement community on a 120+ acre site, which offers its Residents use of independent accommodations and care in our on-site Assisted Living Center and the Skilled Nursing Center and Memory Support Center within the Health Care Center. The community is located at 1000 Salemtowne Drive, Winston-Salem, North Carolina, (adjacent to Bethabara Park Boulevard) and has operated at this site since 1972.

Salemtowne has received licensure from the North Carolina Department of Insurance to operate a continuing care services program without lodging pursuant to Chapter 64 Article 58 Paragraph 7. This program is referred to as “Navigation by Salemtowne”. (See Section V for details of the program.)

Salemtowne is a charitable, non-profit corporation affiliated with the Moravian Church in America, Southern Province, and is governed by a volunteer Board of Trustees. The Corporation is a 501(c)(3) tax-exempt organization to which charitable contributions may be made. Our federal tax identification number is 56-0963926.

Neither the Board of Trustees nor the Moravian Church in America, Southern Province is responsible for the financial or contractual obligations of Salemtowne.

Salemtowne is founded on the principles of the Moravian Church. Our mission is to provide a broad variety of services to persons of retirement age.

Mission Statement

Salemtowne is a non-profit continuing care retirement community that promotes the well-being of its residents by providing a caring environment. Salemtowne is an ecumenical community that reflects the Moravian values of individual respect, hospitality, life-long learning and love of the arts.

Vision Statement

Salemtowne is a retirement community of excellence that fosters independence, security, wellness, and the growth of its residents to their full potential. Salemtowne supports older people and caregivers in the broader community through educational and community activities.

Values Statement

Salemtowne's primary values are respect, integrity, and caring. These values guide us in our decision making, program development, use of resources, and operations.

We seek to live our values every day by:

- Treating each resident as a valued individual and with dignity, regardless of age or condition.
- Creating a homelike environment which is as non-institutional as possible and which promotes quality of life, security, and wellness.
- Engaging in continuing education and evaluation to develop associates, improve services, and live up to our mission.
- Striving to be a great place to work which gives associates a sense of achievement and recognition.
- Providing leadership in the field of care for the aging, thus contributing to improve services for seniors in our society.

Salemtowne: A Quality First Community

Salemtowne was a charter member of the quality initiative launched by Leading Age (formerly American Association of Homes and Services for the Aging) and the American Health Care Association (AHCA) in 2003. Salemtowne signed a covenant pledging to achieve excellence by adhering to the Leading Age "Quality First" 10 Elements of Quality.

Leading Age "Quality First" 10 Elements of Quality

1. Commitment – Pledging to maintain and promote ethical practices and the highest standards of quality.
2. Governance and Accountability – Achieving and maintaining high standards of management and governance to improve quality consistent with our mission and values.
3. Leading-Edge Care and Services – Implementing models and practices that are based on evidence of success, represent the tradition of personal service and are adaptable to a changing society.
4. Community Involvement – Engaging in community citizenship and service - social accountability, volunteer involvement and relationship building.

5. Continuous Quality Improvement – Using CQI methods to enhance existing programs, improve effectiveness and foster a collaborative work environment.
6. Human Resources Development – Providing training, competitive wages/benefits, and a supportive work environment.
7. Consumer-Friendly Information – Providing accessible and understandable information for older adults, families and caregivers.
8. Consumer Participation – Engaging residents/clients, family members and consumers in care and services.
9. Research Findings and Education – Using and sharing the latest research findings to improve care and services for older adults.
10. Public Trust and Consumer Confidence – Committing to a policy of outreach, openness and authenticity to increase public understanding of quality aging services and earn the trust of the people we serve and their families – as well as the media, the public and policy makers.

Salemtowne is a member of the national organization for homes and services for the aged – Leading Age; the North Carolina Association – Leading Age North Carolina; North Carolina Health Care Facilities Association (NCHCFA) and the Winston Salem Chamber of Commerce.

Board of Trustees and Management Staff:

Salemtowne certifies that none of its Trustees nor Management Staff have ever been convicted of a felony or pleaded nolo contendere to a felony charge, or been held liable or enjoined in a civil action by final judgment, for any matter involving fraud, embezzlement, fraudulent conveyance or misappropriation of property. In addition, Salemtowne certifies that none of its Trustees nor Management Staff are currently subject to an injunctive or restrictive court order arising out of a related health care business activity in this or any other state. Finally, Salemtowne certifies that none of the Trustees or Management Staff have had any State or Federal license or permits suspended or revoked.

The Corporation is governed by a volunteer Board of Trustees (the “Board”) whose members are selected by the Provincial Elders’ Conference, by the Synod of the Moravian Church, Southern Province, and by the Board. The Board consists of not less than 12 and no more than 18 members, two of which shall be residents of Salemtowne. Non-resident Board members are elected for a four-year term and are eligible for re-election for a second term. Resident Board members may serve only one term or a maximum of four years on the Board before they must rotate off the Board for a period of at least one year. After being off the Board for a period of at least one year, a resident who has previously served on the Board is eligible for re-election to one additional four-year term. Standing committees of the Board are: Executive, Finance, Development, and Resident Life.

Following is a listing of the members of the Board of Trustees, and Management Staff - Officers of Salemtowne, their addresses and synopses of their relevant backgrounds and experience:

Chris Perry. *Trustee and Chairman. 830 Oaklawn Avenue, Winston Salem, North Carolina 27101*

Chris Perry left a career on Wall Street moving from Summit NJ to Winston Salem and founding New South Associates NS in early 2004. New South Associates is a consulting company that primarily provides bond-investing advice to corporations and educational institutions.

Chris has an undergraduate degree in history from Vanderbilt University and an MBA from Northwestern University (where he majored in finance and accounting). Chris's 25-year Wall Street career included holding positions as Managing Director and Head of E-Commerce at HSBC, USA, and Senior Vice President for Taxed Fixable Income at Prudential Securities in both New York and London.

As a consultant, volunteer and an investment banker, Chris has been actively involved in raising money for eleemosynary institutions including his college alma mater, Vanderbilt University, his Church's in Summit NJ and London and his mission work in Africa. Chris has also served on two senior pastor search committees in both London and New Jersey. For the past ten years alongside the bond consulting work Chris's "second act" includes teaching AP Macro-Economics to seniors at FCDS and co-founding a men's Christian group, the Winston Salem chapter of The New Canaan Society. Chris has also been active in mission work especially in Africa, where he sits on the board of Earthwise Ventures, a passenger ferry company operating on Lake Victoria in Kampala, Uganda and the Sure Foundation operating in Malawi.

John Geis. *Trustee and Vice Chairman. 317 Beechcliff Court, Winston Salem, NC 27104*

John Geis joined Wells Fargo as a Strategic Sourcing Consultant in 2019. Prior to joining Wells Fargo he held several supply chain management roles at BB&T since 2005. Before working for BB&T, Mr. Geis spent five years as a Senior Strategic Sourcing Consultant for Wachovia Corporation. He also retired from the US Navy as a Commander.

Mr. Geis has been a BSA Scout Leader since 2009 with the Old Hickory Council.

Mr. Geis has an MBA from Appalachian State University and is a graduate of Virginia Military Institute.

F. Keith Stirewalt. *Trustee and Secretary. 51 Carrisbrooke Lane Winston-Salem NC 27104*

Keith Stirewalt is the Director of Christian Education for Home Moravian Church ("HMC"). Mr. Stirewalt began his membership with the HMC in 1995 as a divinity student at Unity Moravian Church. In 2009, Mr. Stirewalt became a member of First Baptist Church and was hired as the Associate Pastor and rejoined HMC in 2015.

Mr. Stirewalt has previously served on the Board of Directors of the Fellowship Home of Winston-Salem, a structured, therapeutic, residential environment for men recovering from the disease of addiction. Since 2013, he has served as Founding Member & Steering Committee of the Community Partnership for Compassionate Care, a regional coalition of the North Carolina Partnership for Compassionate Care and an award-winning, nationally recognized partnership designed to encourage and facilitate the advance care planning process.

John Elster. *Trustee and Treasurer. 150 Plymouth Avenue Winston-Salem, NC 27012.*

John Elster is the Owner/President of Personal Properties Solutions, a business that he started in 2017 to assist individuals with the disposition of their personal property. He works with families when downsizing as well as with executors and attorneys when settling estates. He enjoys helping to identify items of value that might otherwise be overlooked in an estate. Prior to 2016, John had a 29-year career as a bond trader. He managed the Money Market Trading Desk at Wachovia Bank (1987-2002) and served as a managing director at BB&T Capital Markets (2002-2016). John holds a BA in Economics from Davidson College. As a bond trader he held various securities licenses including the Series 7, 9 & 10. In 2017 he completed the core curriculum for personal property appraisals through the American Society for Appraisers.

John currently volunteers at Home Moravian Church as the Chair of the Board of Trustees, usher and member of the Building & Grounds Committee. He is an Ex Officio member and past chair of the of the Finance Committee. John also serves on the investment committee at the Moravian Ministries Foundation of America.

Ann Barefield. *Trustee and Resident. 130 Wareham Lane Winston-Salem, NC 27106*

Dr. Barefield has been involved in the field of education since she graduated from college. She received her undergraduate degree from Salem College in Winston-Salem, North Carolina and her masters and doctorate degrees from the University of Missouri in Columbia, Missouri. She was a teacher, Assistant Principal, Principal, Director of Curriculum and Instruction, and Assistant Superintendent of Schools in Missouri. She was Coordinator of Middle Grades Education and Chair of the Department of Education at Winston-Salem State University in Winston-Salem, North Carolina. She retired in January 2012 from Nova Southeastern University in North Miami Beach, Florida where she was either a committee chair or committee member for doctoral students working on their dissertations in the areas of Educational Administration, Reading and Special Education. Ann served as president of the Unitarian Universalist Fellowship of Marion County in Summerfield, Florida for 4 year. She is a member of the Florida UUA District Speaker's Bureau and spoke at numerous Unitarian Universalist churches and fellowships throughout central Florida and a member of the Professional Development Committee and the Grant Committee for the Winston-Salem Women's Fund and the Education Committee for CHANGE. She has been co-chair of the Membership Committee, member and chair of the Social Action Council, Chair of the Stewardship Committee, and coordinator of the CHANGE Core Team at the Unitarian Universalist Fellowship of Winston-Salem. She also served as President of the Board of Trustees at UUFWS. She served as Precinct Chair for the Democratic Party for Precinct 907.

Ann currently lives at Salemtowne Retirement Community. She is chairing the Policies and Procedures Committee and serves on the Small Group Ministry Team at UUFWS. She is active in the Women's Fund, serves on the Planned Parenthood Council for Forsyth County, and co-chairs the Inclusion Group at Salemtowne. She is also a member of a local book group and a play reading group. She has recently been elected to the Board of Trustees of Salemtowne, is serving on the Finance Committee and the Resident life Committee at Salemtowne.

Matthew Dolge. *Trustee. 6345 Armsby Road, Clemmons, NC 27012*

Matthew Dolge is the Executive Director of Piedmont Triad Regional Council since 1995. Prior to 1995, Mr. Dolge was the City Manager of the Town of Tryon. He received a B.S. in Political Science from Appalachian State University.

Mr. Dolge has served as the Vice-Chairman of the Directors' Association of the NC Lead Regional Organization, Board Member of the Southeastern Regional Directors Institute, and Board Member of the National Association of Development Organizations. He has also been involved with the Twin City Kiwanis Club, Spiritual Aims Committee, Southwest Forsyth Little League, Holy Family Church, and Appalachian State Local Government Alumni Association.

Martha Shore Edwards *Trustee. 3651 Will Scarlet Road, Winston-Salem, NC 27104*

Marty Edwards has worked as a writer and fundraiser/public relations professional for over 40 years while enjoying raising three daughters with her husband, Palmer. She retired from Wake Forest University in 2014 and began consulting with non-profit organizations. Marty's aunt Mary Louise Shore was a resident at Salemtowne for many years, and this is Marty's second term on the Salemtowne Board. Marty and Palmer co-chaired the Salemtowne Pathways Campaign with her brother and sister-in-law, Ricky and Sally Shore. Marty volunteers with Kid's Cafe and Democracy North Carolina and is a member of the Rotary Club of Winston-Salem.

John Ferguson. *Trustee. 915 Riverbend Drive, Advance, North Carolina 27006.*

Mr. Ferguson serves as a County Commissioner in Davie County, North Carolina. Previously he served as the Mayor of the Town of Bermuda Run. Mr. Ferguson is retired from Wachovia Bank where he served as a Senior Vice President and managed Information Processing, Bond operations, Brokerage operations and Trust operations.

He is active in the community currently serving on the board of the Hospice Foundation and Clemmons Moravian Church. Mr. Ferguson has also served as a board member of the Davie County Foundation and as the President of Bermuda Run Country Club Board of Governors.

Edward J. Lewis. *Trustee. 504 Jersey Avenue Winston-Salem, North Carolina 27101*

Edward Lewis joined UNCSA in 2015 and serves as Vice Chancellor for Advancement. Previously. He was Senior Director of Development at the Clarice Smith Performing Arts Center at the University of Maryland, College Park, where he provided strategic direction

for a comprehensive fundraising program for one of the nation's leading university presenting programs.

Mr. Lewis holds a Bachelor of Music degree from Northwestern University and a Master of Music degree from the University of Michigan. He is a violist and also an alumnus of the University of Maryland School of Music where he studied chamber music with the Guarneri String Quartet. His professional experiences include performing as a member of the Dallas Opera Orchestra, the Dallas Chamber Orchestra, Santa Fe Pro Musica, and the Toledo Symphony.

Mr. Lewis enjoys his work at UNCSCA for the opportunities it provides to explore and experience performing arts disciplines beyond his own classical music training. He particularly values the opportunity to deepen his artistic experiences by engaging with accomplished faculty, visiting artists, students and the many donors who support their work, in a stimulating creative environment.

Grover “Chip” Mims, MD *Trustee and Resident. 6312 Salemtowne Drive Winston-Salem, NC 27106*

Dr. Mims is a retired Associate Professor of Anesthesiology, Wake Forest University School of Medicine. He served for 15 years as Medical Director of Inpatient OR's and 19 years as Medical Director of the Outpatient Surgical Center. Chip grew up in Kingsport, Tennessee. He attended Carson-Newman College and medical school at what was then Bowman Gray School of Medicine. Mr. Mims served a one-year surgical internship at NC Baptist Hospital and 2 years of active duty in the Navy as a submarine medical officer on the nuclear submarine Casimir Pulaski SSBN633, Blue crew.

Chip is on the boards of Care-Net Counseling of Winston-Salem and the Samaritan Institute, based in Denver, Colorado. He is active in his local church, Knollwood Baptist, teaching an adult Sunday School Class. He is a resident of Salemtowne.

Kathleen O'Brien *Trustee. 1371 Union Cross Road Kernersville, NC 27284*

Kathleen O'Brien has over 30 years of experience as a Registered Nurse. She has served as a Staff Registered Nurse (“RN”) at Novant Hospital and Baptist Hospital, and spent over 16 years at Wake Forest School of Medicine in various positions including the Head Nurse Research Coordinator and Clinic Nurse for Dept of Cardiology, Section of Electrophysiology, a Nurse Research Coordinator, Department of Neurosurgery, RN Department of Oncology, and RN Instructor. Ms. O'Brien is certified in Hospice and Palliative Care and has served as the Team Manager for Home Care for Hospice and Palliative Care, Director of Nursing Kate B. Reynolds Hospice Home and is currently a Staff Nurse at SECU Hospice Home Mt. Valley Hospice and Palliative Care.

Betty C. Petree *Trustee. 2300 Lyndhurst Avenue Winston-Salem, North Carolina 27103*

Betty Petree is the owner and operator of Copper Kettle Anesthesia Service in Winston-Salem, North Carolina and has over 40 years of experience in Anesthetists as a teacher/instructor, researcher and author, a professional speaker and from most recently

serving as the Vice President Surgical Services and the Interim Director of Surgical Services at Wake Forest University Baptist Medical Center.

Ms. Petree currently is a member of the American Association of Nurse Anesthetists, North Carolina Association of Nurse Anesthetists (NCANA), North Carolina Baptist Hospital School of Anesthesia Alumni Association and Executive Committee, School of Wake Forest Baptist Hospital Anesthesia. She has previously held offices as the Secretary-Treasurer, North Carolina Baptist Hospital School of Anesthesia Alumni Association; the Program Committee Chairman, NCANA; Program Committee, NCANA Vice President, NCBH School of Anesthesia Alumni Association; Nominating Committee, NCANA; Board of Trustees, Salemtowne Retirement Community; Program Committee, NCBH School of Anesthesia Alumni Association; AANA Council on Recertification; Vice-Chairman, AANA Council on Recertification; Chairman, AANA Council on Recertification; and Strategic Planning Committee, NCANA.

Ms. Petree has received prestigious awards including National Clinical Practitioners Award, Who's Who in Professional Nursing, Nominee and winner for Best 100 Nurses in North Carolina, Who's Who Among Human Services Professionals, President's Citation (Employee of the Year), North Carolina Baptist Hospital, Who's Who Among American Women Professionals, Who's Who Among Americans in the Southeast, Who's Who in Medicine and Health Care; Who's Who in the World, and Manchester Who's Who Award.

Betty Petree holds a DIP in Nursing from Davis Hospital School of Nursing in Statesville, North Carolina and graduated from the Nurse Anesthesia Program from the North Carolina Baptist Hospital in Winston-Salem, North Carolina.

The Rt. Rev. Dr. Graham Rights. *Trustee. 553 Steeple View Court, Winston Salem, North Carolina 27101.*

Bishop Rights is an ordained minister and bishop in the Moravian Church. He earned a BA Degree from the University of North Carolina at Chapel Hill, a BD from Yale Divinity School, and did further study at Moravian Theological Seminary and New College, University of Edinburgh, Scotland.

Bishop Rights has served congregations in Managua, Nicaragua; and Mayodan, Winston Salem, and Greensboro, NC. He has also served as Executive Director of the Board of World Mission of the Moravian Church in America with office in Bethlehem, PA, and as President of the Provincial Elders' Conference of the Moravian Church, Southern Province, with office in Winston-Salem.

In the community he currently serves on the Board of Crisis Control Ministry of Forsyth County. He has previously served on various boards of the Moravian Church and on boards of the Pastoral Care Foundation of NC Baptist Hospital/Wake Forest Baptist Health, Ecumenical Institute of the Carolinas, Wachovia Historical Society, CareNet of the Triad, and Salemtowne.

Corlis Sellers-Drummond. *Trustee. 4350 Sandalwood Court Winston-Salem, North Carolina 27106.*

Corlis Sellers-Drummond was appointed as Special Assistant to the Chancellor for Strategic Priorities on August 26, 2016. In this role, she supports special projects and initiatives in the Chancellor's Office. Prior to her appointment as Special Assistant, she served as Executive Assistant to the Chancellor since December 2013.

Following her retirement as a member of the Senior Executive Service (SES) from the U.S. Department of Labor in 2010, Mrs. Sellers-Drummond was employed by the Roman Catholic Diocese of Camden, N.J. In the Diocese, she served as the Liaison to the Bishop for Black Catholic Ministry Commission.

From 1999 to 2010, she served as the Northeast Regional Administrator for the Department of Labor's Wage and Hour Division where she led a staff of over 300 (mostly Wage and Hour investigators) in labor law enforcement efforts in thirteen states in the northeast and Mid-Atlantic and in the territories of Puerto Rico and the U. S. Virgin Islands. Mrs. Sellers-Drummond has over 27 years of senior management experience with the U. S. Department of Labor in areas of labor law compliance, strategic planning, policy development, budget, financial management, and governmental relations. This management experience includes over two years of service as the Executive Assistant and Chief of Staff to a former Assistant Secretary of Labor, as well as an assignment to the White House where she served as the leader of the Defense and Veterans Affairs Team for then Vice President Gore's National Performance Review.

In 2004, Mrs. Sellers-Drummond was appointed by then U. S. Labor Secretary Elaine Chao to lead the Fair Pay Enforcement Task Force, which was established to ensure nationwide compliance with the newly revised Fair Labor Standards Act white collar exemption rules. In 2000, she received a Presidential Rank Award for Meritorious Achievement for her work in combating illegal child labor in the U.S. Mrs. Sellers-Drummond served on the Senior Executive Service Resources Board and the Senior Executive Service Performance Review Board in the U. S. Department of Labor.

Corlis obtained a BS, from Hampton University, Secondary Education

Kimberly H. Stogner, *Trustee. Womble Bond Dickinson, One West Fourth Street, Winston Salem, North Carolina 27101.*

Kim Stogner is a Partner and experienced trust and estates attorney with comprehensive estate planning as well as trust administration, tax and probate law issues with Womble Bond Dickinson in the Winston Salem office. Previously she was a Partner with Vaughn Perkinson Ehlinger Moxley & Stogner, Winston-Salem, N.C., 2001-2009; Associate with Kilpatrick Stockton (formerly Petree Stockton), Winston-Salem, N.C., 1994-2000; Summer Associate with Petree Stockton, 1992 and 1993; and Summer Associate with Smith Moore Leatherwood (formerly Smith, Helms, Mullis & Moore), 1993.

Ms. Stogner was admitted to the bar in 1994, North Carolina; earned her B.A. in 1986 from Wake Forest University, cum laude and her J.D. in 1994 from Wake Forest University, cum laude. She served as Editor of the Wake Forest Law Review, 1993-1994; Member, Order of Barristers and Member, Moot Court Board, 1992-1994.

Before attending law school, she worked as a personal trust officer for two national banking corporations. She also has earned the Certified Financial Planner (CFP) designation.

Ms. Stogner has consistently been ranked as one of North Carolina's top trust and estates attorneys, ranking in Woodward/White Inc's "Best Lawyers in America" since 2006 and among *Business North Carolina's* "North Carolina Legal Elite." *Law and Politics* magazine has named her a "Super Lawyer" every year since 2006 and *Law and Politics* also has named her one of North Carolina's top 50 female lawyers in 2007-12.

She is active in the North Carolina Bar Association and a number of charities and civic organizations in Forsyth County.

Member, Forsyth County and North Carolina Bar Associations; Board of Governors Member, North Carolina Bar Association; Chair, Nominating Committee; Member, Call4All Task Force; Past Chair and Council Member, Fiduciary Law Section; Past Trustee, Health Benefit Trust of North Carolina Bar Association.

Member and Past Chair, Wake Forest Planned Giving Advisory Council; Member Winston-Salem Estate Planning Council. Hospice Foundation, Board Member; United Way of Forsyth County, Past Board Member; Crosby Scholars Program, Past Board Member, Member of Capital Campaign Cabinet; First Citizens Bank, Local Board of Directors; Crisis Control Ministry, past Board Chair and Current Member of Board Development Committee; United Way of Forsyth County Foundation, Founding Board Member and Executive Committee Member; Children's Museum of Winston-Salem, Founding Board Member; Wake Forest University School of Law National Law Fund Committee, past Board Member; Winston-Salem Downtown Rotary Club, Member and Officer; Junior League of Winston-Salem, Sustaining Member; Hope Presbyterian Church, Member.

Per NCGS § 58-64(a)(3)(b) Womble Carlyle Sandridge & Rice (One West Fourth Street, Winston Salem, NC 27101), a full services legal firm, in which is Mrs. Stogner is a Partner, provides legal services to Salemtowne, the anticipated cost of which cannot be estimated.

Patti Stoltz. *Trustee. 4355 Mashie Drive Pfafftown, North Carolina 27040.*

Pattie grew up in Denver, Colorado and then moved with her family to Maryland outside the D.C. area for her high school years. Patti attended Duke University and married her college sweetheart, Jerry D. Stoltz, in 1964. She began her teaching career of 46 years at Durham High School while Jerry finished his football eligibility.

The Stoltzes then moved to Winston-Salem where she taught at East Forsyth High School for two years before becoming a stay at home mom. In 1975 she began teaching at Forsyth Country Day School, a career that lasted for 43 years; she retired last June.

While at Forsyth Country Day School, Pattie held several positions, including English Department Head, Director of Academic Life, College Counselor and Upper School Head for 14 years.

Patti also served on several SACS (Southern Association of Colleges and Schools)

evaluation teams. Currently she is serving her second term on the Board of Trustees for New Hope United Methodist Church and teaches and adult Sunday School class.

Management Staff - Officers:

Mark A. Steele. *President and Chief Executive Officer.*

Dr. Steele is responsible for the overall management of the Corporation. Dr. Steele joined Salemtowne in August 2015, having previously served as President and General Manager of China Operations of Cornerstone Affiliates International (a subsidiary of American Baptist Homes of the West “ABHOW”) in Pleasanton, CA since 2013. In that prior position, he was responsible for planning an expansion into the Chinese market and overall growth and profitability of the organization. Dr. Steele held a number of positions within the ABHOW organization for sixteen years as well positions in the senior living industry such as: Vice President, Regional Operations Manager of Continuing Care Retirement Communities, California and Arizona, 2004 to 2013; Executive Director of The San Joaquin Gardens in Fresno, CA, 1999 to 2005; Associate Director of The Samarkand, Santa Barbara, CA, 1993 to 1999; Administrator of Crista Nursing Home, Seattle, WA, 1992 to 1993; Administrator, Fred Lind Manor, Seattle, WA, 1991 to 1992; Assistant Administrator, Branch Villa Health Care Center, Seattle, WA, 1990 to 1991; and Church Pastor at Western District of the Missionary Church, Camarillo, CA, 1983 to 1990.

Dr. Steele completed a Doctor of Ministry, Leadership and Global Perspectives from George Fox University, Portland, OR, obtained his Masters of Business Administration from La Verne University, La Verne, CA, his Masters of Divinity from Biola University, La Mirada, CA, and his Bachelors of Arts in Speech Communications from Polytechnic State University, San Luis Obispo, CA.

Brian Tuckmantel, *Chief Financial Officer.*

Mr. Tuckmantel joined the Corporation in November, 2017 having previously served as Executive Vice President for Alcore Senior, LLC, a start-up senior living development and management company, which owns, operates and manages a portfolio of five properties. Mr. Tuckmantel has over 20 years in senior living serving as Owner/Chief Executive Officer, Chief Financial Officer, Vice-President – Financial Planning & Analysis, Division Director – Accounting & Finance, Regional Director of Finance/Regional Accountant, Revenue Manager and Executive Director. Mr. Tuckmantel received his Bachelor of Science in Food Science from The Pennsylvania State University, in 1995 and his Masters of Business Administration in Accounting from Temple University in 2003.

Kathryn S. Wilson. *Director of Human Resources, Corporate Compliance Officer and Assistant Secretary.*

Mrs. Wilson joined Salemtowne in 2004, previously serving as Manager of Operations Training and Employee Development with Blue Cross Blue Shield of N.C. in Winston Salem, N. C.; Director of Corporate Communications and Staff Development with Partners National Health Plans of N.C., Inc. in Winston Salem, N. C.; Personnel Director with WXII-TV in Winston Salem, NC; Personnel Manager with Meridian Corporation in

Alexandria, VA.; and Personnel Coordinator with Dynamac Corporation in Lexington Park, MD.

Mrs. Wilson earned a Masters in Rehabilitation Counseling and Vocational Evaluation, a Bachelor of Science in Speech, Language, and Auditory Pathology both from East Carolina University in Greenville, N.C. and an Associate of Arts in Liberal Arts from Peace College in Raleigh, N.C. She has earned a Masters in Integrated Marketing Communications from West Virginia University.

Joseph Yoon. *Health Care and Assisted Living Administrator.*

Mr. Yoon joined the Corporation in June 2018 having previously served as Director of Health Services for Aldersgate United Methodist Retirement Community, a Life Care Community located in Charlotte, North Carolina. Mr. Yoon is licensed as a Nursing Home Administrator in North Carolina. Mr. Yoon has previously served as an Executive Director, Assistant Administrator, Assisted Living Coordinator, Health Services Associate and a Section 8 Senior Housing Community Manager. Mr. Yoon attained a bachelor's degree in Management of Aging Services from the University of Maryland Baltimore County.

Physical Description of the Community. Salemtowne is located on a 120+ acre site, off Bethabara Park Boulevard in Winston Salem, North Carolina. The Community provides housing and services, including health care, to individuals of retirement age and currently consists of:

- 224 Independent Living Accommodations
- 46 Assisted Living Center Accommodations
- 100 Health Care Center Living Accommodations (All are Medicare certified, of which 20 are also Medicaid certified.) and 20 Memory Support Accommodations
- Community Center
- Fitness Center which includes land and equipment exercise areas, an indoor aquatic pool and whirlpool and Wii exercise and entertainment system
- Walking trails
- Over 25 acres of environmentally protected property
- Four-acre lake
- Art Galleries
- Complimentary Wi-Fi in common areas
- Emergency Response System for the entire 125-acre campus

Refer to Section II., herein, for a detail listing of the various Living Accommodations.

The community also includes reception areas, dining rooms, private dining rooms, coffee shop, art galleries, lounges, multi-purpose rooms, convenience/gift shops, beauty/barber shops, creative arts areas, wood working shop, library, game rooms, as well as housing support services including kitchens, maintenance, laundry and housekeeping.

I. Services

The services and facilities that are provided through the Entrance and Monthly/Daily Fees are described in detail in the Residence and Services Agreements and are summarized below:

These services are provided to all Residents, regardless of level of accommodation, and are included in the monthly/daily fees. (Fees will not be reduced or unbundled for services that Residents decline such as dining.)

- Flexible dining plan - Independent Living residents' monthly service fees include flexible dining allowances based on their accommodation and fee plan. Assisted Living and Skilled Nursing Center and Memory Support Center residents do not participate in a dining allowance plan. Three meals per day are provided to these residents as a part of their monthly service fees.
- Limited parking (one unassigned space)
- Limited storage (based on Living Accommodation)
- Computer/internet access
- Complimentary Wi-Fi access in common areas
- Common facilities, as available
- All utilities, except telephone and internet service
- Basic Cable television service
- Weekly housekeeping service for Independent Living
- Laundry facilities
- Maintenance service for company owned property and equipment
- Grounds keeping (basic services)
- Mail and package delivery (as described in the level of care residence and services agreement and the resident handbook provided to all residents)
- Limited local medical transportation (up to 4 trips per month as described in the residence and services agreement and the resident handbook)
- Activities (Social, spiritual, physical and intellectual programs) Additional charges may be incurred for some programs.
- Pastoral care
- On-site delivery of pharmaceuticals and pharmaceutical consultations
- Routine nursing services through the clinic
- Nutritional counseling
- Emergency nursing services
- 24-hour medical emergency call system, security and fire protection
- Check Cashing
- Notary Public services

The following additional services are provided with the monthly/daily fee to Assisted Living Center and Skilled Nursing and Memory Support Residents in the Health Care Center. (Fees will not be reduced or unbundled for services that Residents decline such as meals or laundry.)

Assisted Living Center	Memory Support Center	Health Care Center
• Three meals daily	• Three meals daily	• Three meals daily
• Meal service to room, if required	• Meal service to room, if required	• Meal service to room, if required
• Dining room assistance	• Dining room assistance	• Dining room assistance
• Assistance with bathing and grooming	• Assistance with bathing and grooming	• Assistance with bathing and grooming
• Weekly housekeeping service	• Daily housekeeping service	• Wheelchair assistance
• Personal laundry service	• Personal laundry service	• Daily housekeeping service
• Medication delivery by a nurse or medication technician	• Medication delivery by a nurse or medication technician	• Personal laundry service
• Monitoring of vital signs according to physician's order	• Monitoring of vital signs according to physician's order	• Medication delivery by a nurse
• Nursing evaluation	• Nursing evaluation	• Monitoring of vital signs according to physician's order
• Multi-disciplinary care planning	• Multi-disciplinary care planning	• Nursing evaluation
• Access to Fitness Center	• Access to Fitness Center	• Multi-disciplinary care planning
• Personal lockable space to secure your valuables	• Personal lockable space to secure your valuables	• Whirlpool tub
		• Skilled care by RNs, LPNs and CNAs on duty 24 hours per day
		• Access to Fitness Center
		• Personal lockable space to secure your valuables

Certain services are not provided by Salemtowne. These are detailed in the Residence and Services Agreements. These services are not included in the Residence and Services Agreements' Monthly/Daily Fees but can be provided at the Resident's additional expense. This is not an all-inclusive listing of services you may request or utilize. With respect to services not listed, consult the resident handbook, schedule of charges (both provided to residents) or the Finance Office.

- On-site Physician Visits
- On-site Laboratory Services
- On-site X-ray Services
- On-site Podiatric Care
- On-site Rehabilitative Therapy
- On-site Dental Care
- On-site Occupational Therapy
- On-site Therapeutic activities
- Pharmacy Services
- Additional dining services in excess of dining plan selected
- Catering and guest meals
- Physician and Specialist services
- Private duty nurses and personal aides
- Wheelchairs, walkers and other medical equipment and supplies
- Certain cultural and sightseeing trips
- Special transportation for individual or group trips
- Alterations to living accommodation, if approved by Corporation
- Grounds keeping, personally requested services, if approved by the Corporation
- Limited storage, as available

Babcock Health Care and Rehabilitation Center - Health Care Center. Salemtowne completed construction of a new 100-bed skilled nursing and rehabilitation center (the "Health Care Center") with a new 20-bed assisted living memory support center (also known as the "Memory Support Center" or "Westerly Place"). The Health Care Center and Westerly Place is collectively known as the "Babcock Health Care and Rehabilitation Center" or the "Health Care Center." Salemtowne began occupancy and transitioned the existing nursing residents to the Health Care Center in July 2017.

The Health Care Center is designed in a neighborhood setting and includes state of the art therapy and rehabilitation activity center.

The Health Care Center is provided for the benefit of the Residents. Private accommodations are provided in the Health Care Center as well as a Special Care area, which serves the needs of individuals diagnosed with Alzheimer's or other dementia-related diseases. Nurses are on duty 24 hours a day, and all Living Accommodations are equipped with an emergency call system.

The overall coordination and provision of health care services is provided by the Resident Review Committee and a Medical Director who is a licensed physician selected by the Corporation. A physician is on campus on specified days of each week. Residents may choose to use this physician or continue to use their own private physicians. Residents will be responsible for charges for services by such physicians and any consultants.

Temporary care is available in the Health Care Center or Assisted Living Center for treatment of short-term illnesses or injuries.

Clinic and Related Services. A clinic is maintained for Residents in which nursing staff offer certain non-emergency medical treatment at no additional charge.

On-Site Emergency Call Response. Each Living Accommodation is equipped with an emergency medical call system. This system covers substantially all of the outside campus areas as well. Salemtowne nursing staff will respond to emergency calls.

Emergency Medical Care. When emergency medical care is necessary, the Resident's physician is notified. If acute medical care is necessary or upon physician's or the Resident's request, the Resident will be transferred to a local hospital Emergency Room.

Masten Assisted Living Center. The Assisted Living Center is provided for the benefit of the Residents who require assistance with activities of daily living such as bathing, dressing, and medication administration in private accommodations. Dining room assistance, monitoring of vital signs, and nursing assessments are also provided in the Assisted Living Center. The Assisted Living Center is staffed with Certified Nursing Assistants and LPNs on duty 24 hours a day.

Other Services Provided. Residents may not engage third parties for services to be rendered within Salemtowne without prior notification to and authorization by Salemtowne Management.

Pharmacy. Pharmacy services are available to all Residents. Independent Residents may choose to use this service or any pharmacy of their choice. Assisted Living, Memory Support Center and Skilled Nursing Center Residents are encouraged to purchase medications through this service since medications for these Residents are distributed by Salemtowne's nursing staff and must be packaged by unit dose.

Future Expansion Projects

In 2018 Salemtowne began a master planning process that is considering the construction of a new assisted living building, additional independent living apartments, as well as analyzing the existing Vogler Building, common space, kitchens, dining spaces and other needs on the campus. In addition, Salemtowne also plans to explore other capital related projects on the current campus that could include the renovation of the current dining facilities, the construction of a new walking trail, a dog park and a new café. No final plans have been decided upon and no decision regarding any financing thereof has been made.

The Independent Living Project – “Woodlands”

The Independent Living Project was completed on April 1, 2020 and included 56 new independent living apartments in two buildings. The Independent Living Project is planned to be located on the existing campus in two four-story buildings and is planned to include underground parking.

The following table sets forth the number of accommodations prior to and after the completion the Independent Living Project.

Level of Care	Current	The Independent Living Project	Total
		New Units/Beds	Upon Completion
Independent living units	168	56	224
Assisted living beds	46	-	46
Memory support beds	20	-	20
Skilled nursing beds	100	-	100
Total	334	56	390

The existing Independent Living Accommodations and the New Independent Living Project is collectively referred to as the Independent Living Accommodations.

[LEFT INTENTIONALLY BLANK]

II. Fees (Schedule of Fees)

Salemtowne offers attractive, comfortable Living Accommodations at affordable prices. Salemtowne allows for direct entry into the Assisted Living Center as well as the Health Care Center.

Residents who choose to become a part of the Salemtowne community through entry into independent living are required to pay a one-time Entrance Fee, which is determined by the Living Accommodation selected. Monthly/daily fees are also charged for services provided.

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

Residents directly admitted to the Health Care Center do not pay Entrance Fees but do pay monthly/daily fees for services provided. A one-time Entrance Fee may be required for direct admissions to the Assisted Living and Westerly Place.

Residents who have paid an Entrance Fee to the community will participate in the Room & Board Discount Program in place of the Entrance Fee Grace Days Program. These Residents, who have a stay in the Health Care Center or the Assisted Living Centers, will receive a discount from published external admission room and board rates. This discount program is subject to change. As of the date of this Disclosure Statement, the discount is 20%.

Priority Entry. Residents are provided priority entry over non-Residents for entry to the Health Care Center or Assisted Living Center. The community will make every effort to accommodate Residents in the Health Care Center and/or Assisted Living Center but cannot guarantee availability of accommodations. In the event the Health Care Center and the Assisted Living Center are fully occupied when a Resident is in need of care, the Resident agrees to relocate to an alternate health care facility that provides services similar (“a Comparable Facility”). In the event of relocation, the community will make every effort to transfer the Resident back to Salemtowne when accommodations become available.

Upon the Resident’s relocation to a Comparable Facility, the Resident will continue to be responsible for the Monthly/Daily Fee (unless their Living Accommodation is surrendered). Salemtowne will not be responsible for the charges associated with the alternate accommodations.

Entrance Fee and Deposit. The Entrance Fee balance and unpaid non-standard feature costs will be due and payable 10 days prior to the date of occupancy. Reasonable notice is given prior to the projected date of occupancy. Occupancy is defined as the first day that a Resident either resides in the Living Accommodation or the first day that the Resident’s furnishings or belongings occupy the Living Accommodation or a storage area at Salemtowne.

Notwithstanding the foregoing, unless agreed upon in writing, the resident must take occupancy within thirty (30) days after the date the Living Accommodation is available for

occupancy in accordance with the Reservation Agreement. If occupancy is not taken by such time, the resident shall accept financial responsibility for the Living Accommodation and pay the balance of the Entrance Fee, balance of any Non-Standard Costs, and begin paying the applicable Monthly / Daily Fees beginning with the 30th day after the date the Living Accommodation is available for occupancy, unless this Agreement is terminated prior to the 30th day after the date the Living Accommodation is available for occupancy.

Adjustments To Fees. The fees (Entrance Fees, Monthly/Daily Fees and Additional or Ancillary Fees) are usually set annually to provide the facilities, programs and services described in this disclosure statement and are intended to meet the cost of debt service, insurance, maintenance, administration, staffing and other expenses associated with the establishment, operation and management of Salemtowne. The Corporation shall have the authority to adjust the fees from time to time as the Corporation in its discretion deems necessary. Any such increase in the fees or other charges may be made by the Corporation upon thirty (30) days written notice to the Residents.

In the event that it should be determined that the Corporation is required to pay ad valorem taxes upon its property, the Monthly/Daily Fee may be adjusted to reflect the amount of such taxes.

In the event Salemtowne is assessed sales or use tax on Monthly/Daily Fee and/or fees for other services, Residents are responsible for all such taxes.

Residents are responsible for all taxes assessed on their personal property.

For a partial first month, the Monthly/Daily Fee is pro-rated on a per diem basis. Thereafter, Monthly/Daily Fees are paid in advance.

Current fees are listed on the following Schedule of Fees. These fees are effective for residents who enter the community under this Disclosure Statement. Any future increases will be disclosed as an amendment to the disclosure statement and presented in Appendix A herein.

[LEFT INTENTIONALLY BLANK]

Independent Living Cottages

(This schedule of fees is effective for Residents entering the community on
or after June 1, 2017 under the “New” fee program.)

	<u>Square Footage</u>	<u>Entrance Fee</u>	<u>Monthly</u>
Wachovia Village			
Hatteras - 2BR	1,172	\$166,900 - \$175,600	\$2,968
Emerald - 2BR	1,356	\$200,200 - \$221,100	\$3,094
Salem Village			
Bethania - 2BR	1,553	\$262,300 - \$275,200	\$3,638
Hickory - 2BR	1,560 - 1,755	\$249,800 - \$312,600	\$3,635 - \$3,756
Catawba - 2BR	1,678 - 1,954	\$268,600 - \$350,800	\$3,638 - \$4,014
Catawba - 3BR	2,033 - 2,363	\$359,700 - \$410,100	\$3,998 - \$4,301
Catawba - 2BR w/ basement	3,210 (1,678 heated)	\$364,000	\$3,955
Bethabara Place			
Mitchell - 2BR	1,440	\$274,300	\$3,452
Shenandoah - 2BR	1,617 - 1,698	\$308,000 - \$323,400	\$3,635 - \$3,756
Appalachian - 2BR	1,640 - 1,750	\$303,200 - \$323,800	\$3,695 - \$3,763
Rutherford - 2BR	1,817 - 2,100	\$336,000 - \$397,800	\$3,998 - \$4,620
Watauga - 2BR	3,200	\$413,500	\$4,504

Monthly Fee for Second Occupants is \$715.

Monthly Fees includes: all utilities (excluding telephone), cable, weekly housekeeping, maintenance and \$171 per month per Resident dining allowance.

50% and 90% Entrance Fee Plans are offered. Please contact Salemtowne’s Marketing team for current pricing and availability.

Residents moving between independent living residences will be charged for renovation costs. For a second and each subsequent move between independent living residences, residents will be charged \$10,000 in addition to any entrance fee and renovation costs. There may be an additional entrance fee for new residents joining existing residents. Please contact Salemtowne’s Marketing team for information.

Independent Living Apartments

(This schedule of fees is effective for Residents entering the community on or after June 1, 2017.)

	<u>Entrance Fee</u>	<u>Monthly Fee</u>
Vogler Building / Bahnson Hall:		
Forsyth – 1BR~530 sf	\$73,500 - \$93,500	\$2,199
Winston A or B – 2BR~790 sf	\$100,900 - \$111,500	\$2,480
West End – 1BR~790 sf	\$101,000 - \$109,500	\$2,480
Buena Vista – 2BR~1,055 sf	\$140,400 - \$152,200	\$2,769
Driscoll Apartment Building:		
Reynolda – 1BR ~ 751 sf	\$129,100 - \$162,900	\$2,613
Sherwood – 1BR~ 936 sf	\$154,100 - \$167,100	\$2,904
Piedmont - 2BR~1,073 sf	\$188,200 - \$205,600	\$3,270
Brookstown – 2BR~1,107 sf	\$185,200 - \$196,600	\$3,275
Twin City – 2BR~1,240 sf	\$205,600 - \$216,500	\$3,508

Monthly Fee for Second Occupants is \$914.

Monthly Fees includes: all utilities (excluding telephone), cable, weekly housekeeping, maintenance and \$358 per month per Resident dining allowance.

Monthly fee includes: Bed and bath linen laundry service for Vogler Building and Bahnson Hall apartments.

Residents moving between independent living residences will be charged for renovation costs. For a second and each subsequent move between independent living residences, residents will be charged \$10,000 in addition to any entrance fee and renovation costs. There may be an additional entrance fee for new residents joining existing residents. Please contact Salemtowne's Marketing team for information.

50% and 90% Entrance Fee Plans are offered. Please contact Salemtowne's Marketing team for current pricing and availability.

The Woodlands

	<u>Entrance Fee</u>	<u>Monthly Fee</u>
Beech, 1BR w/ Den ~ 1215 sf	\$208,370	\$3,409
Beech (Top Floor), 1BR w/ Den ~ 1215 sf	\$234,830	\$3,409
Dogwood – 2BR ~ 1395 sf	\$263,500	\$3,573
Dogwood (Top Floor) – 2BR ~ 1395 sf	\$302,090	\$3,573
Hawthorne – 2BR ~ 1490 sf	\$281,140	\$3,662
Hawthorne (Top Floor) – 2BR ~ 1490 sf	\$323,030	\$3,662
Pine – 2BR w/ Den ~ 1640 sf	\$318,620	\$3,814
Pine (Top Floor) – 2BR w/ Den ~ 1640 sf	\$373,750	\$3,814
Sycamore - 2 BR w/ Sunroom ~ 1750 sf	\$338,470	\$3,967
Sycamore (Top Floor)- 2 BR w/ Sunroom ~ 1750 sf	\$395,800	\$3,967
Willow - 2 BR w/ Sunroom ~ 1750 sf	\$373,750	\$4,043
Willow (Top Floor)- 2 BR w/ Sunroom ~ 1750 sf	\$445,410	\$4,043

Monthly Fee for Second Occupants is \$731.

Monthly Fees includes: all utilities (excluding telephone), cable, weekly housekeeping, maintenance and \$225 per month per Resident dining allowance.

Residents moving between independent living residences will be charged for renovation costs. For a second and each subsequent move between independent living residences, residents will be charged \$10,000 in addition to any entrance fee and renovation costs. There may be an additional entrance fee for new residents joining existing residents. Please contact Salemtowne's Marketing team for information.

50% and 90% Entrance Fee Plans are offered. Please contact Salemtowne's Marketing team for current pricing and availability.

Assisted Living and Nursing Beds

	Units	Beds	Approximate Square Footage (room)	Monthly Fees	
Assisted Living Units					
Assisted living room	22	22	262	\$5,325	
Assisted living suite	12	24	524	\$7,064	
Total Assisted Living Beds/Units:	34	46			
Health Care Center					
				Daily Fees	Monthly Fees
Nursing (private room)	100	100	300	\$373	
Memory Care (private room)	20	20	300		\$8,670

--The monthly fees shown are for direct admission into the Memory Care and Assisted Living Units. Independent living residents who entered the community after May 1, 2014 who transfer to the Memory Care, Assisted Living Units and Nursing Care Units receive a discount of 20% on the monthly fee.

--Single occupancy rate for an assisted living suite. A couple residing in an assisted living suite would be required to pay two times the assisted living room rate of \$5,325.

Historic Changes in Major Fees

The following table shows average changes in the monthly service fees over time. Note that it is the average dollar amount of the CHANGE in fees from year to year that is shown – NOT the fees themselves. All changes during this period occurred once per year on June 1st, except as noted below in footnotes (1, 2)

Effective Date	Independent Living		Assisted Living		Memory Support		Skilled Nursing	
	% Per Month (Average)	\$ Per Month (Average)	% Per Month (Average)	\$ Per Month (Average)	% Per Month (Average)	\$ Per Month (Average)	% Per Month (Average)	\$ Per Month (Average)
6/1/2016	3.1%	\$103	3.1%	\$163	n/a	n/a	3.5%	\$304
6/1/2017	3.5%	\$119	3.4%	\$190	n/a	n/a	3.3%	\$304
6/1/2018	3.5%	\$93	3.5%	\$184	0.0%	\$0	14.7%	\$1,369
6/1/2019	3.4%	\$91	3.0%	\$163	3.4%	\$275	3.0%	\$319
6/1/2020	3.5%	\$100	3.5%	\$201	3.5%	\$293	3.5%	\$380

- (1) Increased overall rates by an average of 3.5% except for newly introduced new fee plans in June 2017. The new fee plan for new residents to the Community for the independent living units includes adjusted entrance fees and monthly fees based on the view, location and type of unit.
- (2) Effective June 1, 2018 – Increased overall rates in Independent Living and Assisted Living by an average of 3.5%. Skilled Nursing Room rates increased by 14.7%. Memory Support was not increased as it had not reached stabilized census.

Entrance Fee Refund. The Resident, the Resident's estate or a revocable trust may be entitled to a refund of a portion of the Entrance Fee paid, when the Resident moves out of the community, as described in the Residence and Services Agreement (Appendix A of this disclosure statement). Any refund provided is conditioned on all of the Resident's obligations in the Residences and Services Agreement having been met by the Resident, the Resident's Power of Attorney or the Resident's estate. The cost to repair damages to the Living Accommodation and storage areas in excess of normal wear and tear will be deducted from the applicable refund. Any refund due to the Resident will be made, within thirty (30) days of the date the Resident's Living Accommodation shall have been reserved by a prospective Resident and such prospective Resident shall have paid their full Entrance Fee.

Standard Entrance Fee Refund. This Entrance Fee refund, if applicable, shall be equal to the Entrance Fee less a non-refundable fee of four percent (4%) of the Entrance Fee; the remaining balance is subject to amortization of two percent (2%) for each month of occupancy, as defined herein, for up to forty-eight (48) months. In calculating amortization for purposes of this section, a period of more than fifteen (15) days will be considered as a full month; fifteen (15) days or less will be disregarded for purposes of this calculation. No refund of the Entrance Fee shall be paid after forty-eight (48) months of occupancy.

50% Entrance Fee Refund. This Entrance Fee refund, if applicable, shall be equal to the Entrance Fee less a non-refundable fee of four percent (4%) of the Entrance Fee; the remaining balance is subject to amortization of two percent (2%) for each month of occupancy, as defined herein, for up to twenty-three (23) months. In calculating amortization for purposes of this section, a period of more than fifteen (15) days will be considered as a full month; fifteen (15) days or less will be disregarded for purposes of this calculation. The refunded Entrance Fees will never be less than 50% of the original Entrance Fee, except for accrued expenses that are deducted.

90% Entrance Fee Refund. This Entrance Fee refund, if applicable, shall be equal to the Entrance Fee less a non-refundable fee of four percent (4%) of the Entrance Fee; the remaining balance is subject to amortization of one percent (1%) for each month of occupancy, as defined herein, for up to six (6) months. In calculating amortization for purposes of this section, a period of more than fifteen (15) days will be considered as a full month; fifteen (15) days or less will be disregarded for purposes of this calculation. The refunded Entrance Fees will never be less than 90% of the original Entrance Fee, except for accrued expenses that are deducted.

In the event of termination of the Residence and Services Agreement after occupancy, Salemtowne will offset against any Entrance Fee refund due the Resident for the following:

1. The amount of any Monthly/Daily Fees or other amounts payable to us, which remain outstanding, and
2. Any costs incurred to restore the Living Accommodation to good condition, normal wear and tear excepted.
3. Costs of storage or disposal of any personal belongings left in the Living Accommodation.

Entrance Fees are not subject to refund at the time of transfer to the Assisted Living Center or the Health Care Center. Entrance Fees are not subject to refund if there is dual occupancy and one resident dies or moves out of the community.

Entrance Fees are subject to refund except as noted above only in the following situations:

- Termination prior to occupancy
- Voluntary termination
- Termination upon death
- Termination by the Corporation

Health Insurance. Residents will maintain eligible Medicare coverage and one supplemental health insurance policy or equivalent insurance coverage, which adequately covers hospital, medical, prescription, and skilled nursing deductibles and co-payments required of the primary insurance plan. Both the primary and supplemental health insurance policies must recognize Salemtowne as a health care provider or Residents will assume the financial responsibility for services provided that otherwise could be covered.

Residents will be responsible for ensuring that the health insurance coverage does not lapse, and will provide Salemtowne with evidence of such coverage upon request. If health insurance coverage should lapse, Salemtowne may require that Residents reapply for suitable coverage. If Residents are unable to obtain adequate new coverage, Salemtowne will charge Residents for any costs of medical and other health care services provided, that otherwise would have been covered by an approved policy.

Salemtowne reserves the right, in its sole discretion, to eliminate or change its participation with any and all insurance plans.

FINANCIAL ASSISTANCE

Subsidy. The Corporation declares its policy that the Residence and Services Agreement will not be terminated solely because of a Resident's financial inability to continue to pay the Monthly/Daily Fees or other charges payable to Salemtowne by reason of circumstances beyond the Resident's control, provided, however, this declaration shall not be construed as qualifying the right of the Corporation to terminate the Residence and Services Agreement in accordance with the terms thereof.

In the event that a Resident presents facts which in the opinion of the Corporation justify special financial consideration, the Corporation will give careful consideration to subsidizing in whole or in part the Monthly/Daily Fees and other Salemtowne fees payable by the Resident so long as such subsidy can be made without impairing the ability of the Corporation to attain its objectives while operating on a sound financial basis.

In the event that the Corporation may subsidize in whole or in part the Monthly/Daily Fees and other fees payable by the Resident, the Resident will be required to execute a Financial Assistance Agreement with the Corporation.

In the event that Salemtowne continues to provide the services to a Resident under the terms of the Residence and Services Agreement despite their financial inability to continue

to pay the Monthly/Daily Fee or other Salemtowne fees payable under the terms of the Residence and Services Agreement, Salemtowne shall be entitled to require the Resident to move to a smaller or less costly Living Accommodation.

Any determination by the Corporation with regard to the granting of financial assistance shall be within the sole discretion of the Corporation.

Financial Assistance Funds. The Corporation has established funds, which will be used to assist Residents who would otherwise not be able to live at Salemtowne.

III. **Entry/Admission**

Applicants will qualify for entry to Salemtowne upon satisfaction of the following provisions:

Age. The entry requirements for residence at Salemtowne are nondiscriminatory except as to age, and Salemtowne is open to both married and single men and women of all races and religions. Entry to independent living is restricted to persons 62 years of age or older, except in the case of double occupancy, at least one of the persons must be 62 years of age or older. Entry in the Assisted Living Center and the Skilled Nursing Center and the Memory Support Center within the Health Care Center is restricted to persons 62 years of age or older except for residents who enter into the Skilled Nursing Center for rehabilitation which is restricted to persons 55 years or older.

Personal Interview. Applicants will have an interview with a representative from Salemtowne prior to taking residency at Salemtowne. Upon review of all information required to be furnished, additional interviews may be requested by the Corporation.

Application, Health History and Financial Statement. Applicants shall submit for review, by the Admissions Committee appointed by the Corporation, an Application for Entry, a personal health history, and a Confidential Financial Statement, all on forms furnished by the Corporation.

Notification. Salemtowne will review the submitted application materials as well as the results of the interviews and nursing assessments and will notify applicants whether they meet the entry requirements.

Health Requirements. Prior to entry, applicants shall submit a report of a physical examination made by a physician of their choice. Such report shall include a statement by such physician that the applicant is able to perform normal living activities. Salemtowne may require applicants to have another physical examination by our Medical Director or by another physician approved by the Corporation. Applicants shall be responsible for the costs of such physical examinations. If an applicant's health as disclosed by such physical examination differs materially from that disclosed in the application materials, the Corporation shall have the right to decline entry and/or to terminate the Residence and Services Agreement, or in the discretion of the Corporation, to permit the applicant to take occupancy of accommodations at Salemtowne suitable to their needs.

Financial Requirements. Applicants must have assets and income which will be sufficient under foreseeable circumstances to pay the financial obligations under the Residence and Services Agreement and to meet their ordinary living expenses. Salemtowne may require current financial information at any time prior to and subsequent to occupancy.

Financial Resources. You, your current and future responsible parties (i.e. power(s) of attorney, executor(s)) will abide by any and all financial arrangements made with the Corporation for the purpose of securing your ability to pay any and all charges for residing at Salemtowne. You agree not to make any gift or other transfer of assets for the purpose of evading your obligations under this Agreement, or if such gift or transfer would render you unable to meet such obligations under this Agreement. Gifts or transfers of assets in this manner, which result in your inability to meet your financial obligations in accordance with this Agreement, will entitle Salemtowne to terminate this Agreement, and you or your responsible parties, as applicable, will be liable for any unpaid amounts.

Temporary Entry. Temporary entry to the Skilled Nursing Center is available through the Medicare program (for up to one hundred (100) days) or through private pay sources (for up to thirty (30) days). Temporary entry to the Assisted Living Center is available for up to thirty (30) days. Per diem fees apply. There is no Entrance Fee for any type of temporary entry.

A Resident admitted under a temporary entry is not eligible for permanent entry to the Skilled Nursing Center and the Memory Support Center within the Health Care Center, the Assisted Living Center or the independent living areas at Salemtowne except through the Salemtowne application process of making separate application, approval of the application and execution of a separate Residence and Services Agreement.

TERMINATION

Termination Prior to Occupancy. The Residence and Services Agreement may be terminated by you at any time prior to taking occupancy at Salemtowne for any reason by giving written notice to the Corporation. The Agreement will automatically be canceled due to death or physical or mental conditions that would make you ineligible for entry to Salemtowne.

The Agreement may be terminated by the Corporation at any time prior to the date that you take occupancy if the Corporation determines that you do not meet the physical, mental or financial requirements for entry.

In the event of such termination (including death, illness, injury, or incapacity), you shall receive a refund of the Entrance Fee paid, less a non-refundable fee equal to 4% of the total amount of the Entrance Fee, and less amounts paid or due to be paid for non-standard features added to the Living Accommodation. Any such refund shall be paid by the Corporation within sixty (60) days following termination pursuant to this paragraph.

Voluntary Termination. At any time, a Resident may terminate the Residence and Services Agreement by giving the Corporation adequate notice:

- fourteen (14) days prior written notice of such termination for independent Living Accommodations,
- fourteen (14) days prior written notice of such termination for Assisted Living Center accommodations, **or**
- five (5) days prior written notice of such termination for Health Care Center accommodations.

If a Resident does not provide adequate notice, or if no written notice is given, the Resident will be responsible for paying the Monthly/Daily Fee for the applicable Living Accommodation for the full notice period.

A Resident may be deemed to have abandoned the Living Accommodation and terminated the Residence and Services Agreement if they do not occupy a residence at Salemtowne for a period of one continuous year. Occupancy is defined as the last day that a Resident either resides in the Living Accommodation or the last day that the Resident's furnishings or belonging occupy the Living Accommodation or a storage area at Salemtowne.

If such termination shall occur within forty-eight (48) months after the date of occupancy, the Resident will receive a partial refund of the Entrance Fee paid in accordance with the Residence and Services Agreement's Refund section for Voluntary Terminations.

Temporary Absence. Temporary absences because of illness, trips or other will not affect a Resident's rights to retain occupancy of the Living Accommodation, as long as applicable Monthly/Daily Fees are paid.

Termination Upon Death. In the event of a Resident's death and such Resident is not survived by a spouse residing at Salemtowne who has signed the Residence and Services Agreement, the Agreement shall terminate and, subject to the their continuing obligations, described in the Residence and Services Agreement, the portion, if any, of the Entrance Fee to be refunded shall be determined in the same manner as a Voluntary Termination paid to the estate of the deceased Resident.

In the event of a Resident's death and such Resident is survived by a spouse residing at Salemtowne who has signed the Residence and Services Agreement, the Agreement shall not terminate and no refund will be payable.

In the event a refund becomes due, the date that the deceased Resident's responsible party/estate executor removes all personal belongings from the Living Accommodation shall determine the termination date. Any refund due the Resident's estate under this paragraph 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 the Corporation such prospective Resident's full Entrance Fee; provided, however, that the Resident' estate shall continue to be obligated to pay the applicable Monthly/Daily Fee for such Resident's Living Accommodation until such Resident's Living Accommodation is vacated and left in good condition except for normal wear and tear.

Termination by the Corporation. Salemtowne may terminate the Resident and Services Agreement at any time if there has been a material misrepresentation or omission made by a Resident during the application process; if the Resident fails to make payment to the Corporation of any fees or charges due the Corporation within thirty (30) days after receiving written notice of their failure to pay such fees or charges; if Residents do not abide by the rules and regulations adopted by the Corporation or breach any of the terms and conditions of the Agreement; if the health or safety of other individuals in the Corporation is endangered if a Resident remains in Salemtowne, as determined by a physician, physician assistant or nurse practitioner; or the discharge is necessary for a Resident's welfare and the Resident's needs cannot be met by the Corporation as documented by the Resident's physician, physician assistant or nurse practitioner.

Residents will be responsible for paying the Monthly/Daily Fee for the applicable Living Accommodation for the full notice period and for each day of occupancy. Any refund of the Entrance Fee due to the Resident following voluntary termination of the Agreement by the Corporation will be made in accordance with refund policies. Except in cases of emergency, Residents will receive a notice of the termination by the Corporation at least thirty (30) days prior to the effective date of termination. Residents may be entitled to appeal the Corporation's decision to terminate this Agreement and, except in cases of emergency, the Corporation will not discharge a Resident before the final decision resulting from the appeal has been rendered.

Condition of Living Accommodation. At the effective date of termination of the Residence and Services Agreement, Residents will vacate the Living Accommodation, including any storage areas at Salemtowne, and will leave both in good condition except for normal wear and tear. Residents, or their estates, will be liable to the Corporation for any costs incurred in restoring the Living Accommodation and storage areas to good condition except for normal wear and tear.

Removal of Personal Property. In the event of termination of the Agreement, Residents agree to surrender the Living Accommodation and any storage areas, which were occupied, within thirty (30) days of the determination.

The Corporation reserves the right to remove a Resident's belongings from the Living Accommodation and any storage areas. Residents will pay a Monthly/Daily storage fee equal to 50% of the Monthly/Daily Fee for the previously occupied Living Accommodation or the actual cost of external storage, whichever is applicable. Property will not be stored for longer than 30 days. Unclaimed property will become the property of Salemtowne after 30 days and will be disposed of at the sole discretion of the Corporation.

In the event of a Resident's death, while they are a resident of Salemtowne under the Agreement, only the executor(s) named in their Will will be allowed to remove or dispose of furnishings and belongings in the Living Accommodation and any related storage areas at Salemtowne. Members of the family or those to whom a Resident has granted Power of Attorney will not be allowed access to personal property after a Resident's death, unless

they are the executor(s) named in the Resident's Will.

Release from Termination. Upon termination of the Residence and Services Agreement, Salemtowne is released from any further obligations to Residents except for the payment of any refund which may be due under the Residence and Services Agreement.

Right of Rescission

Notwithstanding anything herein to the contrary, the Residence and Services Agreement may be rescinded by giving written notice of such rescission to the Corporation within thirty (30) days following the later of the execution of the Residence and Services Agreement or the receipt of a disclosure statement that meets the requirements of Section 58-64-1, et seq. of the North Carolina General Statutes. In the event of such rescission, Residents will receive a refund of the Entrance Fee paid, less a non-refundable fee equal to 4% of the total amount of the Entrance Fee, less any Monthly/Daily Fees or portion thereof applicable to any period a Living Accommodation or storage area was actually occupied by the Resident or their belongings. In the event of such rescission, Residents shall not receive a refund of any amounts paid for non-standard features added to the Living Accommodation. Residents will not be required to move into Salemtowne before the expiration of such thirty (30) day period. Any such refund shall be paid by the Corporation within sixty (60) days following receipt of written notice of rescission pursuant to this paragraph.

TRANSFER/MOVES

Transfer to Another Living Accommodation. Residents may move to a different Living Accommodation at Salemtowne which becomes available upon payment of such fees, consent by the Corporation and compliance with such guidelines regarding transfers as may be adopted by the Corporation. Fees and guidelines may be changed from time to time by the Corporation.

If a Resident transfers to another Living Accommodation, he or she is responsible for paying any difference in the Entrance Fee, if the amount of the Entrance Fee of the new Living Accommodation is greater than the Entrance Fee for the previous Living Accommodation to be vacated. If the Entrance Fee for the new Living Accommodation is less than the Entrance Fee for the previous Living Accommodation to be vacated, no refund will be paid for the difference. Residents who transfer to another Living Accommodation will be responsible for any transfer fees that may be set by the Corporation and the Monthly/Daily fees in effect at the time for the new Living Accommodation.

Moving Costs. Residents are responsible for arranging and paying for all packing and moving costs for moves into, within and out of Salemtowne. Assistance may be provided by Salemtowne at an additional cost.

Transfer to Health Care Center or the Assisted Living Center. Residents agree that the Corporation shall have authority to determine that the Resident should be transferred from their Living Accommodation to the Skilled Nursing Center and the Memory Support Center within the Health Care Center or the Assisted Living Center or a separate area within either center. Such determinations shall be based on the professional opinion of the Resident's physician and the Resident Review Committee of Salemtowne and shall be made only after consultation to the extent practical with the Resident, the Resident's

physician, a representative of the Resident's family or the Resident's responsible party. Residents agree to surrender storage areas when a permanent transfer is made to the Skilled Nursing Center and the Memory Support Center within the Health Care Center or to the Assisted Living Center.

In the event that a Resident is permanently transferred to the Assisted Living Center or the Health Care Center, the Entrance Fee will not be subject to refund.

Transfer to Hospital or Other Facility. If it is determined by a Resident's physician that a resident needs care beyond that which can be provided by Salemtowne, the Resident may be transferred to a hospital, center or institution equipped to give such care, which care will be at the Resident's expense. Such transfer will be made only after consultation to the extent practical with the Resident, the Resident's physician, a representative of the Resident's family or the Resident's responsible party.

Surrender of Living Accommodation. If a determination is made by the Corporation that a transfer is permanent in nature, the Resident agrees to surrender the Living Accommodation and any storage areas, which were occupied prior to such transfer, within 30 days of the determination.

Residents are responsible for the costs of transfer and moving as well as the Monthly/Daily Fee through the last day of occupancy of the Living Accommodation being vacated. Occupancy is defined as the last day that a Resident either resides in the Living Accommodation or the last day that the Resident's furnishings or belongings occupy the Living Accommodation or a storage area at Salemtowne.

If the Corporation subsequently determines, based upon the opinion of a Resident's physician, that a Resident can resume occupancy in accommodations comparable to those occupied prior to such transfer, the Resident shall have priority to such accommodations as soon as they become available. The Resident will be responsible for applicable fees as determined by the Corporation.

DUAL OCCUPANCY

Occupancy by Two Residents. In the event that two Residents (married or unmarried) occupy a Living Accommodation under the terms of the Residence and Services Agreement, upon the permanent transfer to the Health Care Center or the Assisted Living Center or the death of one of such Residents, or in the event of the termination of the Residence and Services Agreement with respect to one of such Residents, the Agreement shall continue in effect as to the remaining or surviving Resident who shall have the option to retain the same Living Accommodation or to move to a smaller Living Accommodation, in which event there will be no refund of the Entrance Fee. The remaining or surviving Resident will thereafter pay the Monthly/Daily Fee for one Resident associated with the Living Accommodation occupied by the Resident.

Sharing Occupancy After Admission/Entry. If a Resident, while occupying a Living Accommodation, marries a person who is also a Resident, or wishes to share a Living Accommodation with a person who is also a Resident, the two Residents may, with the prior written consent of the Corporation, 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/Daily Fee 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 Salemtowne, or wishes to share a Living Accommodation with a person who is not a resident (“Non-Resident”), the Non-Resident may become a Resident if such individual meets all of the then current requirements for entry to Salemtowne, enters into a then current version of the Residence and Services Agreement with the Corporation and pays an Entrance Fee in an amount determined by the Corporation in its sole discretion. The existing Resident and new Resident shall pay the Monthly/Daily Fees for double occupancy associated with the Living Accommodation occupied by them.

If the Non-Resident shall not meet the requirements of Salemtowne for entry as a Resident, the existing Resident may terminate the Residence and Services Agreement in the same manner as provided in the Residence and Services Agreement with respect to a voluntary termination.

OTHER

Combination of Living Accommodations. Various circumstances may make it desirable that a Living Accommodation occupied by a Resident be combined with an adjoining Living Accommodation to form one combined Living Accommodation. Residents agree that if a determination is made by the Corporation that it is desirable to combine their Living Accommodation with a Living Accommodation, which adjoins their Living Accommodation, the Resident will surrender occupancy of their Living Accommodation, within a reasonable time after receiving notice of such determination.

In the event that the Corporation makes such determination and notifies the Resident of such, the Resident has the option to (a) transfer into the combined Living Accommodation when such combined Living Accommodation is ready for occupancy, or (b) transfer to another Living Accommodation, when available, of the same type as the Living Accommodation previously occupied.

If a Resident elects to occupy the combined Living Accommodation and the Entrance Fee established for such combined Living Accommodation exceeds the Entrance Fee paid for the previous Living Accommodation, the Resident shall pay the amount of such excess upon taking occupancy. The Resident will pay the monthly/daily fees associated with the combined Living Accommodation as established by the Corporation.

If a Resident elects to transfer to a Living Accommodation of the same type as the Living Accommodation previously occupied, the Corporation will repaint and re-carpet, if needed, such Living Accommodation at its expense prior to occupancy.

Living Accommodations. Residents do not acquire ownership in any property at Salemtowne under the Residence and Services Agreement.

Guests. Guests are welcome at Salemtowne. Guests may use Salemtowne guest accommodations, subject to availability and additional fees. Guests may also stay in a Resident’s Independent Living Accommodation for visits of limited duration. At all times, the Resident shall be responsible for any injury to others or damage to the property of others or of Salemtowne caused by a Resident’s guest(s). Salemtowne reserves the right and authority to limit or terminate the stay of any guest at any time and for any reason. Except

for short-term guests (less than two weeks), no person other than a Resident may reside in the Living Accommodation without the written approval of Salemtowne Management.

Pets. Residents, who wish to have pets, are responsible for notifying the Admissions office, completing necessary paperwork and following current policies and guidelines. Pets are not allowed in Assisted Living or Health Care Center accommodations. Salemtowne reserves the right to amend or terminate policies and guidelines related to pets, in its discretion.

Smoking. Smoking is not allowed in buildings, on the grounds or common areas within the Salemtowne community as prescribed in community policies and guidelines. Smoking is not allowed in Assisted Living Center and Health Care Center Living Accommodations. Salemtowne reserves the right to amend or terminate policies and guidelines related to smoking in its discretion.

IV. **Financial Information**

Financial Overview & Statements

An overview of the financial results of Salemtowne's operations is contained at the end of this section:

- the audited financial statements for the most recent fiscal year (as of March 31, 2020)
- summary of calculation of obligation to provide future services (CCRC) as of March 31, 2020
- the financial feasibility study (including financial projections for the five (5) years following the date of the audited financial statements (for the fiscal years ended March 31, 2019-2023))

Reserves and Trusts.

Salemtowne continues to develop funds that are to be used for assistance to residents who are approved for financial assistance. As of March 31, 2020, the principal of these funds was approximately \$10,770,109, consisting of both donor and board designated amounts. The income from these funds constitutes several sources of Salemtowne's financial assistance. Other sources of assistance income include annual Salemtowne Offering on Mother's Day solicitations and Giving Tree solicitations at Christmas, as well as ongoing memorial gifts; local church support; and corporate and foundation grants. Salemtowne does not guarantee that the principal of board designated funds will remain committed solely for financial assistance.

Salemtowne had restricted \$6,402,000 ⁽¹⁾ as the operating reserve fund required by N.C. General Statute 58-64-33 and expects to continue to meet the requirement into the future.

Salemtowne will meet its operating reserve requirements separate and apart from using financial assistance funds. Income from the Financial Assistance Endowment and annual contributions for financial assistance are used to provide charitable assistance to persons who otherwise would not be able to afford residency at Salemtowne.

Investment of funds is currently in interest-bearing checking accounts and professionally managed mutual funds, money market accounts, stocks and bonds. Future investment strategies will, of course, depend upon future market conditions and demands for funds.

Overall policies and decisions relative to reserve funds and investments are under the direction of the Finance Committee of the Board of Trustees.

Trusts. Salemtowne is the beneficiary of several trusts and other split-interest agreements. Upon receipt of a beneficial interest in a trust or other split-interest agreement, the present value of the interest is included in "contributions" on the "Statements of Operations" and "Statements of Changes in Net Assets," and is carried at the asset's present value on the "Balance Sheet." The value of these assets totaled \$484,352 at fiscal year ended March 31, 2020. At this time, all trusts and split-interest agreements are administered by third parties. Additional information related to reserves and trusts is presented in the notes to the audited financial statements included herein.

Explanations of Material Differences. Following is an explanation of the material differences between (i) the forecasted financial statements of projected revenue and expenses and cash flows of Salemtowne for 2020 contained as a part of the Disclosure Statement dated as of August 28, 2019 filed with the North Carolina Department of Insurance and (ii) the actual results of operations for fiscal 20120as shown in the audited financial statements of Salemtowne contained at the end of this section.

Material differences are defined as 5% or greater of the forecasted amount, but not less than \$30,000. Set forth below is a comparison of such information.

Note: At fiscal year ended March 31, 2020, Navigation by Salemtowne had enrolled 65 members.

Note: Due to rounding to "thousands", there may be slight differences in the statements below and the actual statements issued.

[LEFT INTENTIONALLY BLANK]

	Forecast (000s) 2020	Audit (000s) 2020	Material Differences		Notes
			\$	%	
Revenues, gains, and other support:					
Net resident services	\$ 24,491	\$ 22,769	\$ (1,722)	-7.0%	(2)
Amortization of Advanced Fees	2,627	2,858	231	8.8%	(3)
Contributions	500	558	58	11.6%	(4)
Net assets released from restrictions used for benevolent assistance		552	552		(5)
Realized Investment Income	843	2,080	1,237	146.7%	(6)
Other income	89	325	236	265.2%	(7)
Navigation by Salemtowne					
Net resident services	393	351	(42)	-10.7%	(8)
Amortization of Advanced Fees	72	109	37	51.4%	(8)
Total revenues, gains, and other support	29,015	29,602	587	2.0%	(1)
Expenses:					
Program services - provision for housing and related services:					
Healthcare, assisted living, and clinic	9,692	8,211	(1,481)	-15.3%	(9)
Dining services	3,122	3,401	279	8.9%	(10)
Housekeeping, grounds and maintenance	4,358	4,153	(205)	-4.7%	
Healthcare activities, fitness, events, and volunteers	657	772	115	17.5%	(9)
Navigation by Salemtowne	580	441	(139)	-24.0%	(11)
Depreciation and amortization	4,777	4,773	(4)	-0.1%	
Interest	3,198	3,523	325	10.2%	(12)
Loss on sale of equipment	-	5	5		
Supporting services:					
Administration and general	4,604	5,000	396	8.6%	(9)
Development, community relations and admissions	1,724	1,206	(518)	-30.0%	(13)
Total expenses	32,712	31,485	(1,227)	-3.8%	
Other changes in unrestricted net assets:					
Loss on impairment of property and equipment	-	-	-		
Unrealized gains (losses) on investments	-	(2,396)	(2,396)		(5,6)
Increase (decrease) in unrestricted net assets	\$ (3,697)	\$ (4,279)	\$ (2,396)	64.8%	

- (1.) Total actual revenue, gains, and other support is within 2% compared to the forecast.
- (2.) Net Resident Services 7% below projection due to the delay in the opening of the expansion units as well as decreased Rehab Census due to COVID-19.
- (3.) Actual amortization of deferred entrance fees was higher than forecast due to higher than expected termination income.
- (4.) Contributions and in-kind contributions are forecasted in the unrestricted, temporarily restricted and permanently restricted funds to align with prior year's activity which results totaled higher than the forecast. Temporarily and permanent restricted donations exceeded the prior year's actual results.
- (5.) Net assets released from restrictions & Unrealized gains on investments are not forecasted according to professional standards.
- (6.) The net of realized and unrealized net gains (losses) on investments is 137% less than projected due to market losses in February & March 2020.

- (7.) Other Income is higher than projected due to more than expected unit upgrades for the expansion units.
- (8.) Amortization of Membership and Net Resident Service Revenue related to Navigation by Salemtowne is separated in the forecast however when combined to align with the audit and the variance is approximately (\$5,000) or 1%.
- (9.) Healthcare expenses are 15.3% lower than expected due to staffing efficiencies in the Healthcare center as well as reallocation of some positions to Administration and General as well as Healthcare Activities, fitness events, and volunteers.
- (10.) Dining Services was higher forecast due to higher than forecasted due to higher than forecasted salaries needed for the opening and operation of the Health Care Center.
- (11.) Navigation was lower than forecast due to less than forecasted utilization of services by the membership.
- (12.) Interest expense is higher than forecast due to a short term line of credit not included in the forecast.
- (13.) Development, community relations and admission were lower than forecast due to lower than forecasted marketing fees as well as allocation to some marketing fees to the Woodlands Independent Living Project.

[LEFT INTENTIONALLY BLANK]

	Forecast	Audit	Material		Notes
	(000s)	(000s)	Differences		
	2020	2020	\$	%	
Operating activities					
Change in net assets	\$ (3,247)	\$ (4,674)	\$ (1,427)	44%	
Adjustments to reconcile change in net assets to net cash provided by operating activities:					
Depreciation and amortization	\$ 4,738	\$ 4,734	\$ (4)	0%	
Amortization	\$ 82	\$ 82	\$ -	0%	
Amortization of bond premium and discount	\$ (232)	\$ (68)	\$ 164	-71%	(1)
Amortization of deferred entrance fees	\$ (2,699)	\$ (2,967)	\$ (268)	10%	(2)
(Gain) Loss on disposal of equipment		\$ 5	\$ 5		
Realized gains on investments		\$ (1,460)	\$ (1,460)		(3)
Net unrealized (gains) losses on investments		\$ 2,396	\$ 2,396		(3)
Loss on impairment of property and equipment			\$ -		
Net changes in:					
Accounts receivable	\$ 1,258	\$ (673)	\$ (1,931)	-153%	(4)
Other receivable	\$ (56)	\$ (233)	\$ (177)	316%	(5)
Prepaid expense and other current assets	\$ (333)	\$ (291)	\$ 42	-13%	(6)
Accounts payable	\$ (1,995)	\$ (1,956)	\$ 39	-2%	
Accrued expenses	\$ 157	\$ 1,848	\$ 1,691	1077%	(7)
Accrued Interest Payable	\$ 954	\$ 1,015	\$ 61	6%	(8)
Entrance Fees received	\$ 3,894	\$ 3,153	\$ (741)	-19%	(9)
Membership fees received – Navigation	\$ 1,108	\$ 443	\$ (665)	-60%	(10)
(Decrease) in resident deposits	\$ (132)	\$ 387	\$ 519	-393%	(11)
Assets in split-interest agreement		\$ 62	\$ 62		
Net cash provided by operating activities	\$ 3,497	\$ 1,803	\$ (1,694)	-48%	
Investing activities					
Purchases of property and equipment	\$ (28,176)	\$ (27,135)	\$ 1,041	-4%	
Interest cost capitalized during project period	\$ (1,996)		\$ 1,996	-100%	(12)
(Increase) decrease in investments	\$ 5,255	\$ 1,184	\$ (4,071)	-77%	(13)
Net cash provided by (used in) investing activities	\$ (24,917)	\$ (25,951)	\$ (1,034)	4%	
Financing activities					
Entrance Fees Received from Initial Entrance Fees	\$ 1,205	\$ 2,357			
Change in Refundable portoin of Entrance Fees	\$ (42)	\$ (58)	\$ (16)	38%	(14)
Proceeds from (payments on) - Line of Credit		\$ 1,000	\$ 1,000		(15)
Proceeds from (payments on) - Other Debt	\$ (36)	\$ (36)	\$ -	0%	
Proceeds from (payments on) - Bond Obligations	\$ (1,335)	\$ (1,335)	\$ -	0%	
Net cash provided by (used in) financing activities	\$ (208)	\$ 1,928	\$ 2,136	-1027%	
Net increase in cash and cash equivalents	\$ (21,628)	\$ (22,220)	\$ (592)	3%	
Cash and cash equivalents at beginning of year	\$ 22,641	\$ 41,291	\$ 18,650	82%	
Cash and cash equivalents at end of year	\$ 1,013	\$ 19,071	\$ 18,058	1783%	

- (1.) Discount on Series 2018 Bonds differed from Feasibility Study when priced.
- (2.) Amortization of Entrance Fees, refer to Comment (3) under the statement of revenues and expenses.

- (3.) Intentionally left blank.
- (4.) Accounts receivable, refer to Comment (3) under the Balance Sheet.
- (5.) Other receivable, refer to Comment (5) under the Balance Sheet.
- (6.) Prepaid Expenses, refer to Comment (4) under the Balance Sheet.
- (7.) Accrued expense, see comment (10) under the balance sheet.
- (8.) Accrued Interest Payable – Includes Line of Credit, notes and capital Leases.
- (9.) Entrance fees received – lower than expected existing unit turnover
- (10.) Membership Fees received Navigation – lower than expected new members enrolled.
- (11.) Change in Resident Deposits, see comment (15) under the balance sheet.
- (12.) Interest Cost Capitalized – Item not broken out on Audit. Included in Property and Equipment.
- (13.) Investments, see comment (7) under the balance sheet.
- (14.) Change in Refundable portion of Entrance Fees, see comment (11) under the balance sheet.
- (15.) Line of Credit, see comment (12) under the balance sheet.

[LEFT INTENTIONALLY BLANK]

	Forecast (000s) 2020	Audit (000s) 2020	Material Differences		Notes
			\$	%	
Assets					
Current Assets					
Cash	\$ 1,013	\$ 1,073	\$ 60	6%	(1)
Current portion of assets limited as to use	2,302	4,873	2,571	53%	(2)
Accounts receivable, net of allowance	819	2,750	1,931	70%	(3)
Prepaid and other current assets	407	365	(42)	-12%	(4)
Other receivables	271	447	176	39%	(5)
Total current assets	4,812	9,508	4,696	49%	
Assets limited as to use, net of current portion	10,147	13,124	2,977	23%	(2)
Restricted statutory operating reserve	11,992	6,375	(5,617)	-88%	(6)
Total assets limited to use, net of current portion	22,139	19,499	(2,640)	-14%	
Property & equipment, net	107,016	105,054	(1,962)	-2%	
Investments	4,429	\$ 6,981	2,552	37%	(7)
Development Costs - Navigation	169	\$ 169	-	0%	
Assets in split interest agreements	546	\$ 484	(62)	-13%	(8)
Total other assets	715	653	(62)	-9%	
Total assets	\$ 139,111	\$ 141,695	2,584	2%	
Liabilities & Net Assets					
Current Liabilities					
Accounts payable	1,017	\$ 2,131	1,114	52%	(9)
Accrued expenses	1,355	3,046	1,691	56%	(10)
Accrued interest payable	2,455	2,516	61	2%	
Refundable Advance Fees	246	302	56	19%	(11)
Line of Credit	500	1,500	1,000	67%	(12)
Current portion of lease obligation	28	28	-	0%	
Current portion of note payable	10	10	-	0%	
Current portion of bonds payable	11,145	3,752	(7,393)	-197%	(13)
Total current liabilities	16,756	13,285	(3,471)	-26%	
Bonds payable, excluding current portion	87,979	95,501	7,522	8%	(13)
Other Debt Obligations, excluding current portion	59	94	35	37%	(14)
Deposits	1,892	2,412	520	22%	(15)
Refundable advance fees	1,469	1,312	(157)	-12%	(16)
Deferred revenue from advance fees	20,871	20,433	(438)	-2%	
Total liabilities	129,026	133,037	4,011	3%	
Net assets					
Unrestricted	5,773	5,193	(580)	-11%	(17)
With Donor Restrictions	4,312	3,465	(847)	-24%	(17)
Total net assets	10,085	8,658	(1,427)	-16%	
Total liabilities and net assets	\$ 139,111	\$ 141,695	2,584	2%	

- (1.) Cash and Cash equivalents are higher than forecasted due to timing of payables and increased collection of Accounts Receivables.
- (2.) Assets limited as to use higher than forecasted due to funds remaining in the Construction Fund as well as collection of Entrance Fees for the Expansion Units being held to redeem the short term Bonds.
- (3.) Accounts receivable is higher than forecasted due to the timing of A/R collections as well as the timing of collection of some entrance fees related to the expansion project.
- (4.) Pre-paid expenses and other current assets lower than forecast due to the timing of payments related to adjustment of the policy period for General Insurance as well as the Premiums paid for Workers' Compensation Insurance.
- (5.) Other receivable is higher than forecast due to the monies due to be reimbursed for previous sales tax paid and on timing of the payment of invoices, specifically with the construction.
- (6.) Restricted Statutory Operating Reserve is lower due to meeting the requirements for a lower reserve due to census.
- (7.) Investments is lower than forecast due to the increased operating capital needed to offset the longer A/R cycle related to the Short Term Rehab as well as the market loss experienced at the end of the Fiscal Year.
- (8.) Assets in split-interest agreements are forecasted to align with prior year's activity.
- (9.) Accounts payable is higher than the forecast due to timing on construction invoices related to the new project.
- (10.) Increased Accrued Expenses is related to retainage due to the Construction company on the Expansion units.
- (11.) Refundable advance fees are higher than forecasted due to the higher than expected move-ins to the expansion project during the fiscal year.
- (12.) The Line of Credit was forecasted lower in Fiscal Year 2020 and is used for cash flow management.
- (13.) Current Portion of Bonds payable is higher and Long Term Portion is lower due to higher than expected Entrance Fee collection on the advance units due to redeem the short term bonds.
- (14.) Other Debt Obligations increased due to Capital Lease for Equipment recorded in 2020.

- (15.) Deposits are higher than forecasted due to the collection of 10% deposits of the entrance fees of the Independent Living Project as well as deposits on existing residences as well as entrance fees paid not yet charged.

- (16.) Refundable Advance Fees lower than projected due to less 50% and 90% refundable entrance fees being selected.

- (17.) In fiscal year 2019, Salemtowne reclassified temporary, permanently, and undesignated restricted assets.

[LEFT INTENTIONALLY BLANK]

Estimated Number of Residents

There were 371 residents living at Salemtowne as of March 31, 2020.

Other Material Information, As Applicable

Salemtowne is not the subject of any bankruptcy filing, receivership, liquidation or the like. Salemtowne is not involved in any legal proceeding.

Tax Consequences

NO INFORMATION IS PROVIDED HEREIN WITH RESPECT TO THE TAX CONSEQUENCES OF ENTERING INTO A RESIDENCE AND SERVICES AGREEMENT UNDER APPLICABLE FEDERAL, STATE OR LOCAL LAWS. THE DECISION BY A RESIDENT TO ENTER INTO A RESIDENCE AND SERVICES AGREEMENT MAY HAVE MATERIAL TAX CONSEQUENCES TO THE RESIDENT. EACH RESIDENT IS URGED TO CONSULT HIS OR HER OWN TAX ADVISOR WITH RESPECT TO ANY TAX CONSEQUENCES OF ENTERING INTO A RESIDENCE AND SERVICES AGREEMENT.

[LEFT INTENTIONALLY BLANK]



Navigation at Home

(Continuing Care at Home Program)

BACKGROUND

Moravian Home, Incorporated d/b/a/ Salemtowne (“Salemtowne” or “Corporation”) is a private, continuing care retirement community that has received licensure from the North Carolina Department of Insurance to operate a continuing care services program without lodging pursuant to Chapter 64 Article 58 Paragraph 7.

This continuing care program is marketed and referred to as “Navigation by Salemtowne” (or “Program”). The Program is being marketed in Forsyth County, where the Salemtowne continuing care retirement community is located, and in the following counties surrounding Forsyth County: Davie, Davidson, Stokes, Iredell, Wilkes, Guilford, Rowan, Surry and Yadkin.

Mission Statement

Navigation by Salemtowne’s mission is to provide coordination of care for older adults who wish to remain in their own homes in their later years. Salemtowne’s goal is to combine the security of a continuing care retirement community with the freedom and autonomy of living at home. We strive to support older adults to stay healthy and independent throughout their years through education, physical activities and socialization, and the coordination of care when necessary.

Navigation by Salemtowne is operated by Salemtowne, a North Carolina non-profit corporation, and is governed by the Corporation’s Board of Trustees and managed by the management and staff of the Corporation.

PROGRAM DESCRIPTION

Navigation by Salemtowne is a membership-based program providing care coordination and access to a range of services, programs and support, such as home care, assisted living, or nursing care to members in their own home or supportive facilities as needs change.

There is a choice of 3 membership plan options for a one-time membership fee, and an on-going monthly fee for services, which includes care coordination, health and wellness programs, social and educational programs, and a referral service. There is also a fee-for-service option.

ELIGIBILITY

The Program is non-discriminatory and is open to individuals of all races, religions, creed, color, sex or national origin. A prospective member must be at least 62 years of age and live within the designated service area of Forsyth, Davie, Davidson, Stokes, Iredell, Wilkes, Guilford, Rowan, Surry and Yadkin counties, complete a Membership Application, Financial Application, Medical Application, and pass a health assessment by the Program’s Care Coordination Team. A home assessment may be required prior to approval. If the home environment is considered to be unsafe, the prospective member will be required to make the recommended changes prior to approval for membership.

Medical insurance through federal, state, or private plans for medical and/or surgical and hospitalization must be maintained by each member at member’s expense.

Should the member desire to become a resident of the Salemtowne continuing care retirement community, the member will be subject to the entry requirements of the retirement community and

applicable payment of fees. Subject to the terms of the Member Services Agreement, Member may remain a member of the Program and continue to pay the Monthly Fee, or terminate the Member Services Agreement.

SERVICES

The Program provides members the following services to the extent provided for in the Program plan selected by the member and subject to the fees, cost and expenses and other terms and conditions set forth in the Member Services Agreement.

Care Coordination: Members are assigned a personal Wellness Navigator who works in conjunction with the Care Coordination Team to coordinate covered services and support the member in order to enable the member to remain in his or her home for as long as safely possible. The Wellness Navigator will prepare an individual care plan, updated at least annually, and check in with the member regularly.

Home Inspection: During the first year of membership and every other year thereafter, unless circumstances of a member's health condition justify more frequent inspections, Navigation by Salemtowne will provide a functional inspection of the member's home for the purpose of ascertaining any functional and safety problems. Any recommended changes or corrections are the Member's sole responsibility.

Home Site Services: Home site services include home health care services, homemaker services, companion services, emergency response system, and temporary meals will be provided as deemed appropriate by the Care Coordination team. A member must exhibit at least one or more deficiencies in an activity of daily living (ADL) to be eligible for services. Activities of daily living include bathing, dressing, eating, transferring, walking/mobility, grooming and continence.

Meals: A maximum of two (2) meals per day for a maximum of one (1) week will be provided when due to a medical need as determined to be appropriate by the Care Coordination team.

Emergency Response System: An emergency response system with 24-hour coverage and monitored by a contracted provider will be provided when determined to be appropriate by the Care Coordination team.

Facility-Based Services: When determined to be appropriate by the Care Coordination team and prescribed by a physician, Navigation by Salemtowne will arrange for facility-based assisted living in a semi-private room or skilled nursing care in a semi-private room at Salemtowne retirement community or other Program participating facility in accordance with the plan selected by the member.

Adult Day Care: Adult day care services will be provided at a Program approved provider when determined to be appropriate by the Care Coordination team and to the extent provided for in the plan selected by the member.

Transportation: If a member is unable to drive, or instructed by his/her physician not to drive to and from medically necessary outpatient surgery or short procedures Navigation by Salemtowne will provide transportation. This does not include transportation for regular physician office visits, dialysis, and routine specialist appointments.

Common Facilities: Members have access to all common facilities that are available for the use and benefit of residents of Salemtowne retirement community where there is capacity and such use shall be subject to change or restriction from time to time at the sole discretion of Salemtowne. These may include a central dining room, library and computer center, heated swimming pool, chapel, multi-purpose auditorium, lounges, arts and crafts room, and others as described in the current literature. Members will be responsible for dining and applicable activity charges.

Lifestyle and Wellness Programs: Lifestyle and wellness programs will be offered from time to time, free of charge or with an applicable fee, including but not limited to, exercise classes, wellness seminars, speakers and day excursions.

Activities and Leisure Events: Planned and scheduled social, recreational, spiritual, educational, cultural, leisure, arts and crafts, and other special activities and programs designed to meet the needs of the Members will be offered free of charge or with an applicable fee.

Referral Service: A referral service for other services, such as landscape maintenance, legal, financial planning, home maintenance and rental of medical equipment will be available. Vendors will bill the Member directly for any services.

Other Services and Programs for Additional Charge: Other services and programs will be available to members at member's expense. A list of services and charges currently available is included in the Member Services Agreement.

SERVICE PROVIDERS

Navigation by Salemtowne utilizes industry professionals and service providers to provide services such as home care services, homemaker and companion services, and transportation for its members.

LIMITATION OF PROGRAM PAYMENT

Non-Institutional Health Care Services: The Program may limit payment for home health care, homemaker services, companion services, emergency response system, meals and adult day care if the cost of such services for any day exceeds the then current private pay daily rate for a private room in the nursing home facility at Salemtowne retirement community.

Care in Other Assisted Living or Nursing Care Facilities: If a member chooses care in an assisted living or nursing home facility other than Salemtowne retirement community or a Program participating facility, the member will continue to pay the Monthly Fee for the Program and the Program will pay for charges incurred at the facility for the level of service as defined in the Member Services Agreement. If the cost of such services for any day exceeds the then current private pay daily rate for a private room in the nursing home facility at Salemtowne retirement community the member will be responsible for paying the difference between the cost of services at the facility and the then current private pay daily rate for a private room in the nursing home facility in Salemtowne retirement community, or transfer to Salemtowne retirement community or other Program participating facility.

CHANGES IN LEVEL OF CARE

Assisted Living or Nursing Home: A member may be transferred to a Program participating

assisted living or nursing home facility temporarily or permanently if it is determined by the Care Coordination team based on a physical and mental assessment that the member is no longer mentally and/or physically able to function safely in his or her home, and shall be made only after consultation to the extent practical with the member or member's representative, and the member's attending physician.

Hospital, Center or Institution: A member diagnosed to be psychotic or mentally ill, or as having a highly contagious or dangerous disease may be transferred to a hospital, center, or institution equipped to give such care, which care will be at the expense of the member and will be made only after consultation to the extent possible with the member or member's representative, and the member's attending physician.

MEMBERSHIP PLANS AND FEES

Navigation by Salemtowne offers four plan options: All Inclusive plan, Security plan, Co-pay plan and Beacon (Home Site Services) plan.

Members pay a one-time actuarially priced non-transferable, non-interest bearing Membership Fee based on the member's age at time of enrollment and plan option chosen, as well as an ongoing Monthly Fee. The Monthly Fee varies with the plan option chosen. The table below shows the Membership Fee and Monthly Fee effective June 1, 2020, for the four plan options for singles and couples (living in the same home) age 65, 75 and 85. All fees are per person.

Navigation by Salemtowne Program Sample Pricing								
	<u>All Inclusive⁽¹⁾</u>		<u>Security⁽¹⁾</u>		<u>Co-Pay⁽¹⁾</u>		<u>Beacon⁽¹⁾</u>	
Age	Single	Couple	Single	Couple	Single	Couple	Single	Couple
65	\$36,622	\$34,791	\$29,625	\$28,114	\$24,278	\$23,064	\$22,042	\$20,940
75	\$59,352	\$56,385	\$48,571	\$46,142	\$37,812	\$35,921	\$34,325	\$32,609
85	\$83,309	\$79,144	\$68,291	\$64,877	\$51,684	\$49,100	\$44,846	\$42,604
Monthly Fee	\$612	\$581	\$535	\$508	\$471	\$447	\$446	\$424

Each member of a couple receives a 5% discount on the Membership and Monthly Fee.

Grandfathered monthly fees for members prior to April 30, 2017 are as follows beginning June 1, 2019

	<u>All Inclusive Plan</u>	<u>Security Plan</u>	<u>Co-Pay Plan</u>	<u>Beacon Plan</u>
Grandfathered Monthly Fee	\$576 single \$547 couple	\$486 single \$462 couple	\$443 single \$421 couple	N/A

The following table summarizes the service coverage levels for the above plan options:

Type of Service	All Inclusive	Security	Co-Pay	Beacon
Care Coordination	100%	100%	100%	100%
Home Site Services:				
Home Care Aide	100%	85%	50%	65%
Companion / Homemaker	100%	85%	50%	65%
Live in Companion	100%	85%	50%	65%
Adult Day Care	100%	85%	50%	65%
Delivered Meals (limited)	100%	100%	100%	100%
Emergency Response System	100%	100%	100%	100%
Home Inspection	100%	100%	100%	100%
Transportation (limited)	100%	100%	100%	100%
Assisted Living or Nursing Home Care^{1,2}	100%	70%	50%	0%

¹ Percentages listed that are covered by the Corporation are limited to a cap equal to the then current negotiated private pay daily rate for a private room in the Nursing Home Facility at Salemtowne retirement community. The cap is applied on a monthly basis.

² Applies to Nursing Home or Assisted Living Care provided at Salemtowne retirement community or at a Program-Participating Facility.

Consultative Care Plan

The Consultative Care Plan is a fee-for-service plan available for individuals who do not medically qualify for the All Inclusive, Security, Co-Pay, or Beacon membership plan, but would like their own Wellness Navigator to coordinate their care on an as-needed basis. Consultative Care Plan members must live in the same home as a qualified member who has entered into a separate Member Services Agreement in order to be eligible. There is a one-time non-refundable membership fee of \$5,562 which provides access to a personal Wellness Navigator, 24 hours a day, 7 days a week, and the establishment of a care plan for the member. In addition, members will be charged a Wellness Navigator fee of \$105 per hour for care coordination and scheduling of any needed home or facility-based services.

Consultative Care Plan members are responsible for all costs associated with home or facility based services including, but not limited to, home health care, health care aide services, homemaker, companion, emergency response system, transportation, meals, adult day care, assisted living, and nursing home care. Providers of such services will contract directly with Consultative Care members. The Program shall have no responsibility for payment of any such services.

ADJUSTMENTS IN FEES

Monthly Fees are usually adjusted annually but may be adjusted from time to time in order to continue operating on a sound financial basis and maintain the Program's high standard of services. The Program will provide 30 days written notice to all members of any such increase in the Monthly Fee or other fees.

Historic Changes in Major Fees

The following table shows average changes in the monthly service fees over the life of the program which began in 2014. Note that it is the average dollar amount of the CHANGE in fees from year to year that is shown – NOT the fees themselves. All changes during this period occurred once per year on June 1st.

Standard Monthly Service Fee Historic Changes

	2019-2020	2018-2019	2017-2018	2016 - 2017	2015 - 2016
Member (\$ change per mo.)	\$15	\$20	\$20	\$50	\$12
Approx. Percent Increase	3.0%	3.5%	3.5%	9%	3%
Consultative Care	3%	2%	1.8%	2%	3%

RESCISSION PERIOD

The Member Services Agreement may be rescinded by giving written notice to the Program within 30 days following the latter of the execution of the Member Services Agreement or the receipt of the Disclosure Statement.

TERMINATION

By Member: The member may terminate the Member Services Agreement for any reason by providing written notice of such termination at least 30 days in advance of the termination date. In the case of the death of the member, the Member Services Agreement shall automatically terminate.

By Navigation by Salemtowne: The Corporation may terminate the Member Services Agreement if: 1) there has been a material misrepresentation or omission made by the Member in the Member's Membership and/or Financial Applications or Personal Health History form; 2) the Member fails to make payment to the Program of any fees or charges due within 30 days of the date due; 3) the Member does not abide by the rules and regulations adopted by Program and/or Corporation; or 4) the Member breaches any of the terms and conditions of this Agreement; 5) the Member permanently relocates outside the designated service area, or 6) the care coordination team reasonably determines that the member poses a danger to him/herself or to others and member or member's designated representative refuses to allow the transfer of the member from the home site or facility to another facility.

REFUNDS

During the Rescission Period: A refund of the Membership Fee paid, less a non-refundable fee of \$1,000, less the Monthly Fee and additional fees or portion applicable to the time this Agreement was in effect, will be paid within 30 days following receipt of the written notice.

Within the First 48 Months: If the Member Services Agreement is terminated for any reason during the first 48 months following the Effective Date, the Member, or Member's estate, will receive a refund of the Membership Fee paid less: 1) a non-refundable fee of 4% of the Membership Fee, and 2) less a percentage of the Membership Fee for each month the Agreement

remained in effect (full or partial without prorating and including the month in which the refund is payable), and 3) less any additional co-payments, deductibles, fees, cost and expenses accrued.

The Membership Fee shall amortize as follows:

- Home Site Services2% per month
- Any time spent in an Assisted Living Facility or Home Site Services of equal cost in excess of one month.....3% per month
- Any time spent in a Nursing Home Facility or Home Site Services of equal cost in excess of one month.....4% per month

Any refund due shall be refunded within 120 days of the date of termination of this Agreement.

The Program will have the right to set-off against any refund payable to the member for the membership fee, for any deferred monthly fees, any other additional service fees or amounts payable to the Program under the Member Services Agreement and other agreements between the member and the Program or any affiliate of the Program and any costs or expenses that might be due, payable or incurred by the member.

After 48 Months: If the Member Services Agreement is terminated after the first 48 months or after the Membership Fee has fully amortized in accordance with the amortization percentages set forth above, following the Effective Date, no refund shall be given.

No Refund: If the member is under the Consultative Care Plan, there will be no refund of the Membership Fee after the 30-day rescission period.

Ability to Apply Net Membership Fee to Independent Living Entrance Fee-Beacon Plan Only. The full amount of the Membership Fee for the Beacon Plan paid pursuant to this Agreement less: 1) a non-refundable fee of 4% of the Beacon Plan Membership Fee, 2) any fees, costs or expenses paid or incurred by the Corporation for Services provided under this Agreement and/or 3) any co-payments, deductibles, fees, costs or expenses due and owing to the Corporation by the Member under this Agreement may be credited towards any future Salemtowne retirement community entry fees for an independent living unit, accommodation or residence at Salemtowne but not for any assisted living, skilled nursing, memory care or other unit at Salemtowne or any other community or facility.

FINANCIAL ASSISTANCE

The Member Services Agreement will not be terminated solely because of a member's financial inability to pay the Monthly Fee or other charges by reason of circumstances beyond the member's control.

The Corporation will make reasonable effort to acquire the funds necessary to meet the member's Monthly Fees and other charges. However, the resources of the Program to provide care for members are limited, and the Program reserves the right to terminate the membership of any member who cannot pay the Monthly Fee and other charges in connection with such person's membership and use of services in the Program. Any determination by the Corporation with regard

to the granting or the continuation of financial assistance shall be within the sole discretion of the Corporation.

Upon termination of the Agreement for any reason the Member or Member's estate will be liable to the Program for the full amount of the subsidy the Member received.

COMPLIANCE WITH APPLICABLE LAWS

Navigation by Salemtowne operates in full compliance with all laws, rules, regulations and ordinances promulgated by lawful governmental authorities.

[LEFT INTENTIONALLY BLANK]



Appendix A1

Audited Financial Statements as of March 31, 2020 and 2019

Moravian Home, Incorporated (d/b/a Salemtowne)

Financial Statements

Years Ended March 31, 2020 and 2019

Table of Contents

Independent Auditors' Report	1
Financial Statements:	
Balance Sheets	3
Statements of Operations.....	5
Statements of Changes in Net Assets.....	6
Statements of Cash Flows.....	7
Notes to Financial Statements	9

Independent Auditors' Report

Board of Trustees
Moravian Home, Incorporated (d/b/a Salemtowne)
Winston-Salem, North Carolina

We have audited the accompanying financial statements of Moravian Home, Incorporated (d/b/a Salemtowne) (the "Community"), which comprise the balance sheets as of March 31, 2020 and 2019, and the related statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Moravian Home, Incorporated (d/b/a Salemtowne) as of March 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Emphasis of Matter – New Accounting Pronouncements

As discussed in Note 1 to the financial statements, in fiscal year 2020, the Community changed its method of classification and presentation of restricted cash in the statement of cash flows as well as its method for accounting for investments in equity securities (excluding equity method investments) due to the adoption of Accounting Standard Update 2016-01 “Financial Instruments – Recognition and Measurement of Financial Assets and Financial Liabilities.” Our opinion is not modified with respect to these matters.

Dixon Hughes Goodman LLP

Greenville, South Carolina

July 28, 2020

Moravian Home, Incorporated (d/b/a Salemtowne)**Balance Sheets****March 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,073,186	\$ 1,236,304
Current portion of assets limited as to use	4,872,690	1,500,867
Accounts receivable, net of allowance for uncollectible accounts of \$704,000 and \$810,000 in 2020 and 2019, respectively	2,749,829	2,077,039
Other receivables	447,197	214,334
Prepaid and other current assets	364,692	74,089
Total current assets	<u>9,507,594</u>	<u>5,102,633</u>
Assets limited as to use, net of current portion:		
Funds held by trustee under bond indenture, net	13,123,845	38,553,873
Restricted statutory operating reserve	6,375,000	5,791,000
Total assets limited as to use, net of current portion	<u>19,498,845</u>	<u>44,344,873</u>
Property and equipment, net	<u>105,053,832</u>	<u>81,581,902</u>
Investments	<u>6,981,118</u>	<u>9,684,107</u>
Other assets:		
Development costs - Navigation by Salemtowne net of accumulated amortization of approximately \$222,000 and \$183,000 in 2020 and 2019, respectively	168,886	208,037
Assets in split-interest agreements	484,352	546,118
Total other assets	<u>653,238</u>	<u>754,155</u>
Total assets	<u>\$ 141,694,627</u>	<u>\$ 141,467,670</u>

See accompanying notes.

Moravian Home, Incorporated (d/b/a Salemtowne)**Balance Sheets****March 31, 2020 and 2019****(Continued)**

	<u>2020</u>	<u>2019</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 2,130,600	\$ 3,011,683
Accrued expenses	3,046,062	1,197,676
Accrued interest payable	2,516,040	1,500,867
Refundable advance fees	301,682	245,624
Line of credit	1,500,000	500,000
Current portion of lease obligation	28,141	26,309
Current portion of note payable	10,100	9,469
Current portion of bonds payable	3,751,650	1,335,000
	<hr/>	<hr/>
Total current liabilities	13,284,275	7,826,628
Bonds payable, excluding current portion	95,501,092	99,277,846
Note payable, excluding current portion	25,794	35,316
Capital lease obligation, excluding current portion	68,414	97,280
Deposits	2,411,927	2,024,574
Refundable advance fees, excluding current portion	1,312,114	1,476,415
Deferred revenue from advance fees	20,433,240	17,397,423
	<hr/>	<hr/>
Total liabilities	133,036,856	128,135,482
Net assets:		
Without donor restrictions	5,193,209	9,470,485
With donor restrictions	3,464,562	3,861,703
	<hr/>	<hr/>
Total net assets	8,657,771	13,332,188
Total liabilities and net assets	<u>\$ 141,694,627</u>	<u>\$ 141,467,670</u>

See accompanying notes.

Moravian Home, Incorporated (d/b/a Salemtowne)
Statements of Operations
Years Ended March 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Revenues, gains, and other support:		
Net resident services, including amortization of advance fees of approximately \$2,858,000 in 2020 and \$2,139,000 in 2019	\$ 25,626,917	\$ 23,935,517
Contributions	557,719	395,359
In-kind contributions	-	105,137
Net assets released from restrictions used for operations and benevolent assistance	552,438	111,493
Interest and dividends	620,230	914,812
Net realized gains from sale of investments	1,460,422	478,441
Navigation program income, including amortization of advance fees of approximately \$109,000 in 2020 and \$165,000 in 2019	460,300	483,056
Other income	324,728	249,321
Total revenues, gains, and other support	<u>29,602,754</u>	<u>26,673,136</u>
Expenses:		
Program services - provision for housing and related services:		
Healthcare, assisted living and clinic	8,211,141	8,878,022
Dining services	3,400,696	3,475,984
Housekeeping, grounds and maintenance	4,153,236	4,040,470
Healthcare activities, fitness, events, and volunteers	772,426	878,663
Navigation program expenses	440,606	551,777
Depreciation and amortization of development costs	4,772,743	4,832,614
Interest	3,522,573	2,999,638
Loss on sale of equipment	4,503	30,609
Supporting services:		
Administration and general	5,000,245	5,301,481
Development, community relations and admissions	1,205,988	963,019
Total expenses	<u>31,484,157</u>	<u>31,952,277</u>
Operating loss	(1,881,403)	(5,279,141)
Non-operating gains (losses):		
Net unrealized gains (losses) on investments	<u>(2,395,873)</u>	<u>80,130</u>
Excess of revenues under expenses	<u>\$ (4,277,276)</u>	<u>\$ (5,199,011)</u>

See accompanying notes.







































