Lutheran Retirement Ministries of Alamance County, North Carolina

Name of Facility: Twin Lakes Community
Location: 3701 Wade Coble Drive
Burlington, North Carolina 27215
(336) 538-1500

Annual Disclosure Statement
February 27, 2015

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

- This Disclosure Statement may be delivered until revised, but not after July 26, 2016;
- Delivery of this Disclosure Statement to a contracting party before execution of a contract for continuing care is required;
- This Disclosure Statement has not been reviewed or approved by any government agency or representative to insure accuracy or completeness of the information set out. (North Carolina Statutes do not provide for such governmental approval).
LUTHERAN RETIREMENT MINISTRIES of Alamance County, North Carolina
TWIN LAKES COMMUNITY

DISCLOSURE STATEMENT

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HISTORY, MISSION and CORE VALUES

Lutheran Retirement Ministries of Alamance County, North Carolina (LRM) was incorporated in North Carolina in 1980 as a non-profit corporation, thanks to a generous bequest from the estate of Wade and Agnes Coble to Macedonia Evangelical Lutheran Church. We operate a Continuing Care Retirement Community known as Twin Lakes Community in Elon, North Carolina, and our mission statement provides that

“As a non-profit built on Christian values, we celebrate the progression of life and dignity of the individual by empowering all members of our community to live, work and serve to their fullest potential.”

In keeping with our Lutheran heritage, we are guided by the following values:

**Christ-Centered.** Love, compassion, care, stewardship and service are at the heart of all we do.

**Financially Stable.** To honor our commitments to all members of our community, we must be good stewards of the resources provided to us.

**People First.** We provide innovative opportunities for personal fulfillment, dignity and well-being for all members of our community.

**Quality.** We are committed to enriching lives by providing superior services with integrity.

**Inclusive.** We celebrate the diversity of our community and welcome people of all faiths, races, cultures and life experiences.

NON-PROFIT STATUS

As a 501(c)(3) organization, we are exempt from corporate income taxes, and gifts to us qualify for an income tax deduction for the donor. Under North Carolina law (G.S.105-278.6A) LRM is exempt from paying property taxes on all property used in its exempt function.

LICENSURE AND CERTIFICATION

LRM is licensed to provide continuing care in North Carolina in accordance with state law. The skilled nursing services we provide in Coble Healthcare and in Memory Care are certified by both Medicare and Medicaid.

AFFILIATIONS

LRM is an affiliated agency of the Evangelical Lutheran Church in America through the sponsoring congregation, Macedonia Evangelical Lutheran Church. However, church-affiliated status does not cause any Lutheran church body to be subjected to the liabilities or debts of the corporation, nor does it enable any Lutheran organization to influence or control the operation of the facilities of LRM. LRM is fully responsible for the management and fiscal affairs of the corporation and solely responsible for any debts and liabilities it may incur. LRM is also a member of Lutheran Services in America (LSA), Leading Age and its affiliate, Leading Age - North Carolina.
ACCREDITATION
Twin Lakes Community is accredited by CARF-CCAC, an independent accrediting commission for CCRC’s. In its commitment to provide quality services to the residents, Twin Lakes Community presents itself for additional scrutiny and adherence to the strict standards of CARF-CCAC.

FINANCIAL RATING
LRM sought a rating from Fitch Ratings of its 2009 bond issuance through the North Carolina Medical Care Commission and received a BBB+ rating. As of January 2015 our Fitch rating remains BBB+ stable.

ORGANIZATION AND OPERATION

BOARD OF DIRECTORS
The governing body of the corporation is the board of directors. There are twenty-one voting members of the board of directors, all of whom serve as volunteers, and one non-voting ex-officio member of the board, the pastor of Macedonia Evangelical Lutheran Church. Voting members are nominated by the LRM board and approved by the Church Council of Macedonia Evangelical Lutheran Church. A board member may serve two consecutive three-year terms. Since 1985 there has been resident participation on the board. Currently, there are three residents of Twin Lakes Community who serve as full voting members on the board.

There are four officers of the board (Chair, Vice-Chair, Secretary, and Treasurer), and together they comprise the Executive Committee of the board. The Executive Committee has authority to act on the board's behalf when the board is not in session. The board of directors meets six times a year, and the Executive and Finance Committees meet jointly in the months that the board does not meet. Currently, the standing committees of the board are: Executive, Finance, Governance, Nominating, Planning, and Audit. The board also utilizes ad-hoc committees from time to time for special purposes.

BOARD MEMBER BIOGRAPHIES

- Robert E. Ayers
  (336) 270-3895 Home
  1615 Aquinas Court, Burlington, NC 27215

Resident of Twin Lakes Community; Retired Chair & Professor of Physical Therapy, Hunter College, NYC; prior faculty appointments Medical Center Albany, NY and Temple University; served on NY State Physical Therapy License Board and Committees in the National American Physical Therapy Assoc.; Chief Precinct Judge Durham County 18 years & Alamance County 3 years; President Homeowner Assoc. 10 years; Served on TLC Resident Council and Scholarship Committee of Auxiliary; member of Elon Community Church.
• **Barrett L. Brown**  
  2051 Miles Chapel Road, Mebane, NC 27302  
  (336) 512-2898 Home  
  Operations Manager, Grace Federal Solutions; Economic and Development Chair, NAACP; President, Alamance Chapter of NAACP; member, Alamance Committee for Civic Affairs; member of Macedonia Lutheran Church.

• **Paul E. Cobb, Jr.**  
  3530 Cardwell Drive, Burlington, NC 27215  
  (336) 584-1694 Home  
  Certified Public Accountant, Retired Managing Partner Cobb, Ezekiel, Loy and Company, P.A; Chairman, Burlington-Alamance Crime Stoppers; American National Bank, Graham Branch Advisory Board; Treasurer, Lutheran Retirement Ministries Board; Member of the Graham Rotary Club; member of Macedonia Lutheran Church (MLC), serving as Treasurer of the MLC General Fund.

• **Jackie S. Cole**  
  1257 Tula Lambert Road, Mebane, NC 27302  
  (919) 563-3554 Home  
  Vice President & Secretary of Coleco Inc.; Alamance-Burlington Board of Education; Member Alamance County Extension Advisory Board; Chair, Lutheran Retirement Ministries Board; Board of Directors, North Carolina School Boards Association; Woodlawn Community Board member; Registered Instructor and Interim Executive Director, North Carolina Therapeutic Riding Center; member of Alamance Lutheran Church.

• **David H. Cooper**  
  120 Old Forest Creek, Chapel Hill, NC 27514  
  (919) 675-0824 Home  
  (336) 278-5910 Work  
  Professor of Education, Elon University; Affiliated Research Professor, UNC-CH; M of Ed and PhD from UNC-CH majoring in Special Education; Member of Governor's Education Transformation Commission; Member of Leadership North Carolina, Class XVIII; Member of American Educational Research Association; Member of Program and Evaluation Committee, Alamance Partnership for Children.

• **Spencer T. Copland**  
  1203 Country Club Drive, Greensboro, NC 27408  
  (336) 449-9848 Work  
  Attending physician/partner, LeBauer Healthcare; volunteer team physician, Eastern Guilford High School; former faculty and current volunteer faculty, Cone Health Sports Medicine; member, American Board of Family Practice, NC Academy of Family Physicians, American Medical Society for Sports Medicine, and American College of Sports Medicine; serves on Board of Directors, Copland Fabrics and Copland Industries, Inc.; member of First Presbyterian Church, Greensboro.
• **K. Dale Greeson**  
  (336) 227-2022 Work  
P. O. Drawer 2858, Burlington, NC 27216

Certified Public Accountant, partner in Apple, Bell, Johnson & Co., P.A.; Board Member and Past Chairman for Salvation Army Boys & Girls Club; member of AICPA and NCACPA; serves on board of the Chamber of Commerce; serves on boards of Alamance County Arts Council and YMCA; member of Macedonia Lutheran Church, currently serving on Stewardship Committee.

• **Robert R. Herbert**  
  (336) 792-2934 Home  
2405 Channing Court, Burlington, NC 27215

Resident of Twin Lakes Community; Retired Electronic Engineer, General Electric; served as President of the TLC Auxiliary and currently as its Treasurer; member of the TLC Memorial Garden Committee and Happy Handy Helpers; woodworker and member of the Friends of Sullivan Woods, the Model Yacht Club, and the Model Railroad Club; served as Treasurer of the Ruritan Club; former member of the Presbyterian Church.

• **Joy F. Isley**  
  (336) 449-7585 Home  
  (336) 506-1027 Work  
7104 Howerton Road, Gibsonville, NC 27249

Vice President/Branch Manager, Carolina Bank; Secretary, Lutheran Retirement Ministries Board; Treasurer, Lutheran Episcopalians And Friends - Elon University campus ministry; Treasurer, NC Palomino Exhibitors Association; Records Director, Thrivent; Chair, Leadership Alumni Association, Alamance County; member of Frieden’s Lutheran Church, serving on Church Council and as Treasurer of the WELCA group.

• **Charity Johansson**  
  (919) 542-6003 Home  
550 Huntington Drive, Pittsboro, NC 27312

Professor of Physical Therapy, Elon University; MA in physical therapy from Stanford University, PhD in Adult Education from UNC-Chapel Hill; member of NC Physical Therapy Association; member of American Physical Therapy Association, Sections on Geriatrics and Education; member of Women’s Resource Center Board; member of International Association of Healthcare Practitioners.

• **Ruth P. Koester**  
  (336) 524-9060 Home  
512 Meadowood Drive, Burlington, NC 27215

Director/Scientist at LabCorp, DNA Identification Testing Division; member of American Society of Histocompatibility and Immunogenetics; member of World Marrow Donor Association; current President of Women’s Resource Center Board; Treasurer of the Williams High School Choral Boosters; Past President of local chapter of Thrivent Financial for Lutherans; member of Alamance Lutheran Church.
• Reed A. LaPlante (336) 222-8058 Home
1849 Hanford Hills Road, Graham, NC 27253 (336) 229-3644 Work
Senior Relationship Manager in Business Banking, Wells-Fargo Bank; Past-President and member Graham Rotary Club; Rotary Dist. 7690 Membership Chair; Residential Treatment Services of Alamance, Treasurer; Boy Scouts of America Eagle Board, Alamance; Elon Phoenix Club board member; Sons of American Revolution, Alamance Battleground Chapter member; Children’s Museum of Alamance, BOV; 2014-15 United Way Campaign, Commercial Division Co-Chair; member of Macedonia Lutheran Church, currently serving on Church Council and as Finance Committee Chair.

• Kenneth A. Mink (336) 603-8330 Home
2604 Passavant Court, Burlington, NC 27215
Resident of Twin Lakes Community; Retired Group President, Cross Company; currently serves as President of the TLC Residents’ Association and assists with TLC Choir; previously served as secretary of Alamance Lion’s Club and President of several homeowner associations in NC and VA; served as officer in US Navy; member, United Methodist Church.

• T. Bruce Moore (336) 570-3101 Home
3157 Mattie Florence Drive, Graham, NC 27253 (919) 541-5460 Work
Senior Technical Advisor, Oil & Natural Gas Sector, US Environmental Protection Agency; Chemical Engineer; served in the US Navy; Committee Chair, Boy Scouts of America Troop 39; Ruritan National Club President 1995 & Zone Governor 1996; member of Macedonia Lutheran Church, where he has served as Congregation President and is currently Capital Fund Treasurer and member of Church Council; chairs Macedonia Master Plan and Strategic Plan Committee.

• W. Thomas Pate (336) 584-0256 Home
P. O. Box 169, Burlington, NC 27216 (336) 226-2469 Work
President Pate Real Estate, Inc.; NC licensed residential-general appraiser; Past President Burlington Alamance Board of Realtors, Realtor of the year - 1996; Past President Alamance-Burlington Multiple Listing Service; Past President of Burlington-Alamance Realtor’s Commercial Alliance; member of Front Street United Methodist Church.

• C. Bryan Pennington (336) 584-8514 Home
2286 Huffman Mill Road, Burlington, NC 27215
President, Pennington & Bryan, Inc., Textile Selling Agent / Importer; member of Macedonia Lutheran Church, serving as President of Macedonia Lutheran Men in Mission and President of the Men’s Sunday School Class.
• **Fairfax C. Reynolds**
  
  3008 Forestdale Drive, Burlington, NC 27215
  
  (336) 584-4133 Home

Retired Market President VantageSouth Bank; Board of Directors Kingsdown, Inc; Vice Chair, Lutheran Retirement Ministries Board; Chair, Alamance Foundation Board; Board Treasurer ACC Foundation; currently serves on the Boards of Ralph Scott LifeServices, Inc. and Alamance County Young Life, and Board of Visitors for Elon University; member of St. Mark’s Church serving on its board.

• **Lucy Campbell Rippenhagen**
  
  115 Branchwood Drive, Elon, NC 27244
  
  (336) 266-0040 Home
  
  (336) 227-8485 ext 200 Work

Account Manager for Labels, Tags & Inserts; former Director of Sales at PIP Printing and Marketing for 16 years; member of Alamance Chamber of Commerce; served as Girl Scout leader for 8 years and Blue & Gold Chair for the Boys Scouts; Foster parent of Guilford County; served two 3-year terms on Board of Olde Forest Racquet Club, one term as Treasurer; member of Macedonia Lutheran Church.

• **Dion Terry**
  
  P O Box 599, Pine Level, NC 27568
  
  (919) 814-2040 Work

Senior Policy Analyst, Office of the Governor, State of North Carolina; member of Burlington Junior Women’s Club, Alpha Kappa Alpha Sorority and the City of Burlington Traffic Commission; member of Ebenezer United Church of Christ.

• **Danny C. Van Fleet**
  
  104 Oakview Drive, Elon, NC 27244
  
  (336) 584-9547 Home

Certified Public Accountant; Senior Accountant with City of Burlington; member of NCACPA; member of Macedonia Lutheran Church.

• **Daniel J. Voelkert**
  
  208 Woodhaven Drive, Burlington, NC 27217
  
  (336) 227-5676 Home

Retired Claims Representative, Social Security Administration; Past President Andrews Elementary PTA; Cummings High School band booster; serves on the NC Lutheran Synod Committee on the Book of Faith initiative to promote Biblical literacy; member of Macedonia Lutheran Church, served on Church Council, chairman of Christian Education committee, Sunday school teacher.
MANAGEMENT
The President/CEO, hired by the board of directors, is responsible for the day-to-day operation of Twin Lakes Community. Reporting to the President/CEO are the Chief Financial Officer, Human Resources Officer, Quality Assurance Officer, Independent Living Administrator, Healthcare Administrator, Memory Care Administrator, Assisted Living Administrator, Sr. Director of Marketing and Sales, Sr. Director of Pastoral Services, Sr. Director of Development and Outreach, and the Executive Assistant. In the absence of the President/CEO, one of these directors acts on her behalf. All persons listed have offices at Twin Lakes, 3701 Wade Coble Drive, Burlington, NC 27215.

Pamela Sarsfield Fox.  PRESIDENT / CHIEF EXECUTIVE OFFICER
An attorney and certified public accountant, she obtained her undergraduate degree from the University of Virginia (BA History and English, 1984) and her law degree from Washington and Lee University (JD, 1988, magna cum laude). Prior to joining the Twin Lakes staff in 2008, she spent twenty years practicing law as an estate planning attorney and providing wealth management services to affluent clients of a wealth management firm in Greensboro, North Carolina. Fox has volunteered for numerous professional, civic and church organizations in Burlington, Greensboro, and elsewhere in North Carolina. Currently she serves on the boards of Leading Age NC, Hospice of Alamance/Caswell, Chamber of Commerce and United Way. In addition, she has held board positions with the NC Bar Association, the NCACPA, Lutheran Retirement Ministries, the ARC of Greensboro, Art Alliance of Greensboro, Aycock Historic District, the National Multiple Sclerosis Society, and the PTA’s at Irving Park Elementary and Aycock Middle Schools.

Jennings I. Chandler, III.  CHIEF FINANCIAL OFFICER

J. David Workman.  HUMAN RESOURCES OFFICER
Earned AS degree in Education, New River Community College; BS in Psychology, Virginia Polytechnic Institute and State University; MS, Organizational Psychology (21 hours completed), Radford University. He is a Certified Aging Services Professional and holds certificates in Employment Relations Law, AMA Management Training and numerous other courses related to human resource management. Previous employment experience includes Human Resource Director for the Industrial Drives Division of Kollmorgen Corp. and Fiber Com, Inc., and Sales Manager for Circuit City Stores, Inc.
He joined the Twin Lakes Community staff as its first Human Resources Director in 1994. Mr. Workman has also served on the Board of Leading Age North Carolina.

**Connie R. Poovey. QUALITY ASSURANCE OFFICER**
Graduated from the University of North Carolina at Chapel Hill in 1975 with a B.A. in Mathematics. Earned Master of Science in 1985 and Master of Social Work in 1998, both from UNC-Chapel Hill. After 19 years working at AT&T in computer support and internal auditing, Mrs. Poovey joined the staff of Twin Lakes Community in June of 1998 as Director of Research and Development to explore retirement opportunities for aging parents who have adult children with Developmental Disabilities. She earned licenses in the state of North Carolina as both Nursing Home Administrator and Assisted Living Administrator and previously served as Administrator of Deacon Pointe Assisted Living and Twin Lakes Memory Care. Ms. Poovey currently serves as Quality Assurance Officer, supporting the Twin Lakes Home Care Agency and leading a cross-organizational nursing team. In addition, she is currently serving as Chair of the Ralph Scott LifeServices, Inc. Board of Directors, and President of the Northern Piedmont chapter of the Thrivent Financial for Lutherans.

**J. Patrick Harrison. INDEPENDENT LIVING ADMINISTRATOR**
A native of southeastern North Carolina, Patrick Harrison graduated from the University of North Carolina at Pembroke in 2004. He earned a Bachelor of Science degree with a concentration in marketing. He was also awarded two additional Associate degrees in Banking and Finance and Business Administration from Southeastern Community College in 2002. Following studies at the University of North Carolina at Chapel Hill he became a Licensed Nursing Home Administrator for North Carolina in 2005. He was employed as Administrator for Bayview Nursing and Rehabilitation Center in New Bern, N.C. for two years. Mr. Harrison joined Twin Lakes as the Assisted Living Administrator in 2007 and is currently the Independent Living Administrator and a Certified Aging Services Professional.

**Philip Arden Williams. HEALTHCARE ADMINISTRATOR**
Mr. Williams is a native of the Piedmont North Carolina. He graduated from Elon University in 1984 with a Bachelor of Science Degree in Business Administration with a minor in Economics and a concentration in Finance. Before joining the Twin Lakes Community, Mr. Williams worked in textiles for 15 years with Unifi Incorporated holding multiple managerial positions in various locations including Yadkinville NC, Staunton VA, and the corporate headquarters located in Greensboro, NC. Mr. Williams left textiles in 1999 and opened a small printing business in Kernersville, NC which he owned until its sale in 2008. Subsequently, he continued to work in the printing industry until late 2010. In 2011 Mr. Williams accepted a position of Household Coordinator for Assisted Living with River Landing at Sandy Ridge, part of Presbyterian Homes, Inc. While employed with River Landing Mr. Williams completed his AIT which led to his becoming a Licensed Administrator. Mr. Williams joined the Twin Lakes community in July 2014, accepting the position of Administrator for Coble Healthcare. Phil has served on numerous boards including Chairman of the Kernersville Chamber of Commerce, Kernersville Economic Development Committee, Board of Adjustments, and Korner's
Folly Foundation. Additionally, Mr. Williams is a licensed High School Soccer and Wrestling Referee.

Lauren Davis Cook. MEMORY CARE ADMINISTRATOR
A native of Alamance County, Mrs. Cook graduated Cum Laude from Appalachian State University in 2004 with a Bachelor of Science degree in Sociology with a concentration in Gerontology. Mrs. Cook received a Master of Arts degree in Gerontology with a focus in Administration from Appalachian State University in 2006 and joined the Twin Lakes Community family in 2007. Licensed in the state of North Carolina as a Nursing Home Administrator and Assisted Living Administrator, she serves as the Administrator for Twin Lakes Memory Care, an innovative program and facility providing multi-level care for residents living with dementia. She also coordinates the CARF-CCAC accreditation process campus wide. Mrs. Cook currently serves as co-facilitator for Alamance County Parkinson’s Support Group, and previously served as Chair of the Alamance County Committee for the Walk to End Alzheimer’s.

Tara Patton Kepley. ASSISTED LIVING ADMINISTRATOR
A native of Alamance County, Tara Kepley graduated from Appalachian State University in 1998 with a Bachelor of Science degree in Business Administration with a concentration in Information Systems. Mrs. Kepley joined the staff of Twin Lakes Community in 2008 as the Resident Services Coordinator for Independent Living. In 2012, she earned a Graduate Certificate in Gerontology from Appalachian State University. Mrs. Kepley is a licensed Nursing Home and Assisted Living Administrator, as well as a Certified Aging Services Professional. Mrs. Kepley has been the Administrator in Deacon Pointe Assisted Living since 2013. She currently serves as co-facilitator for the Alamance County Parkinson’s Support Group.

Kathy Maines. SR. DIRECTOR OF MARKETING AND SALES
A lifelong resident of Burlington, Ms. Maines attended Alamance Community College and Elon College. She has held North Carolina Life and Accident/Health insurance licenses. Previous banking industry positions include mortgage loan processing and investments. She joined Twin Lakes Community staff in 2002 Sales Associate and was promoted to Senior Director of Sales and Marketing in 2007. Ms. Maines is a Certified Aging Services Professional and a 2011 Leadership Alamance graduate. She has served on the Interagency Council for the Aging, Planning Committee for Services to Elderly, and United Way Community Council.

Mark W. Menees. SR. DIRECTOR OF PASTORAL CARE SERVICES
Holds degrees in Philosophy and Biblical Language and Early Christian Literature. Received a certificate in Nursing Home Administration from UNC-Chapel Hill. Dr. Menees is an ordained Anglican Priest with special interest in pastoral care and spiritual issues among an aging population. He is a recent graduate from SMU’s Program in Spiritual Direction and is a Certified Spiritual Director. He currently serves on the Board of the Salvation Army for Burlington-Alamance County.
Laura McDaniel.  SR. DIRECTOR OF DEVELOPMENT AND OUTREACH
Graduated from The University of the South (Sewanee) in 1998 with a BA in English. Following a year of AmeriCorps Service in an Atlanta Public School she began her career in fundraising with Coxe Curry & Associates, a fundraising consulting firm. For three years she was Development and Volunteer Coordinator with Skyland Trail, a nonprofit serving adults with mental illness. Following a move to Winston-Salem in 2005, she served as the Director of Stewardship and Planned Giving for St. Paul’s Episcopal Church. Five successful years at St. Paul’s led to a position with Capital Development Services, a fundraising consulting and executive search services firm based in Winston-Salem serving clients across the southeast. She joined the Twin Lakes Community team in May 2012. Mrs. McDaniel was a member of the Junior League of Winston-Salem and a board member of The Special Children’s School (now part of The Centers for Exceptional Children). Currently she is a proud PTA member of Ephesus Elementary School and a member of the Carolinas Chapter of ALDE.

Sidney O. Becker.  EXECUTIVE ASSISTANT
A native of Richmond, Virginia, Mrs. Becker’s early career path included corporate buyer and retail management positions with parental involvement as PTA president, volunteer coordinator, and Girl Scout leader as well as leadership roles in her church. Employed by the county police department as a deputized safety officer, she provided school safety and training programs for children while also working as an administrative assistant. Her family moved to North Carolina, and she was employed by Twin Lakes in 1993. Mrs. Becker has been in her current position since 1998 working closely with the board and management. She currently serves as Chair of the Education Committee for Leading Age North Carolina.

Michael Cain.  WELLNESS DIRECTOR
A native of Manitou Springs, Colorado, Mr. Cain holds a degree in Exercise and Sport Science from Colorado State University. Inspired by the healthcare providers and trainers who aided him following football injuries, he decided to pursue a career in health and wellness. Mr. Cain began as a personal trainer and eventually opened his own personal training business. His studio was located in the heart of a well-known retirement community in San Diego and his focus became centered on senior fitness and wellness programs. He has over 25 years of experience in health and wellness and has developed well-rounded fitness programs for all walks of life. His specialties include corrective exercise for muscular imbalances and holistic approaches to wellness. He has been certified by National Academy of Sports Medicine in Advanced Level Personal Training and by the American Council on Exercise as a Corrective Exercise Specialist. Mr. Cain began his work with the residents and staff of Twin Lakes in 2011.
DISCLOSURES

Under NCGS § 58-64-20(a)(3)(b) these persons made the following disclosures concerning the provision of goods or services to either the facility or its residents:

K. Dale Greeson - President, Apple, Bell, Johnson, & Co., P.A., 1211 South Main Street, Burlington, North Carolina 27215, provides tax return preparation and tax planning services which residents of Twin Lakes Community utilize. The anticipated cost to residents cannot presently be estimated, but may exceed $500.

No member of the management staff or the board of directors (i) has been convicted of a felony or pleaded nolo contendere to a felony charge, or been held liable or enjoined in a civil action by final judgment, if the felony or civil action involved fraud, embezzlement, fraudulent conversion, or misappropriation of property; or (ii) is subject to a currently effective injunctive or restrictive court order, or within the past five years, had any state or federal license or permit suspended or revoked as a result of an action brought by a governmental agency or department, in an action arising out of or related to business activity of health care, including actions affecting a license to operate a foster care facility, nursing home, retirement home, home for aged, or facility subject to Chapter 58, Article 64 of the North Carolina General Statutes.

LOCATION AND DESCRIPTION OF PHYSICAL PROPERTY

Twin Lakes Community is located on approximately 210 acres of land in the Town of Elon in Alamance County, North Carolina, bordering the City of Burlington with 400 independent living homes, 36 Deacon Pointe Assisted Living apartments, 104 Coble Healthcare beds and 32 Memory Care beds. The independent living facilities, which are the subject of Twin Lakes continuing care contracts, consist of 248 villas, 30 one-bedroom apartments, 42 two-bedroom apartments, and 80 garden homes.

Deacon Pointe Assisted Living, which is known as a multi-unit housing with services facility under North Carolina law, has 36 apartments, administrative offices, and a gift shop for the entire campus. Its style of architecture and programming is residential in nature and is seen as an extension of the independent living lifestyle. Deacon Pointe also houses the Twin Lakes Home Care Agency, a team of certified nursing assistants serving clients on the Twin Lakes campus and in the broader community. The independent living nurses and nursing clinic are also located in Deacon Pointe.

Coble Healthcare encompasses 100 skilled nursing beds and 4 adult care home beds. The building also houses out-patient physical and occupational therapy. All resident rooms have been designed to create a homelike atmosphere. For the use and enjoyment of all residents of Twin Lakes, the first floor of Coble Healthcare also contains dining facilities, a beauty/barber shop, rehabilitation/therapy facilities, recreation rooms, and the campus chapel. An outdoor patio, memorial garden, and labyrinth are adjacent to the chapel.
Twin Lakes Memory Care is home to 16 skilled nursing and 16 adult care home beds. The building and programming are uniquely designed to meet the needs of persons with cognitive declines. The rooms are organized into households, each of which opens onto Town Center, the facility’s activity center. Staff members in Memory Care receive specialized training in providing dementia care. Also housed in this building is The Harbor, a licensed adult day care, which is open seven days per week and serves twelve participants each day.

The Boland Community Center is an activity building for our residents. Various civic and community groups from Alamance County regularly use the space for meetings and special events. This building houses The Terrace restaurant, private group meeting venues, the library/computer room, resident clubroom, a resident art exhibit area, and a branch bank. Administrative offices for the organization are also located here.

Sullivan Park offers additional indoor activity and meeting space as well as outdoor walking trails, a botanical garden, and a quiet area for meditation/reflection. This area, known as Sullivan Park Botanical Woods, has received official wildlife habitat certification.

The Fitness Center contains a multi-purpose room for exercise and education, an exercise room with fitness equipment, a swimming pool designed for therapeutic and recreational use, and a walking track. Through two wellness coordinators we offer a comprehensive wellness program to our residents. The center also houses several staff offices. The building was designed to be a part of the emergency/disaster preparedness program of Twin Lakes and can serve as emergency shelter in the event of weather or other emergencies.

Our 210-acre campus contains several miles of walking paths and sidewalks. A large garden area and woodworking shop are also available for resident use. In addition, numerous clubs and resident-led activities, events and excursions mean the pace at Twin Lakes is always lively.

**ESTIMATED NUMBER OF RESIDENTS**

As of September 30, 2014 a total of 528 persons were under contract in Independent Living; there were 29 residents in Deacon Pointe Assisted Living and 28 residents in Twin Lakes Memory Care. In the Coble Healthcare facility, one of the Adult Care beds was occupied and 91 persons resided in skilled nursing.

**RELATED PARTY TRANSACTIONS**

**Conflict of Interest Provisions**

The by-laws of the organization strictly prohibit any transaction which could result in a conflict of interest. Article XII Sections 1 & 2 provide that each board member shall disclose to the other members of the board any item of personal interest when that item
becomes subject to board action. Furthermore, any board member having a possible conflict of interest in any matter shall not vote or promote his/her personal interest in the matter. The minutes of the meeting shall reflect that a disclosure was made, the abstention from voting, and whether a quorum was present.

**ADMISIONS AND RESIDENCY**

North Carolina requires that we specifically address certain policies in this disclosure statement. Those policies include admission criteria; affects of changes in condition prior to entry by a resident, contract cancellation or termination; moves of residents initiated by the facility; marriage of residents to non-residents; and inability to pay.

**Admission**

Twin Lakes Community evaluates applications with several criteria in mind and usually accepts for admission those who meet the health, financial, and insurance criteria discussed below. It is the intention of Twin Lakes Community to create a campus of care and compassion, a sense of community and belonging among our residents and staff, and an attitude of openness to and acceptance of people with diverse backgrounds, talents and interests.

In light of this, Twin Lakes reserves the right to refuse admission to some certain applicants who clearly meet the criteria and to accept for admission some certain applicants who clearly fail to achieve all of the usual standards and criteria for admission. Twin Lakes Community, however, does not discriminate with regard to an applicant’s race, religion, ethnic or national origin, or geographic location.

To be accepted for admission to Twin Lakes Community and to reside in an independent living home, an applicant must have attained a minimum age of 62, and must meet certain health and financial conditions. Payment of an Admission Fee provides a resident with the lifetime use of a residence and the services and amenities available at the Community. At the time the resident makes application for residency at the Community, the resident will sign a Residency Agreement to reserve the residence selected and will pay an Admission Fee deposit to us. The balance of the Admission Fee will be paid upon the earlier of (i) occupancy or (ii) 60 days after the Residency Agreement is executed. Every resident in an independent living home must insure that all charges, including the admission fee, occupancy charge (the monthly fee for basic services payable to the Community), and all charges incurred at the option of the resident are satisfied either through direct payment or through waiver or subsidy by Twin Lakes Community.

**Health Criteria for Admission**

Each independent living resident must have sufficient physical and mental capacities to live independently without posing a danger to his/her health or to the health and safety of other Twin Lakes residents and staff.

If between the time of executing the residency contract and of the scheduled occupancy an applicant’s health should decline to a level that impairs the applicant’s ability to live
independently, Twin Lakes may exercise its right to terminate the contract, and the applicant will not be allowed to take up residency in an independent living unit. In such case, any fees paid prior to residency would be refunded to the applicant in accordance with the provisions of the contract.

**Financial and Insurance Criteria**

As an agency of the Lutheran Church, Twin Lakes Community is committed to providing service to people from all points along the economic spectrum. If an applicant is unable to pay the total cost of his/her stay at Twin Lakes, the applicant may request financial assistance. Assistance with the cost of care may be made on a case-by-case basis, and requests for assistance will remain confidential.

An applicant must also have or obtain health insurance that meets the criteria of Twin Lakes Community. Medicare (or an equivalent for those not eligible) is required, and the applicant should be able to produce evidence of such coverage. In order for financial assessment and analysis to be done properly, the applicant must submit a current financial statement to Twin Lakes Community prior to admission.

**Cancellation and/or Termination**

A residency contract creates a binding legal obligation on both the resident and Twin Lakes Community. However, there may be circumstances which necessitate that either the resident or Twin Lakes rescind or terminate the contract.

If a resident dies before occupying a living unit in the facility, or if, on account of illness, injury, or incapacity, a resident would be precluded from occupying a living unit in the facility under the terms of the contract for continuing care, the contract is automatically cancelled.

A resident may rescind the residency contract within thirty (30) days from the date on which he/she executes the contract or receives a disclosure statement from us, whichever later occurs. Upon rescinding, the resident is entitled to receive a full refund of any money transferred to Twin Lakes Community less the following: (1) costs incurred by Twin Lakes at the request of the resident, (2) any monthly occupancy charge or other applicable periodic charges, (3) any charges incurred by the resident until the time of rescission, and (4) a service charge equal to 2% of the resident’s admission fee.

If a resident chooses to terminate the contract, the refund will be paid to the resident by Twin Lakes Community within sixty (60) days after Twin Lakes Community has released the living unit and another resident has paid the admission fee. No interest will be paid on the refundable amount. If within the thirty (30) day rescission period the resident has not taken up occupancy and terminates the contract due to illness, injury, or incapacity which precludes the resident from occupying the living unit, the resident shall receive a refund of all money or property transferred to Twin Lakes less the costs specifically incurred by Twin Lakes at the request of the resident.

**Declining Refund:** After the initial occupancy date, a resident of the apartments or villas
may terminate the contract by giving a written notice to Twin Lakes and shall receive a refund in an amount calculated using the following formula:

\[
\text{Amount of Refund in Dollars} = \left( \frac{\text{Admission Fee} \times 96\%}{912} \right) \times \left( 912 \text{ MINUS } \text{Number of Days (Full or Partial) in your Accrual Period as determined below} \right)
\]

In other words, the refund amount declines ratably over a 30-month period that begins on the resident’s initial occupancy date. The amount that declines ratably is equal to 96% of the resident’s admission fee.

50% Refundable Refund: After the initial occupancy date, a resident of a garden home may terminate the contract by giving a written notice to Twin Lakes and shall receive a refund in an amount calculated using the following formula:

\[
\text{Amount of Refund in Dollars} = \frac{50\% \text{ of Admission Fee}}{912} + \left[ \left( \frac{50\% \text{ of Admission Fee} \times 96\%}{912} \right) \times \left( 912 \text{ MINUS } \text{Number of Days (Full or Partial) in your Accrual Period as determined below} \right) \right]
\]

In other words, the refund amount is equal to the sum of two components. The first component is a fixed amount equal to 50% of the resident’s admission fee. The second component is an amount that declines ratably over a 30-month period equal to 96% of the remaining 50% of the resident’s admission fee.

A resident’s right to occupy the independent living unit may be terminated by Twin Lakes Community if (a) in the opinion of a physician selected by Twin Lakes, the resident is no longer capable of residing in the living unit without posing a danger to his/her own health or that of other residents of Twin Lakes; (b) the resident requires care which Twin Lakes does not or cannot provide; (c) in the sole judgment of the board of directors the resident is not compatible with other residents of Twin Lakes or is disruptive of the Twin Lakes environment; (d) the resident fails to pay the monthly charge for the living unit or charges for other services and facilities provided by Twin Lakes; or (e) the resident requests financial assistance and it has been determined that such financial difficulties are the result of gift giving, imprudent disbursement of financial resources, or intentional sheltering of assets.

After a resident takes up occupancy in a living unit, he/she shall have the exclusive right to occupy the living unit in accordance with the terms of his/her contract with Twin Lakes, and such living unit shall not be made available by Twin Lakes to any other resident so long as the resident is living and the residency contract has not been breached or terminated. If the residency contract is entered into by two individuals for the joint residency of a single living unit, then the following provisions shall apply:

a. The right to occupy the living unit shall belong to both residents jointly until the right to occupy has been terminated as to one of them in the manner provided for in the residency contract.

b. If the right to occupy by one of the joint residents shall be terminated as provided for in the residency contract, then the remaining joint resident shall have the right
to continue to occupy the living unit under the terms of the residency contract at the regular monthly occupancy charge as provided in the residency contract.

**Moves**
Twin Lakes Community can require a resident to move from an independent living unit to an assisted living unit, or to a healthcare or memory care room if it is determined that the resident’s physical or mental condition precludes his/her ability to live independently. Such action will normally be taken only after determination that in all probability the condition is irreversible and that there is little possibility of recovery that would permit the resident to live independently.

This type of decision to transfer will normally occur only after appropriate consultation with the resident, the resident’s family or representative, or a party responsible for the resident. It is the desire of Twin Lakes that these decisions be reached by the common consensus of all parties involved. Twin Lakes retains the right to make the final decision.

**Marriages/New Second Occupant**
If a resident marries someone who also is a resident of Twin Lakes under a CCRC contract, the couple may surrender one of their living units and choose to occupy one. Any refund of admission fee will be made in accordance with the terms of the residency contract on the surrendered unit. The couple will begin paying the monthly occupancy charge for two occupants when they have surrendered one of the units.

If a resident marries someone who is not a resident of Twin Lakes under a CCRC contract (“New Spouse”), the New Spouse may become a resident of the resident’s living unit with all the rights, privileges and duties of a CCRC contract holder if the New Spouse 1) meets all the current requirements for admission to the type of living unit the resident occupies; 2) signs a residency contract and any amendments we deem necessary; and 3) pays an additional admission fee for double occupancy of the resident’s living unit. If the New Spouse does not meet Twin Lakes’s requirements for admission or chooses not to become a CCRC contract holder with Twin Lakes, the resident may request that the New Spouse be permitted to occupy his/her living unit. If the New Spouse’s occupancy is approved, the resident will pay a second person monthly occupancy charge for the New Spouse, but the New Spouse will have no rights under the residency contract and no claim for care, services or residency from Twin Lakes. In the event the resident predeceases the New Spouse, and the New Spouse thereafter qualifies for admission and wishes to remain at Twin Lakes, the New Spouse must pay, in addition to the applicable monthly occupancy charge, the admission fee then applicable to the unit. Further, if the New Spouse does not wish to remain at Twin Lakes or does not qualify for admission or does not pay the applicable admission fee, then the New Spouse must vacate the unit within sixty (60) days of written notification by Twin Lakes Community.

**Inability to Pay**
If a resident experiences financial difficulties while living at Twin Lakes Community, the resident may submit a request to Twin Lakes for financial assistance. Each request will
be considered on an individual basis. Financial difficulties resulting from a resident’s gift giving, imprudent disbursement of financial resources, or intentional sheltering of assets will not be grounds for financial assistance. The resident will be allowed to remain in the unit during the time the President/CEO is evaluating the request and during such periods of time as the President/CEO approves the resident’s request for financial assistance.

**Services**

A person who enters into a residency contract with Twin Lakes for residency in an independent living unit pays a non-refundable $250 application fee, a one-time admission fee, and a monthly occupancy charge. Twin Lakes provides a specified apartment, villa or garden home for this resident. The monthly occupancy charge covers the following basic services as noted in these excerpts from the current residency contracts:

- **Insurance.** We carry fire and extended coverage insurance on our buildings and liability coverage for the Retirement Community. You are responsible for the cost of property and casualty and liability insurance for your personal belongings and other personal property located at the Retirement Community. We do not carry insurance on your personal property.

- **Utilities.** We furnish and pay for the cost of heat and electricity, air conditioning, cable television service, water and sewer services, and trash collection. You are responsible for the cost of installation of telephone service and internet service, and the monthly charges for those services.

- **Fixtures.** We furnish your home with window blinds, an electric range, a built-in microwave, a refrigerator, and a garbage disposal. Washing machines and clothes dryers are accessible to apartment units; washing machines, clothes dryers and dishwashers are standard in all other floor plans.

- **General Maintenance of Common Areas and Grounds.** We maintain all common areas and grounds.

- **Parking Spaces.** You and your guests are entitled to the nonexclusive use of the parking areas designated on the Retirement Community premises for resident and visitor parking.

- **Recreational, Social and Religious Activities.** We provide recreational, physical, social, spiritual, educational and cultural activities as we determine in our discretion.

- **Emergency Nursing Assistance.** Our nursing staff is on call twenty-four hours a day for emergencies.

- **Maintenance of Living Unit and Fixtures.** We maintain the structural portion of your home and the fixtures described in listing in “b. Fixtures” above. This maintenance does not include housekeeping or maintenance of your personal property.

- **Transportation.** We provide regularly scheduled group transportation to selected medical facilities, shopping malls and grocery stores. The schedule and locations may be adjusted, modified, and changed at our discretion.

- **Annual Cleaning.** Our housekeeping staff will perform an annual cleaning of your home at no additional charge to you. Advance notice will be given for annual cleaning dates.

- **Grace Days.** We will use good faith efforts to make available each calendar year up to
three days per independent living resident of temporary care in one of our facilities without additional occupancy charge to you. These grace days do not renew in the event of a long-term move to healthcare. These grace days shall not be cumulative or transferable to another resident, whether such resident is a party to this or another Contract. Please note that fees for services (including, but not limited to, salon, therapy, transportation, and pharmacy) used during a stay in health care will not be waived.

**Services Available at Extra Charge**
For an additional charge established from time to time by Twin Lakes Community, a resident may have the following optional services provided: meal service, housekeeping and laundry, transportation services to specific places, private duty nursing, rehabilitation services, and personal care services.

**Personal Services Available**
- **Salon.** A salon is provided by Twin Lakes Community in Coble Healthcare. Full services are provided by licensed cosmetologists at competitive rates. Hours are convenient and appointments are encouraged.

- **Gift Shop.** A gift shop sponsored and operated by the Twin Lakes Auxiliary, a volunteer organization, is located in Deacon Pointe Assisted Living. Profits from the shop’s operation are used by the Auxiliary in its work in support of Twin Lakes Community.

- **Guest Quarters.** Twin Lakes Community has a guest house and guest rooms for guests of Twin Lakes residents. Rates currently are $60 - $90 per night. Requests for reservations are made through the independent living department. The guest quarters are also available to prospective residents of Twin Lakes Community on an as-available basis.

**Fees**
The following table shows the fee schedule for Twin Lakes Community. The board of directors and management have a fiduciary responsibility to operate Twin Lakes Community in a fiscally responsible manner. Accordingly, the occupancy charge for basic services and the periodic charges for supplemental services may be adjusted from time to time at the sole discretion of the board of directors. It is the practice of Twin Lakes not to change the occupancy charge more than once each fiscal year, but we reserve the right to make more frequent changes should we deem it appropriate. A number of financial, economic, program and regulatory factors must be considered in developing the annual operating budget and potential increases in resident service fees. These factors include, but are not limited to: competitive market pressures such as employee wages and benefits, insurance costs, and cost of capital; projected increases from vendors and other providers of goods and services; adjustments in governmental programs such as Medicare and Medicaid; additional resident service programs; repair and maintenance of facilities; and technological advances. A schematic showing the frequency and average dollar amount of increase in periodic charges over the past five years follows the table of fees.
TWIN LAKES FEE SCHEDULE
2014-2015

LIVING UNITS

APARTMENTS: SQ.FT. ADMISSION SINGLE DOUBLE
Heather; 1 BR 600 $ 55,000 $1,338 $1,860
Laurel; 2 BR 800 $ 65,000 $1,511 $2,033

WITTENBERG:
Edelweiss 1BR 819 $ 75,000 $1,676 $2,198
Iris 2BR 969 $ 90,000 $1,749 $2,271
Valerian 2BR 1007 $ 90,000 $1,749 $2,271

There is a $5,000 second person Admission Fee for Apartments and Wittenberg.

VILLAS:
Acacia (A int.) 1311 $119,000 $1,898 $2,420
Chestnut (C ) 1311 $127,000 $1,898 $2,420
Aspen (A ext.) 1311 $132,000 $1,898 $2,420
Birch(B) 1602 $150,000 $1,973 $2,495
Dogwood (D) 1677 $160,000 $1,973 $2,495

There is a $10,000 second person Admission Fee for Villas.
A site premium of $5000 is charged for any Villa that is lakefront.
All homes above have a 30 month declining refund.

GARDEN HOMES:
Juniper 1750 $250,000 $2,112 $2,651
Evergreen 1888 $270,000 $2,256 $2,795
Forsythia 1960 $285,000 $2,256 $2,795
Gardenia 2000 $295,000 $2,401 $2,940
Holly 2200 $325,000 $2,542 $3,081

There is a $15,000 second person Admission Fee for Garden Homes.
Admission fees for Garden Homes are 50% refundable.

DEACON POINTE ASSISTED LIVING APARTMENTS:
Admission fee for non-campus applicants is $10,000.

SINGLE DOUBLE
Small apartment $4,306 monthly $6,306 monthly
Large apartment $4,579 monthly $6,579 monthly

SKILLED CARE NURSING ROOMS MEMORY CARE ROOMS:
Semi-private $238 per day Semi-private $244 - $254 per day
Private $248 per day Private $254 - $264 per day

ADDITIONAL FEES as needed:
Adult Day Care: 1-2 days per week: $58 per day 3+ days per week: $54 per day
Home Care Services $20 per hour Housekeeping: $17.50 per hour
These fees are effective October 1, 2014 until future changes deemed appropriate by the board of Lutheran Retirement Ministries of Alamance County, North Carolina.

PERIODIC RATES FOR PREVIOUS FIVE FISCAL YEARS

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All rates are for SINGLE occupancy.

* Add $522 for each additional occupant in Independent Living Villas/Apartments.
* Add $539 for each additional occupant in Independent Living Garden Homes.
** Add $2,000 for each additional occupant in Deacon Pointe Assisted Living.
### DOLLAR INCREASES IN FEES FOR PREVIOUS FIVE FISCAL YEARS

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<td>Private</td>
<td>Private</td>
<td>Private</td>
<td>Private</td>
<td>$9.60</td>
</tr>
<tr>
<td><strong>(DAILY)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Memory Care</td>
<td>Private</td>
<td>Private</td>
<td>Private</td>
<td>Private</td>
<td>Private</td>
<td>$8.80</td>
</tr>
</tbody>
</table>

*NOTE: Fee increase for 2010 in Independent Living and Deacon Pointe Assisted Living included a $30 charge for the provision of Cablevision as a new service to be included each year forward.**

**NOTE: The inclusion of cablevision increased the five-year average by six dollars.
August 22, 2014

Name
Address

Dear Resident:

At the meeting of our Board of Directors on August 19, 2014, the Twin Lakes Community operating budget and resident fee schedules for the fiscal year October 1, 2014 through September 30, 2015 were reviewed and approved. Effective October 1, 2014, Independent Living resident fees will increase by 3.25% over current rates.

The monthly fee for your unit beginning October 1, 2014, including any applicable second person charge, will be $_________. A copy of the entire fee schedule is included with this letter.

The approved budget includes an average 3% wage increase for Twin Lakes Community employees. This budget also increases the minimum wage paid to Twin Lakes Community employees with 90 days of service from $9.00 per hour to $9.50 per hour. Offering competitive salaries and benefits allows us to attract and keep the best employment candidates while ensuring that all our staff earns a living wage.

We have included some new positions in this budget. Included are an additional groundskeeper, an additional information technology staffer and weekend activities staffing for Deacon Pointe Assisted Living. Also this year Michael Cain, our Wellness Director, will become a Twin Lakes Community employee. Previously Michael was employed by our Wellness Program contractor and was assigned by them to direct the Twin Lakes Wellness Program.

The Board of Directors and management remain committed to keeping annual rate increases as low as possible while balancing the need to maintain and improve our services and our facilities. The operations and costs of each department are reviewed during the budget process to insure that we are providing our services as cost effectively as possible. Twin Lakes continues to be a financial leader among North Carolina’s continuing care retirement communities, as evidenced by our investment grade rating (Fitch BBB+). Our financial strength enables us both to invest our reserves in maintaining the beauty of our grounds and facilities and to respond quickly and efficiently to emergencies, such as this past year’s ice storms, without these investments affecting your monthly fees.

We have scheduled two meetings to discuss the budget with you and to answer questions you may have. Both meetings will be held in the Gathering Room of the Fitness Center. The first is scheduled for Thursday, September 4 at 3:00 p.m. The second will be held Wednesday, September 10 at 10:30 a.m. We look forward to seeing you at one of these meetings.

Sincerely,

/s/       /s/
Jackie S. Cole      Pamela S. Fox
Chair of the Board of Directors    President / Chief Executive Officer

LRM / TWIN LAKES COMMUNITY DISCLOSURE STATEMENT - PAGE 25
RESERVES, ESCROWS, AND TRUSTS

Reserves

N.C.G. S. 58-64-33 requires the Facility to maintain an operating reserve equal to 50% of total operating costs projected for the subsequent year, or 25% of such total operating costs, if occupancy is in excess of 90%.

Twin Lakes Community has exceeded the 90% occupancy requirement since its first year of operation (1983) and anticipates the occupancy level to continue to exceed the 90% requirement.

The required reserve is based on a modified annual operating expense and occupancy level. Twin Lakes Community meets required reserve requirements now and is projected to continue in that position.

On September 30, 2014, there was $5,823,730 in cash and operating reserves and a reserve requirement of $5,681,775.

2014-2015 Projected Total Operating Costs: $25,106,000
Add Payments of Long-Term Debt 2,035,000
MINUS Depreciation and Amortization: (4,413,900)

Operating Reserve Requirement:
Total Operating Costs for 2014-2015: $22,727,100

TOTAL Operating Reserve Required
as of September 30, 2014
for the 2014-2015 fiscal year: $5,681,775
(25% based on occupancy exceeding 90%)

The responsibility for maintenance of the reserves and the investing of the reserves rests with the President/CEO and the Chief Financial Officer. All investment decisions are shared with the Executive and Finance Committees and subsequently reported to the board of directors. As of September 30, 2014, Operating Reserve Investments were as follows:

Investment Account:
Cash and Cash Equivalents $256,488
Fixed Income Securities 3,499,464
Equity Securities 2,045,033
Accrued Interest 22,745
$5,823,730
**FINANCIAL FORECAST**

The financial forecast included in this Disclosure Statement for the years ending September 30, 2015 through September 30, 2019, includes the following construction during the next five years. There will usually be differences between forecasted and actual construction because the events and circumstances frequently do not occur as expected and these differences may be material.

<table>
<thead>
<tr>
<th>Year</th>
<th>Description of Construction</th>
<th>Forecast Construction Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>Renovations &amp; Capital Replacement</td>
<td>$2,200,000</td>
</tr>
<tr>
<td>2015</td>
<td>Site Development</td>
<td>$505,600</td>
</tr>
<tr>
<td>2015</td>
<td>Harris Park &amp; Shelter</td>
<td>$568,500</td>
</tr>
<tr>
<td>2015</td>
<td>Fitness Center Renovations</td>
<td>$350,000</td>
</tr>
<tr>
<td>2015</td>
<td>Luther Court Landscaping</td>
<td>$350,000</td>
</tr>
<tr>
<td>2015</td>
<td>Smart House</td>
<td>$200,000</td>
</tr>
<tr>
<td>2015</td>
<td>Computer Server Room</td>
<td>$100,000</td>
</tr>
<tr>
<td>2016</td>
<td>Renovations &amp; Capital Replacement</td>
<td>$2,200,000</td>
</tr>
<tr>
<td>2016</td>
<td>Site Development</td>
<td>$300,000</td>
</tr>
<tr>
<td>2016</td>
<td>Maintenance Complex</td>
<td>$500,000</td>
</tr>
<tr>
<td>2016</td>
<td>West Campus Sewer Line</td>
<td>$500,000</td>
</tr>
<tr>
<td>2016</td>
<td>Garden Homes (8 units)</td>
<td>$2,880,000</td>
</tr>
<tr>
<td>2016</td>
<td>Garden Homes Site Work</td>
<td>$400,000</td>
</tr>
<tr>
<td>2017</td>
<td>Renovations &amp; Capital Replacement</td>
<td>$2,200,000</td>
</tr>
<tr>
<td>2017</td>
<td>Site Development</td>
<td>$300,000</td>
</tr>
<tr>
<td>2017</td>
<td>Maintenance Complex</td>
<td>$1,500,000</td>
</tr>
<tr>
<td>2017</td>
<td>Garden Homes (7 units)</td>
<td>$2,600,000</td>
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<tr>
<td>2017</td>
<td>Garden Homes Site Work</td>
<td>$400,000</td>
</tr>
<tr>
<td>2018</td>
<td>Renovations &amp; Capital Replacement</td>
<td>$2,200,000</td>
</tr>
<tr>
<td>2018</td>
<td>Site Development</td>
<td>$300,000</td>
</tr>
<tr>
<td>2018</td>
<td>Maintenance Complex</td>
<td>$500,000</td>
</tr>
<tr>
<td>2019</td>
<td>Renovations &amp; Capital Replacement</td>
<td>$2,200,000</td>
</tr>
<tr>
<td>2019</td>
<td>Site Development</td>
<td>$300,000</td>
</tr>
</tbody>
</table>

$23,554,100

Less Costs Incurred thru 09/30/14 (751,800)

$22,802,300

Twin Lakes has continually developed and renovated its campus throughout its 30 year history. Twin Lakes utilizes a master campus plan which forecasts construction projects up to ten years in the future. Our goal is to maintain a campus attractive to both current residents and prospective residents. Independent living unit construction projects normally consist of a cul-de-sac or “court” with between 7 and 25 units. After a new court is completed and occupied a decision is made on the appropriateness of beginning
construction of a subsequent court. Each decision is based on a number of factors including consumer demand, construction costs and ability to provide services to additional units. Our current forecast includes independent living courts of between 7 and 8 units. This forecast also projects we will spend approximately $2,200,000 each year to renovate existing structures and replace existing equipment. Twin Lakes Community attempts to purchase parcels of land that are contiguous to its current campus when they become available at a reasonable price. Nothing has been forecast for land purchases in this five-year forecast. Twin Lakes Community is planning for a maintenance and support services complex for the campus. Initial estimates for that complex are $2,500,000 over a three-year period. The forecasted construction cost included in the five-year forecast is anticipated to be financed by a combination of admission fees on independent living units and available cash reserves.

FINANCIAL DATA

Financial Overview Statement: Twin Lakes Community has been operated as a retirement community since 1983. It has a history of fulfilling its obligations to its residents, and to that end has operated in a fiscally conservative manner. Its financial position is strong and the board of directors has an operating philosophy consistent with maintaining that financial strength.

Certified Financial Statements: Copies of the certified financial statements for the years 2012-2013 and 2013-14 are included as Attachment 1.


Residency Contract: A copy of the LRM/Twin Lakes Community Residency Contract is included as Attachment 4. Note: There are two contracts – one for declining refunds and one for 50% refundable contracts.

Interim Financial Statements
A copy of the LRM Interim Financial Statements as of December 31, 2014 is included as Attachment 5.
CURRENT CERTIFIED FINANCIAL STATEMENT
CONTENTS

INDEPENDENT AUDITORS’ REPORT.................................................................Page 2-3

AUDITED FINANCIAL STATEMENTS:

  Statements of Financial Position ......................................................... 4-5
  Statements of Operations....................................................................... 6
  Statements of Changes in Net Assets................................................... 7
  Statements of Cash Flows..................................................................... 8-9
  Notes to Financial Statements............................................................... 10
INDEPENDENT AUDITORS’ REPORT

January 6, 2015

The Board of Directors
Lutheran Retirement Ministries of Alamance County, North Carolina
Burlington, North Carolina

We have audited the accompanying financial statements of Lutheran Retirement Ministries of Alamance County, North Carolina (a nonprofit organization) which comprise the statements of financial position as of September 30, 2014 and September 30, 2013 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 the 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 audits 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 auditors consider 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.
The Board of Directors  
Lutheran Retirement Ministries of Alamance County, North Carolina  

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 Lutheran Retirement Ministries of Alamance County, North Carolina as of September 30, 2014 and September 30, 2013 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.

[Signature]
Certified Public Accountants

Burlington, North Carolina
January 6, 2015
LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA
STATEMENTS OF FINANCIAL POSITION
September 30, 2014 and September 30, 2013

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2014</th>
<th>Operating Fund</th>
<th>Endowment Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT ASSETS:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$18,059,048</td>
<td>$18,036,505 $22,543</td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>5,117,384</td>
<td>5,087,496</td>
<td>29,888</td>
</tr>
<tr>
<td>Accounts receivable - net</td>
<td>1,230,837</td>
<td>1,230,837</td>
<td></td>
</tr>
<tr>
<td>Due (to) from other funds</td>
<td>-</td>
<td>29,888</td>
<td>(29,888)</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>17,163</td>
<td>17,163</td>
<td>-</td>
</tr>
<tr>
<td>Inventory</td>
<td>194,942</td>
<td>194,942</td>
<td></td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>24,619,374</td>
<td>24,596,831</td>
<td>22,543</td>
</tr>
</tbody>
</table>

| **ASSETS WHOSE USE IS LIMITED:**   |          |                |               |
| Cash                                | 878,035  | 837,499        | 40,536        |
| Investments                         | 7,305,906 | 5,544,498     | 1,761,408     |
| Interest receivable                 | 22,745   | 22,745         |               |
| **Total assets whose use are limited** | 8,206,686 | 6,404,742     | 1,801,944     |

| **OTHER ASSETS:**                   |          |                |               |
| Long-term investments               | 516,852  |                | 516,852       |
| Property and equipment - net        | 76,147,744 | 76,147,744 |               |
| Bond closing costs                  | 169,751  | 169,751        |               |
| **Total other assets**              | 76,834,347 | 76,317,495     | 516,852       |
| **Total assets**                    | $109,660,407 | $107,319,068 $2,341,339 |

See accompanying notes to financial statements.
## ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Totals</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Operating</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Fund</strong></td>
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</tr>
<tr>
<td>Endowment</td>
<td></td>
</tr>
<tr>
<td>Fund</td>
<td></td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
</tr>
<tr>
<td><strong>2013</strong></td>
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</tr>
</tbody>
</table>

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>$ 15,988,557</strong></td>
<td><strong>$ 15,978,070</strong></td>
<td><strong>$ 10,487</strong></td>
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<tr>
<td>4,142,895</td>
<td>4,112,795</td>
<td>30,100</td>
<td></td>
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<tr>
<td>1,376,367</td>
<td>1,376,367</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>-</td>
<td>30,100</td>
<td>(30,100)</td>
<td></td>
</tr>
<tr>
<td>19,791</td>
<td>19,791</td>
<td>-</td>
<td></td>
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<tr>
<td>215,724</td>
<td>215,724</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>21,743,334</strong></td>
<td><strong>21,732,847</strong></td>
<td><strong>10,487</strong></td>
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<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>$ 1,066,516</strong></td>
<td><strong>$ 1,037,523</strong></td>
<td><strong>$ 28,993</strong></td>
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<tr>
<td>6,594,610</td>
<td>4,927,899</td>
<td>1,666,711</td>
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<tr>
<td><strong>$ 22,209</strong></td>
<td><strong>$ 22,209</strong></td>
<td>-</td>
<td></td>
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<tr>
<td><strong>$ 7,683,335</strong></td>
<td><strong>$ 5,987,631</strong></td>
<td><strong>$ 1,695,704</strong></td>
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</thead>
<tbody>
<tr>
<td><strong>$ 468,791</strong></td>
<td>-</td>
<td><strong>$ 468,791</strong></td>
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<td>76,998,041</td>
<td>76,998,041</td>
<td>-</td>
<td></td>
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<tr>
<td>190,036</td>
<td>190,036</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>$ 77,656,868</strong></td>
<td><strong>$ 77,188,077</strong></td>
<td><strong>$ 468,791</strong></td>
<td></td>
</tr>
<tr>
<td><strong>$ 107,083,537</strong></td>
<td><strong>$ 104,908,555</strong></td>
<td><strong>$ 2,174,982</strong></td>
<td></td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA
STATEMENTS OF FINANCIAL POSITION
September 30, 2014 and September 30, 2013

<table>
<thead>
<tr>
<th>LIABILITIES AND NET ASSETS</th>
<th>2014</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Totals</td>
<td>Operating Fund</td>
<td>Endowment Fund</td>
</tr>
<tr>
<td>CURRENT LIABILITIES:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current maturities of long-term debt</td>
<td>$ 2,035,000</td>
<td>$ 2,035,000</td>
<td>$ -</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>790,115</td>
<td>790,115</td>
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<tr>
<td>Construction contracts payable</td>
<td>222,220</td>
<td>222,220</td>
<td>-</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>1,716,222</td>
<td>1,716,222</td>
<td>-</td>
</tr>
<tr>
<td>Deposits on unoccupied units</td>
<td>29,500</td>
<td>29,500</td>
<td>-</td>
</tr>
<tr>
<td>Reserve on derivative contract</td>
<td>192,765</td>
<td>192,765</td>
<td>-</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>4,985,822</td>
<td>4,985,822</td>
<td>-</td>
</tr>
<tr>
<td>Long-term debt, excluding current maturities</td>
<td>25,630,000</td>
<td>25,630,000</td>
<td>-</td>
</tr>
<tr>
<td>Deferred revenue from admission fees</td>
<td>28,611,089</td>
<td>28,611,089</td>
<td>-</td>
</tr>
<tr>
<td>Deferred revenue from occupancy fees</td>
<td>104,915</td>
<td>104,915</td>
<td>-</td>
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<tr>
<td>Deferred revenue from Memorial Garden fees</td>
<td>104,250</td>
<td>104,250</td>
<td>-</td>
</tr>
<tr>
<td>Refundable admission fees</td>
<td>11,013,975</td>
<td>11,013,975</td>
<td>-</td>
</tr>
<tr>
<td>Reserve on derivative contract</td>
<td>1,644,175</td>
<td>1,644,175</td>
<td>-</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>72,094,226</td>
<td>72,094,226</td>
<td>-</td>
</tr>
<tr>
<td>NET ASSETS:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Designated by board for self-insurance</td>
<td>1,148,426</td>
<td>1,148,426</td>
<td>-</td>
</tr>
<tr>
<td>Designated by board for endowment</td>
<td>539,393</td>
<td>-</td>
<td>539,393</td>
</tr>
<tr>
<td>Designated by board for capital reserve</td>
<td>3,120,039</td>
<td>3,120,039</td>
<td>-</td>
</tr>
<tr>
<td>Designated by board for debt service</td>
<td>3,077,171</td>
<td>3,077,171</td>
<td>-</td>
</tr>
<tr>
<td>Designated by board for Memorial Garden</td>
<td>19,810</td>
<td>19,810</td>
<td>-</td>
</tr>
<tr>
<td>Designated by board for state mandated operating reserve</td>
<td>5,681,775</td>
<td>5,681,775</td>
<td>-</td>
</tr>
<tr>
<td>Undesignated</td>
<td>21,580,235</td>
<td>21,580,235</td>
<td>-</td>
</tr>
<tr>
<td>Total unrestricted</td>
<td>35,166,849</td>
<td>34,627,456</td>
<td>539,393</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>628,974</td>
<td>597,386</td>
<td>31,588</td>
</tr>
<tr>
<td>Permanently restricted</td>
<td>1,770,358</td>
<td>-</td>
<td>1,770,358</td>
</tr>
<tr>
<td>Total net assets</td>
<td>37,566,181</td>
<td>35,224,842</td>
<td>2,341,339</td>
</tr>
</tbody>
</table>

Total liabilities and net assets $ 109,660,407 $ 107,319,068 $ 2,341,339

See accompanying notes to financial statements.
## LIABILITIES AND NET ASSETS

<table>
<thead>
<tr>
<th></th>
<th>Operating Fund</th>
<th>Endowment Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Totals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td></td>
</tr>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
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</tr>
</thead>
<tbody>
<tr>
<td>$ 1,965,000</td>
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<tr>
<td>821,204</td>
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<td>-</td>
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<tr>
<td>512,380</td>
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<tr>
<td>1,744,995</td>
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<tr>
<td>387,384</td>
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<tr>
<td>189,525</td>
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</tr>
<tr>
<td>5,620,488</td>
<td>5,620,488</td>
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<tr>
<td>27,665,000</td>
<td>27,665,000</td>
<td>-</td>
</tr>
<tr>
<td>26,760,392</td>
<td>26,760,392</td>
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</tr>
<tr>
<td>124,621</td>
<td>124,621</td>
<td>-</td>
</tr>
<tr>
<td>103,000</td>
<td>103,000</td>
<td>-</td>
</tr>
<tr>
<td>9,593,975</td>
<td>9,593,975</td>
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</tr>
<tr>
<td>1,956,915</td>
<td>1,956,915</td>
<td>-</td>
</tr>
<tr>
<td>71,824,391</td>
<td>71,824,391</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1,003,809</td>
<td>1,003,809</td>
<td>-</td>
</tr>
<tr>
<td>479,279</td>
<td>-</td>
<td>479,279</td>
</tr>
<tr>
<td>3,038,598</td>
<td>3,038,598</td>
<td>-</td>
</tr>
<tr>
<td>2,961,343</td>
<td>2,961,343</td>
<td>-</td>
</tr>
<tr>
<td>13,264</td>
<td>13,264</td>
<td>-</td>
</tr>
<tr>
<td>5,493,964</td>
<td>5,493,964</td>
<td>-</td>
</tr>
<tr>
<td>20,197,404</td>
<td>20,197,404</td>
<td>-</td>
</tr>
<tr>
<td>33,187,661</td>
<td>32,708,382</td>
<td>479,279</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>404,638</td>
<td>375,782</td>
<td>28,856</td>
</tr>
<tr>
<td>1,666,847</td>
<td>-</td>
<td>1,666,847</td>
</tr>
<tr>
<td>35,259,146</td>
<td>33,084,164</td>
<td>2,174,982</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 107,083,537</td>
<td>$ 104,908,555</td>
<td>$ 2,174,982</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA
STATEMENTS OF OPERATIONS
September 30, 2014 and September 30, 2013

<table>
<thead>
<tr>
<th>Fund</th>
<th>2014 Totals</th>
<th>Operating Fund</th>
<th>Endowment Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues, gains and other support:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nursing care</td>
<td>$ 7,641,280</td>
<td>$ 7,641,280</td>
<td>$ -</td>
</tr>
<tr>
<td>Assisted living</td>
<td>1,707,877</td>
<td>1,707,877</td>
<td>-</td>
</tr>
<tr>
<td>Independent living facilities</td>
<td>8,658,761</td>
<td>8,658,761</td>
<td>-</td>
</tr>
<tr>
<td>Memory care</td>
<td>2,826,507</td>
<td>2,826,507</td>
<td>-</td>
</tr>
<tr>
<td>Admission fees earned</td>
<td>3,440,944</td>
<td>3,440,944</td>
<td>-</td>
</tr>
<tr>
<td>Ancillary services</td>
<td>1,462,271</td>
<td>1,462,271</td>
<td>-</td>
</tr>
<tr>
<td>Home care and adult day care</td>
<td>677,329</td>
<td>677,329</td>
<td>-</td>
</tr>
<tr>
<td>Dietary</td>
<td>447,446</td>
<td>447,446</td>
<td>-</td>
</tr>
<tr>
<td>Other operating revenues</td>
<td>288,052</td>
<td>288,052</td>
<td>-</td>
</tr>
<tr>
<td>Gain (loss) on disposal of property/equipment</td>
<td>(195)</td>
<td>(195)</td>
<td>-</td>
</tr>
<tr>
<td>Investment income</td>
<td>257,704</td>
<td>252,731</td>
<td>4,973</td>
</tr>
<tr>
<td>Net unrealized gain on investments</td>
<td>158,428</td>
<td>128,312</td>
<td>30,116</td>
</tr>
<tr>
<td>Net realized gain on investments</td>
<td>104,069</td>
<td>93,149</td>
<td>10,920</td>
</tr>
<tr>
<td>Donations and grants</td>
<td>277,748</td>
<td>263,643</td>
<td>14,105</td>
</tr>
<tr>
<td>Total revenues, gains and other support</td>
<td>$27,948,221</td>
<td>$27,888,107</td>
<td>60,114</td>
</tr>
</tbody>
</table>

Less: Medicare and Medicaid contractual adjustments
| Charitable and other contractual allowances | 1,823,599 | 1,823,599 | - |
| Bad Debts | 303,075 | 303,075 | - |
| Total revenues, gains and other support | $25,691,702 | $25,631,588 | 60,114 |

Operating expenses:
| Nursing services | 3,700,552 | 3,700,552 | - |
| Assisted living | 616,380 | 616,380 | - |
| Independent living | 1,262,449 | 1,262,449 | - |
| Memory care | 1,853,866 | 1,853,866 | - |
| Home care and adult day care | 669,220 | 669,220 | - |
| Activities and social services | 244,210 | 244,210 | - |
| Support services | 6,343,427 | 6,343,427 | - |
| Ancillary services | 904,607 | 904,607 | - |
| Administrative and general | 2,884,687 | 2,884,687 | - |
| Depreciation and amortization | 4,282,403 | 4,282,403 | - |
| Interest and related fees | 1,074,640 | 1,074,640 | - |
| Total operating expenses | $23,836,441 | $23,836,441 | - |

Operating income | $1,855,261 | $1,795,147 | $60,114 |

See accompanying notes to financial statements.
## Lutheran Retirement Ministries of Alamance County, North Carolina
### Statements of Operations
September 30, 2014 and September 30, 2013

<table>
<thead>
<tr>
<th></th>
<th>Operating Fund</th>
<th>Endowment Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$7,443,360</td>
<td>$7,443,360</td>
</tr>
<tr>
<td></td>
<td>$1,592,694</td>
<td>$1,592,694</td>
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<tr>
<td></td>
<td>$8,041,256</td>
<td>$8,041,256</td>
</tr>
<tr>
<td></td>
<td>$2,716,669</td>
<td>$2,716,669</td>
</tr>
<tr>
<td></td>
<td>$3,454,143</td>
<td>$3,454,143</td>
</tr>
<tr>
<td></td>
<td>$1,466,901</td>
<td>$1,466,901</td>
</tr>
<tr>
<td></td>
<td>$792,844</td>
<td>$792,844</td>
</tr>
<tr>
<td></td>
<td>$426,740</td>
<td>$426,740</td>
</tr>
<tr>
<td></td>
<td>$289,573</td>
<td>$289,573</td>
</tr>
<tr>
<td></td>
<td>$6,079</td>
<td>$6,079</td>
</tr>
<tr>
<td></td>
<td>$331,901</td>
<td>$325,089</td>
</tr>
<tr>
<td></td>
<td>$168,150</td>
<td>$117,742</td>
</tr>
<tr>
<td></td>
<td>$129,872</td>
<td>$127,326</td>
</tr>
<tr>
<td></td>
<td>$262,099</td>
<td>$205,175</td>
</tr>
<tr>
<td>Totals</td>
<td>$27,122,281</td>
<td>$27,005,591</td>
</tr>
<tr>
<td></td>
<td>$1,516,621</td>
<td>$1,516,621</td>
</tr>
<tr>
<td></td>
<td>$210,056</td>
<td>$210,056</td>
</tr>
<tr>
<td></td>
<td>$149,190</td>
<td>$149,190</td>
</tr>
<tr>
<td>2013</td>
<td>$25,246,414</td>
<td>$25,129,724</td>
</tr>
</tbody>
</table>

### 2013

|                  | $3,556,665     | $3,556,665     |
|                  | $567,783       | $567,783       |
|                  | $1,092,379     | $1,092,379     |
|                  | $1,731,248     | $1,731,248     |
|                  | $725,508       | $725,508       |
|                  | $231,560       | $231,560       |
|                  | $5,928,313     | $5,928,313     |
|                  | $874,134       | $874,134       |
|                  | $3,121,820     | $3,121,820     |
|                  | $4,061,828     | $4,061,828     |
|                  | $1,168,558     | $1,168,558     |
| Totals           | $23,059,796    | $23,059,796    |

### Totals

$2,186,618  $2,069,928  $116,690

See accompanying notes to financial statements.
LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA
STATEMENTS OF CHANGES IN NET ASSETS
September 30, 2014 and September 30, 2013

<table>
<thead>
<tr>
<th></th>
<th>2014 Totals</th>
<th>Operating Fund</th>
<th>Endowment Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unrestricted net assets:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating income</td>
<td>$ 1,855,261</td>
<td>$ 1,795,147</td>
<td>$ 60,114</td>
</tr>
<tr>
<td>Interfund transfers</td>
<td>36,030</td>
<td>36,030</td>
<td>-</td>
</tr>
<tr>
<td>Change in value on derivative contract</td>
<td>309,501</td>
<td>309,501</td>
<td>-</td>
</tr>
<tr>
<td>Net assets transferred to restrictions</td>
<td>(221,604)</td>
<td>(221,604)</td>
<td>-</td>
</tr>
<tr>
<td>Increase in unrestricted net assets</td>
<td>1,979,188</td>
<td>1,919,074</td>
<td>60,114</td>
</tr>
</tbody>
</table>

| **Temporarily restricted net assets** | |               |               |
| Net assets transferred to restrictions | 221,604 | 221,604 | -             |
| Interfund transfers               | -          | -             | -             |
| Interest and related fees - net   | 448        | -             | 448           |
| Net unrealized gain on investments | 2,071 | - | 2,071         |
| Net realized gain (loss) on investments | 213 | - | 213           |
| Donations                         | -          | -             | -             |
| Increase (decrease) in temporarily restricted net assets | 224,336 | 221,604 | 2,732          |

| **Permanently restricted net assets** | |               |               |
| Net investment income            | 58,828      | -             | 58,828        |
| Interfund transfers              | (36,030)    | -             | (36,030)      |
| Net unrealized gain on investments | 2,145 | - | 2,145         |
| Net realized gain on investments | 78,568      | -             | 78,568        |
| Increase in permanently restricted net assets | 103,511 | - | 103,511        |

| Increase in net assets            | 2,307,035   | 2,140,678     | 166,357       |
| Net assets - beginning of year    | 35,259,146  | 33,084,164    | 2,174,982     |
| Net assets - end of year          | $ 37,566,181 | $ 35,224,842 | $ 2,341,339  |

See accompanying notes to financial statements.
# LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA
## STATEMENTS OF CHANGES IN NET ASSETS
### September 30, 2014 and September 30, 2013

<table>
<thead>
<tr>
<th></th>
<th>2013 Totals</th>
<th>Operating Fund</th>
<th>Endowment Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2,186,618</td>
<td>$2,069,928</td>
<td>$116,690</td>
<td></td>
</tr>
<tr>
<td>68,528</td>
<td>68,528</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1,155,814</td>
<td>1,155,814</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(147,828)</td>
<td>(147,828)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$3,263,132</td>
<td>3,146,442</td>
<td>$116,690</td>
<td></td>
</tr>
</tbody>
</table>

| 147,828          | 147,828      |                |
| (32,084)         |                | (32,084)       |
| 59               |                | 59             |
| 1,167            |                | 1,167          |
| (80)             |                | (80)           |
| 18,361           |                | 18,361         |

| 135,251          | 147,828       | (12,577)       |

| 44,486           |                | 44,486         |
| (36,444)         |                | (36,444)       |
| 60,543           |                | 60,543         |
| 38,326           |                | 38,326         |

| 106,911          |                | 106,911        |

| 3,505,294        | 3,294,270      | 211,024        |
| 31,753,852       | 29,789,894     | 1,963,958      |

| $35,259,146      | $33,084,164    | $2,174,982     |

See accompanying notes to financial statements.
LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA

STATEMENTS OF CASH FLOWS

September 30, 2014 and September 30, 2013

<table>
<thead>
<tr>
<th>Fund</th>
<th>Totals</th>
<th>Operating Fund</th>
<th>Endowment Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2013</td>
<td>2014</td>
</tr>
<tr>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>Cash flows from operating activities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash received from residents and third party payers</td>
<td>$ 26,710,351</td>
<td>$ 26,710,351</td>
<td>$ -</td>
</tr>
<tr>
<td>Investment income received</td>
<td>339,327</td>
<td>254,823</td>
<td>84,504</td>
</tr>
<tr>
<td>Donations - net</td>
<td>142,651</td>
<td>142,651</td>
<td>-</td>
</tr>
<tr>
<td>Cash paid to suppliers and employees</td>
<td>(18,397,290)</td>
<td>(18,397,290)</td>
<td>-</td>
</tr>
<tr>
<td>Interest paid and related fees</td>
<td>(1,095,106)</td>
<td>(1,074,639)</td>
<td>(20,467)</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>$ 7,699,933</td>
<td>$ 7,635,896</td>
<td>$ 64,037</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisition of property and equipment</td>
<td>(3,702,576)</td>
<td>(3,702,576)</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds from sale of property and equipment</td>
<td>400</td>
<td>400</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds of certificates of deposit - net</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds (purchases) of investments - net</td>
<td>(1,388,352)</td>
<td>(1,369,839)</td>
<td>(18,513)</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td>(5,090,528)</td>
<td>(5,072,015)</td>
<td>(18,513)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payment of bond closing costs</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Interfund transfers</td>
<td>-</td>
<td>36,030</td>
<td>(36,030)</td>
</tr>
<tr>
<td>Refundable admission fees received</td>
<td>1,497,250</td>
<td>1,497,250</td>
<td>-</td>
</tr>
<tr>
<td>Admission fees refunded</td>
<td>(275,000)</td>
<td>(275,000)</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds from Memorial Garden fees</td>
<td>1,250</td>
<td>1,250</td>
<td>-</td>
</tr>
<tr>
<td>Donations</td>
<td>14,105</td>
<td>-</td>
<td>14,105</td>
</tr>
<tr>
<td>Principal payments on long term debt</td>
<td>(1,965,000)</td>
<td>(1,965,000)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) financing activities</strong></td>
<td>(727,395)</td>
<td>(705,470)</td>
<td>(21,925)</td>
</tr>
<tr>
<td><strong>Net increase (decrease) in cash and cash equivalents</strong></td>
<td>1,882,010</td>
<td>1,858,411</td>
<td>23,599</td>
</tr>
<tr>
<td><strong>Cash at the beginning of the year</strong></td>
<td>17,055,073</td>
<td>17,015,593</td>
<td>39,480</td>
</tr>
<tr>
<td><strong>Cash at the end of the year</strong></td>
<td>$ 18,937,083</td>
<td>$ 18,874,004</td>
<td>$ 63,079</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA
STATEMENTS OF CASH FLOWS
September 30, 2014 and September 30, 2013

<table>
<thead>
<tr>
<th>Fund</th>
<th>2013</th>
<th>Operating Fund</th>
<th>Endowment Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>$25,124,691</td>
<td>$25,124,691</td>
<td>$-</td>
<td>-</td>
</tr>
<tr>
<td>400,195</td>
<td>330,705</td>
<td>69,490</td>
<td>-</td>
</tr>
<tr>
<td>116,716</td>
<td>116,716</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>(17,608,556)</td>
<td>(17,608,556)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>(1,185,526)</td>
<td>(1,168,558)</td>
<td>(16,968)</td>
<td>-</td>
</tr>
<tr>
<td>6,847,520</td>
<td>6,794,998</td>
<td>52,522</td>
<td>-</td>
</tr>
<tr>
<td>(4,964,012)</td>
<td>(4,964,012)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>30,500</td>
<td>30,500</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>544,448</td>
<td>544,448</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1,136,217</td>
<td>1,246,434</td>
<td>(110,217)</td>
<td>-</td>
</tr>
<tr>
<td>(3,252,847)</td>
<td>(3,142,630)</td>
<td>(110,217)</td>
<td>-</td>
</tr>
<tr>
<td>(20,775)</td>
<td>(20,775)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>-</td>
<td>68,528</td>
<td>(68,528)</td>
<td>-</td>
</tr>
<tr>
<td>1,941,183</td>
<td>1,941,183</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>(765,284)</td>
<td>(765,284)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>62,000</td>
<td>62,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>79,285</td>
<td>-</td>
<td>79,285</td>
<td>-</td>
</tr>
<tr>
<td>(1,880,000)</td>
<td>(1,880,000)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>(583,591)</td>
<td>(594,348)</td>
<td>10,757</td>
<td>-</td>
</tr>
<tr>
<td>3,011,082</td>
<td>3,058,020</td>
<td>(46,938)</td>
<td>-</td>
</tr>
<tr>
<td>14,043,991</td>
<td>13,957,573</td>
<td>86,418</td>
<td>-</td>
</tr>
<tr>
<td>$17,055,073</td>
<td>$17,015,593</td>
<td>$39,480</td>
<td>-</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA
STATEMENTS OF CASH FLOWS
September 30, 2014 and September 30, 2013

<table>
<thead>
<tr>
<th></th>
<th>2014 Totals</th>
<th>2014 Operating Fund</th>
<th>2014 Endowment Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in net assets</td>
<td>$ 2,307,035</td>
<td>$ 2,140,678</td>
<td>$ 166,357</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash provided by operating activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interfund transfers</td>
<td>-</td>
<td>(36,030)</td>
<td>36,030</td>
</tr>
<tr>
<td>Endowment donations</td>
<td>(14,105)</td>
<td>-</td>
<td>(14,105)</td>
</tr>
<tr>
<td>Change in value on derivative contract</td>
<td>(309,501)</td>
<td>(309,501)</td>
<td>-</td>
</tr>
<tr>
<td>(Gain) loss on disposal of property and equipment</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Amortization of deferred revenues from admission fees</td>
<td>(3,601,077)</td>
<td>(3,601,077)</td>
<td>-</td>
</tr>
<tr>
<td>Receipt of non-refundable admission fees</td>
<td>5,291,641</td>
<td>5,291,641</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>4,282,403</td>
<td>4,282,403</td>
<td>-</td>
</tr>
<tr>
<td>Amortization of occupancy fees</td>
<td>(19,706)</td>
<td>(19,706)</td>
<td>-</td>
</tr>
<tr>
<td>Net increase (decrease) in receivables, inventory and prepaid expenses</td>
<td>168,404</td>
<td>168,404</td>
<td>-</td>
</tr>
<tr>
<td>Increase (decrease) in due from other fees</td>
<td>-</td>
<td>212</td>
<td>(212)</td>
</tr>
<tr>
<td>Net increase (decrease) in payables and accrued expenses</td>
<td>(59,862)</td>
<td>(59,862)</td>
<td>-</td>
</tr>
<tr>
<td>Net unrealized gain investments</td>
<td>(162,644)</td>
<td>(128,312)</td>
<td>(34,332)</td>
</tr>
<tr>
<td>Net realized gain on investments</td>
<td>(182,850)</td>
<td>(93,149)</td>
<td>(89,701)</td>
</tr>
</tbody>
</table>

Net cash provided by operating activities $ 7,699,933 $ 7,635,896 $ 64,037

See accompanying notes to financial statements.
LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA
STATEMENTS OF CASH FLOWS
September 30, 2014 and September 30, 2013

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Totals</td>
<td>Operating Fund</td>
<td>Endowment Fund</td>
</tr>
<tr>
<td>$3,505,294</td>
<td>$3,294,270</td>
<td>$211,024</td>
<td></td>
</tr>
<tr>
<td>-</td>
<td>(68,528)</td>
<td>68,528</td>
<td></td>
</tr>
<tr>
<td>(79,285)</td>
<td>-</td>
<td>(79,285)</td>
<td></td>
</tr>
<tr>
<td>(1,155,814)</td>
<td>(1,155,814)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>(6,079)</td>
<td>(6,079)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>(3,454,143)</td>
<td>(3,454,143)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>4,485,655</td>
<td>4,485,655</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>4,061,828</td>
<td>4,061,828</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>(19,677)</td>
<td>(19,677)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>(281,827)</td>
<td>(285,827)</td>
<td>4,000</td>
<td></td>
</tr>
<tr>
<td>-</td>
<td>(1,165)</td>
<td>1,165</td>
<td></td>
</tr>
<tr>
<td>189,546</td>
<td>189,546</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>(229,860)</td>
<td>(117,742)</td>
<td>(112,118)</td>
<td></td>
</tr>
<tr>
<td>(168,118)</td>
<td>(127,326)</td>
<td>(40,792)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$6,847,520</td>
<td>$6,794,998</td>
<td>$52,522</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
Note 1: Summary of Significant Accounting Policies

Nature of operations - Lutheran Retirement Ministries of Alamance County, North Carolina, doing business as Twin Lakes Community, provides a continuing care retirement community licensed by the State of North Carolina. The Ministries consists of 104 nursing care beds, 36 assisted living units, 400 apartments, villas, and garden homes, and 32 memory care beds of which 16 are designated for skilled care and 16 for assisted living.

Financial statement presentation - The accounts of the Ministries are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts comprised of assets, liabilities, fund equity, revenues and expenses. The Ministries has the following two funds:

Operating Fund - This is the general operating fund of the Ministries. It is used to account for all financial resources except for those required to be accounted for in another fund. The primary revenue sources are resident services and admission fees. The primary expenditures are nursing services, support services, and administrative and general.

Endowment Fund - The Board of Directors of Lutheran Retirement Ministries of Alamance County, North Carolina has established an Endowment Fund to receive and administer gifts and bequests received by the organization. The resolution establishing the Endowment Fund stipulates that income generated by the Endowment Fund shall be distributed at such times as deemed necessary to enhance the charitable mission of Lutheran Retirement Ministries of Alamance County, North Carolina. The principal amount of gifts and bequests received are not to be expended.

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

Investments - Investments in equity securities with readily determinable fair values and all investments in fixed income securities are reported at their fair value. The fair values of investments are determined based upon quoted market prices. Investment income (including both realized gains and losses, interest and dividends) is included in the change in net assets. Other investments, which consist of equity securities of closely held corporations, are also reported at estimated fair value.

Accounts receivable - Accounts receivable are stated net of an allowance for doubtful accounts. This allowance is based on management's estimate of the amount of current receivables, which will prove to be uncollectible. To help mitigate risk associated with trade receivables, management evaluates each customer's risk prior to extending credit. Management does not believe significant credit risk exists at September 30, 2014.
Note 1: Summary of Significant Accounting Policies (continued)

Promises to give and donor restrictions - Contributions are recognized when the donor makes a promise to give to the Ministries that is, in substance, unconditional. Contributions that are restricted by the donor, if the restrictions expire in the fiscal year in which the contributions are recognized, are reported as increases in unrestricted net assets. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Inventory - Inventory consists of operating supplies and is stated at the lower of cost or market. Cost is determined principally on a first-in, first-out method.

Property and equipment - It is the policy of the Ministries to capitalize property and equipment over $1,000; lesser amounts are expensed. Property and equipment are valued at cost less accumulated depreciation. Maintenance and repair costs are charged to expense as incurred. Gains and losses on disposal are reflected in operating income. Donated assets are recorded at their estimated market value on the date of the donation. Depreciation is computed using the straight-line method over the following estimated useful lives of the assets:

- Buildings: 30 Years
- Paving: 20 Years
- Furniture and equipment: 5 - 10 Years
- Building renovations and refurbishments: 15 Years
- Automobiles: 5 Years
- Land improvements: 20 - 30 Years

The Ministries periodically assesses the realizability of its long-lived assets and evaluates such assets for impairment whenever events or changes in circumstances indicate the carrying amount of any asset may not be recoverable. At September 30, 2014 and 2013, the Ministries has determined that no impairment indicators exist.

Deferred loan costs - Costs associated with obtaining long-term debt are amortized over the debt period. The costs related to the 2009 and 2010 series bonds have been amortized on the effective interest method for the years ending September 30, 2014 and September 30, 2013.

Admission fees - Payment of an admission fee is required before a resident acquires a right to reside in an independent living unit. The Ministries offers two different types of independent living contracts. For garden home units, contracts are 50% refundable with the remaining 50% amortized over a 30 month period. For all units other than garden homes, the entire admission fee is amortized over a 30 month period. The non-refundable admission fees are recorded as deferred revenue and are amortized into revenue over the estimated remaining life expectancy of the resident. The estimated remaining life expectancy of the resident is adjusted on an annual basis. Any refunds due on a residency contract are payable upon the re-lease of the unit by a subsequent occupant.
Note 1: Summary of Significant Accounting Policies (continued)

Obligation to provide future services - The Ministries annually calculates the present value of the net cost of future services and use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from admission fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from admission fees, a liability is recorded (obligation to provide future services and use of facilities) against the corresponding charge to income. As of September 30, 2014 and September 30, 2013, this computation did not require a liability to be recorded.

Note 2: Assets Whose Use Is Limited

The composition of assets whose use is limited at September 30, 2014 and September 30, 2013 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating reserve (Note 6)</td>
<td>$5,681,775</td>
<td>$5,493,964</td>
</tr>
<tr>
<td>Sullivan Trust</td>
<td>1,770,358</td>
<td>1,666,847</td>
</tr>
<tr>
<td>Resident trust funds</td>
<td>1,520</td>
<td>1,622</td>
</tr>
<tr>
<td>Resident assistance - Operating</td>
<td>374,096</td>
<td>312,301</td>
</tr>
<tr>
<td>Donations</td>
<td>223,290</td>
<td>63,481</td>
</tr>
<tr>
<td>Chapel fund</td>
<td>31,587</td>
<td>28,856</td>
</tr>
<tr>
<td>Memorial Garden fund</td>
<td>124,060</td>
<td>116,264</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$8,206,686</strong></td>
<td><strong>$7,683,335</strong></td>
</tr>
</tbody>
</table>

Note 3: Cash and Cash Equivalents

For the purposes of reporting cash flows, cash and cash equivalents include cash on hand and in banks as well as temporary cash investments in money market funds. The Ministries maintains its cash balances in board-designated banks located in North Carolina. Cash and cash equivalents at September 30, 2014 and September 30, 2013 are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board Designated:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medical self insurance</td>
<td>$1,268,426</td>
<td>$1,166,309</td>
</tr>
<tr>
<td>Capital reserve</td>
<td>808,647</td>
<td>806,852</td>
</tr>
<tr>
<td>Undesignated</td>
<td>15,981,975</td>
<td>14,015,395</td>
</tr>
<tr>
<td>Assets Whose Use is Limited:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Reserve</td>
<td>114,533</td>
<td>543,856</td>
</tr>
<tr>
<td>Resident trust funds</td>
<td>1,518</td>
<td>1,622</td>
</tr>
<tr>
<td>Resident assistance</td>
<td>374,096</td>
<td>312,301</td>
</tr>
<tr>
<td>Donations</td>
<td>223,290</td>
<td>63,481</td>
</tr>
<tr>
<td>Sullivan Trust</td>
<td>39,820</td>
<td>28,383</td>
</tr>
<tr>
<td>Chapel fund</td>
<td>718</td>
<td>609</td>
</tr>
<tr>
<td>Memorial Garden fund</td>
<td>124,060</td>
<td>116,265</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$18,937,083</strong></td>
<td><strong>$17,055,073</strong></td>
</tr>
</tbody>
</table>
Note 4: Uninsured Cash

The Ministries maintains cash accounts at various financial institutions. There is however, credit risk exposure for certain other cash balances that exceed federally insured limits of $250,000. The amounts in excess of the FDIC limit totaled $17,332,601 and $13,444,539 at September 30, 2014 and September 30, 2013, respectively.

Note 5: Investments and Fair Value

Investments - The following schedule summarizes the fair value of investments at September 30, 2014 and September 30, 2013:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity securities</td>
<td>$5,092,863</td>
<td>$4,492,742</td>
</tr>
<tr>
<td>Closely held company securities</td>
<td>117,854</td>
<td>116,641</td>
</tr>
<tr>
<td>Fixed Income Securities</td>
<td>7,729,425</td>
<td>6,596,913</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$12,940,142</strong></td>
<td><strong>$11,206,296</strong></td>
</tr>
</tbody>
</table>

Investments are categorized as follows:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board Designated:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt service</td>
<td>$2,908,030</td>
<td>$2,333,963</td>
</tr>
<tr>
<td>Capital reserve</td>
<td>2,179,466</td>
<td>1,778,832</td>
</tr>
<tr>
<td>Resident assistance</td>
<td>355,573</td>
<td>321,391</td>
</tr>
<tr>
<td>Education endowment</td>
<td>161,279</td>
<td>147,400</td>
</tr>
<tr>
<td>Undesignated</td>
<td>29,888</td>
<td>30,100</td>
</tr>
<tr>
<td>Assets Whose Use is Limited:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating reserve</td>
<td>5,544,498</td>
<td>4,927,899</td>
</tr>
<tr>
<td>Sullivan Trust</td>
<td>1,730,538</td>
<td>1,638,464</td>
</tr>
<tr>
<td>Chapel</td>
<td>30,870</td>
<td>28,247</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$12,940,142</strong></td>
<td><strong>$11,206,296</strong></td>
</tr>
</tbody>
</table>

Fair value - Certain assets and liabilities are required to be recognized and disclosed at fair value. A fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical investments that the Company has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the investments, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the investments.
Note 5: Investments and Fair Value (continued)

Fair value measurements at September 30, 2014:

<table>
<thead>
<tr>
<th>Description</th>
<th>September 30, 2014</th>
<th>Quoted Prices In Active Markets for Identical Assets (Level 1)</th>
<th>Significant Other Observable Inputs (Level 2)</th>
<th>Significant Unobservable Inputs (Level 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity securities</td>
<td>$ 5,092,863</td>
<td>$ 5,092,863</td>
<td>$</td>
<td>-</td>
</tr>
<tr>
<td>Fixed income securities</td>
<td>7,729,425</td>
<td>7,729,425</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Closely held company securities</td>
<td>117,854</td>
<td>-</td>
<td>117,854</td>
<td>-</td>
</tr>
<tr>
<td>Total assets</td>
<td>$ 12,940,142</td>
<td>$ 12,822,288</td>
<td>$ 117,854</td>
<td>-</td>
</tr>
</tbody>
</table>

Liabilities:

<table>
<thead>
<tr>
<th>Description</th>
<th>September 30, 2014</th>
<th>Quoted Prices In Active Markets for Identical Assets (Level 1)</th>
<th>Significant Other Observable Inputs (Level 2)</th>
<th>Significant Unobservable Inputs (Level 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rate swaps (Note 13)</td>
<td>$ 1,836,940</td>
<td>$ -</td>
<td>$ 1,836,940</td>
<td>-</td>
</tr>
</tbody>
</table>

Fair value measurements at September 30, 2013:

<table>
<thead>
<tr>
<th>Description</th>
<th>September 30, 2013</th>
<th>Quoted Prices In Active Markets for Identical Assets (Level 1)</th>
<th>Significant Other Observable Inputs (Level 2)</th>
<th>Significant Unobservable Inputs (Level 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity securities</td>
<td>$ 4,492,742</td>
<td>$ 4,492,742</td>
<td>$</td>
<td>-</td>
</tr>
<tr>
<td>Fixed income securities</td>
<td>6,596,913</td>
<td>6,596,913</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Closely held company securities</td>
<td>116,641</td>
<td>-</td>
<td>116,641</td>
<td>-</td>
</tr>
<tr>
<td>Total assets</td>
<td>$ 11,206,296</td>
<td>$ 11,089,655</td>
<td>$ 116,641</td>
<td>-</td>
</tr>
</tbody>
</table>

Liabilities:

<table>
<thead>
<tr>
<th>Description</th>
<th>September 30, 2013</th>
<th>Quoted Prices In Active Markets for Identical Assets (Level 1)</th>
<th>Significant Other Observable Inputs (Level 2)</th>
<th>Significant Unobservable Inputs (Level 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rate swaps (Note 13)</td>
<td>$ 2,146,440</td>
<td>$ -</td>
<td>$ 2,146,440</td>
<td>-</td>
</tr>
</tbody>
</table>
Note 6: Assets Whose Use is Limited for Operating Reserve

North Carolina General Statute 58-64-33 requires the establishment of an operating reserve equal to 50% of the total operating costs projected by the Ministries for the next twelve-month period. If occupancy is in excess of 90%, the operating reserve requirement decreases to 25% of total operating costs. Total operating costs include debt service and exclude depreciation. If debt service is accounted for by way of another reserve account, it may be excluded from operating costs. The operating reserve cannot be expended without written approval of the State of North Carolina.

The operating reserve requirement of the Ministries as of September 30, 2014 was $5,681,775 based on current occupancy, which exceeds 90% and projected 2014-2015 operating costs of $22,727,099. The operating reserve balance at September 30, 2014 was $5,681,775.

The operating reserve requirement of the Ministries as of September 30, 2013 was $5,493,964 based on the occupancy at that time, which exceeded 90% and projected 2013-2014 operating costs of $21,975,854. The operating reserve balance at September 30, 2013 was $5,493,964.

Note 7: Assets Whose Use is Permanently Restricted by Sullivan Trust and Endowment

During the year ended September 30, 1988, Lutheran Retirement Ministries of Alamance County, North Carolina received a bequest from the estates of James and Beulah Sullivan. The will of James Sullivan requires that the bequest be held in trust for the benefit of the Ministries with the income generated by the trust to be delivered to the Ministries at least annually. The assets of the Sullivan Trust and Endowment are reported as permanently restricted on the statements of financial position. The fair value of assets comprising permanently restricted net assets at September 30, 2014 and September 30, 2013 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$39,820</td>
<td>$28,384</td>
</tr>
<tr>
<td>Marketable securities</td>
<td>1,642,572</td>
<td>1,551,922</td>
</tr>
<tr>
<td>Closely held company securities</td>
<td>117,854</td>
<td>116,641</td>
</tr>
<tr>
<td>Less Sullivan Trust income due to operating fund</td>
<td>(29,888)</td>
<td>(30,100)</td>
</tr>
<tr>
<td></td>
<td>$1,770,358</td>
<td>$1,666,847</td>
</tr>
</tbody>
</table>


Note 8: Accounts Receivable

Accounts receivable at September 30, 2014 and September 30, 2013 are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resident services</td>
<td>$ 1,214,518</td>
<td>$ 1,146,118</td>
</tr>
<tr>
<td>Sales tax</td>
<td>113,229</td>
<td>154,047</td>
</tr>
<tr>
<td>Other</td>
<td>90</td>
<td>168,202</td>
</tr>
<tr>
<td></td>
<td>1,327,837</td>
<td>1,468,367</td>
</tr>
<tr>
<td>Less allowance for doubtful accounts</td>
<td>(97,000)</td>
<td>(92,000)</td>
</tr>
<tr>
<td></td>
<td>$ 1,230,837</td>
<td>$ 1,376,367</td>
</tr>
</tbody>
</table>

Note 9: Deferred Gifts

The Ministries has been designated as the beneficiary of a number of life insurance policies, gift annuities and charitable remainder trusts. As of September 30, 2014 and September 30, 2013 the gross amount of gifts made were approximately $1,620,000 and $1,135,000; the estimated present value of the gifts are approximately $680,000 and $560,000, respectively. In most cases, donors have the ability to stipulate terms of the giving, thus adding an element of uncertainty regarding present value and beneficiary status. It is management's opinion that these deferred gifts are conditional and they have not been recorded in the financial statements.

Note 10: Property and Equipment

Property and equipment at September 30, 2014 and September 30, 2013 are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$ 6,187,319</td>
<td>$ 6,187,319</td>
</tr>
<tr>
<td>Land improvements</td>
<td>14,446,784</td>
<td>13,799,231</td>
</tr>
<tr>
<td>Buildings</td>
<td>95,018,764</td>
<td>91,748,452</td>
</tr>
<tr>
<td>Paving</td>
<td>1,000,737</td>
<td>1,000,737</td>
</tr>
<tr>
<td>Furniture and equipment</td>
<td>8,208,691</td>
<td>7,992,519</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>751,805</td>
<td>1,475,465</td>
</tr>
<tr>
<td></td>
<td>125,614,100</td>
<td>122,203,723</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>(49,466,356)</td>
<td>(45,205,682)</td>
</tr>
<tr>
<td>Net property and equipment</td>
<td>$ 76,147,744</td>
<td>$ 76,998,041</td>
</tr>
</tbody>
</table>

Depreciation expense for the years ended September 30, 2014 and September 30, 2013 was $4,262,119 and $4,040,028, respectively.
Note 11: Accrued Expenses

Accrued expenses at September 30, 2014 and September 30, 2013 consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and wages</td>
<td>$ 353,128</td>
<td>$ 335,398</td>
</tr>
<tr>
<td>Paid annual leave</td>
<td>928,244</td>
<td>962,214</td>
</tr>
<tr>
<td>Profit sharing</td>
<td>314,850</td>
<td>284,883</td>
</tr>
<tr>
<td>Self insurance claims</td>
<td>120,000</td>
<td>162,500</td>
</tr>
<tr>
<td></td>
<td><strong>$ 1,716,222</strong></td>
<td><strong>$ 1,744,995</strong></td>
</tr>
</tbody>
</table>

Note 12: Long-Term Debt

Long-term debt at September 30, 2014 and September 30, 2013 consists of the following:

During the year ended September 30, 2010, the Ministries, through the North Carolina Medical Care Commission issued $29,630,000 of 2009 bank qualified bonds. The principal is due in annual installments from January 1, 2014 through January 1, 2037. Effective December 11, 2012, the interest component is payable monthly at a variable rate of 68% of one-month LIBOR plus a credit spread of 1.2125% and is subject to renewal risk after the term of the agreement expires on January 1, 2019. The interest rate is managed through a swap agreement disclosed in Note 13.

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 27,665,000</td>
<td>$ 29,630,000</td>
</tr>
<tr>
<td>Less current maturities of long-term debt</td>
<td>(2,035,000)</td>
<td>(1,965,000)</td>
</tr>
<tr>
<td></td>
<td><strong>$ 25,630,000</strong></td>
<td><strong>$ 27,665,000</strong></td>
</tr>
</tbody>
</table>

Scheduled principal maturities of long-term debt at September 30, 2014 are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$ 2,035,000</td>
</tr>
<tr>
<td>2016</td>
<td>2,100,000</td>
</tr>
<tr>
<td>2017</td>
<td>2,185,000</td>
</tr>
<tr>
<td>2018</td>
<td>2,290,000</td>
</tr>
<tr>
<td>2019</td>
<td>2,355,000</td>
</tr>
<tr>
<td>Thereafter</td>
<td>16,700,000</td>
</tr>
<tr>
<td></td>
<td><strong>$ 27,665,000</strong></td>
</tr>
</tbody>
</table>
Note 13: Reserve on Derivative Contracts

The Ministries has an interest rate swap agreement in order to minimize its exposure to the impact of interest rate changes on its long-term debt. This enables the Ministries to maintain a synthetic fixed rate on a significant portion of its overall long-term debt. This type of hedging activity has been recorded as a cash flow hedge with the change in value on the derivative contracts recorded in the Statement of Changes in Net Assets. The swap agreement is structured whereby the Ministries pays the swap counterparty effectively a fixed rate of 3.556% and receives a variable rate at 63% of 30 day LIBOR plus 0.3%. The notional amount at September 30, 2014 is $19,440,000. This amount will reduce annually through January 1, 2028. The agreement with Branch Banking and Trust expires January 1, 2019; the interest rate and credit spread are subject to renewal risk at that time.

Note 14: Paid Annual Leave

Ministries' employees are allowed to accumulate paid annual leave up to a maximum 60 days as of September 30 each year. Paid annual leave is payable when the leave is taken or upon the favorable termination of the employee. A limited provision is available for the annual buy-back of unused paid annual leave in excess of the accrual limits. In accordance with Financial Accounting Standards Board, the Ministries recorded a liability of $928,244 and $962,214 for accrued paid annual leave at September 30, 2014 and September 30, 2013, respectively.

Note 15: Temporarily Restricted Net Assets

The following is a summary of temporarily restricted net assets:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resident assistance - Operating</td>
<td>$374,096</td>
<td>$312,301</td>
</tr>
<tr>
<td>Donations</td>
<td>223,290</td>
<td>63,481</td>
</tr>
<tr>
<td>Chapel fund</td>
<td>31,588</td>
<td>28,856</td>
</tr>
<tr>
<td>Temporarily restricted net assets</td>
<td>$628,974</td>
<td>$404,638</td>
</tr>
</tbody>
</table>

Note 16: Net assets designated by board for endowment

The following is a summary of net assets designated by the board for endowment:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resident assistance endowment</td>
<td>$374,383</td>
<td>$328,697</td>
</tr>
<tr>
<td>Education endowment</td>
<td>165,010</td>
<td>150,582</td>
</tr>
<tr>
<td>Board designated net assets for endowment</td>
<td>$539,393</td>
<td>$479,279</td>
</tr>
</tbody>
</table>
Note 17: Retirement Plan

The Ministries maintains a defined contribution retirement plan covering substantially all of its full time employees. Effective October 1, 2013, the Ministries adopted Safe Harbor provisions, requiring a three percent annual employer contribution, with additional employer contributions allowed, as approved by the board of directors. Prior to October 1, 2013, the board of directors of the Ministries determined annually the amount, if any, of the annual employer contribution to the plan. The board of directors elected to make contributions of four percent of eligible compensation which totaled $314,850 and $285,330 for the years ending September 30, 2014 and September 30, 2013, respectively.

Note 18: Self-Funded Medical Insurance Plan

The Ministries maintains an employee benefits plan to provide substantially all employees with medical benefits. The plan obtains insurance from commercial carriers to cover any payments required by the plan in excess of $85,000 per individual per plan year.

Note 19: Risk Management

The Ministries is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Ministries has in place insurance coverage for possible litigation in the ordinary course of business related to professional liability claims. Management believes that claims, if asserted, would be settled within the limits of coverage, which is on an occurrence basis.

As discussed in Note 13, the Ministries has an interest rate swap agreement in order to minimize its exposure to the impact of interest rate changes on its long-term debt. The swap agreements have been recorded on the statement of financial position at their fair value and any changes in fair value have been recorded in the statement of changes in net assets.

Note 20: Contingencies

The contract between the Ministries and the residents provides for a refund of a portion of the resident's admission fee if the resident leaves during the first thirty months of occupancy. In addition, the contract between the Ministries and the garden home residents provides that 50% of the admission fee will be refundable. The contracts provide for the refund to be payable when the dwelling unit is re-leased to another resident.

The total amount of contractual refund obligations was $17,050,347 and $14,906,770 at September 30, 2014 and September 30, 2013, respectively. Of the total amount, $11,013,975 and $9,593,975 are for the 50% refundable admission fees at September 30, 2014 and September 30, 2013, respectively.

Revenues received under cost reimbursement and prospective payment agreements with Medicare and Medicaid are subject to audit and retroactive adjustment by third-party payors. Such audits can result in the payment to or receipt from the intermediary of additional funds. Management believes that audit changes, if any, will be immaterial.
Note 21: Operating Leases

The Ministries has several leases for equipment, which are classified as operating leases. Rent expense for the operating leases was $54,816 for the year ended September 30, 2014 and $84,666 for the year ended September 30, 2013.

Future minimum lease payments under noncancelable operating leases with initial or remaining terms in excess of one year are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$41,616</td>
</tr>
<tr>
<td>2016</td>
<td>10,404</td>
</tr>
</tbody>
</table>

Note 22: Concentrations of Credit Risk

The Ministries grants credit without collateral to its residents. Concentrations of credit risk with respect to resident accounts are limited due to the large number of individual accounts and based on agreements with third party payors. The Ministries has certain accounts receivable whose collectability is dependent upon performance of the Medicare and Medicaid programs. Management does not believe there are significant credit risks associated with these governmental programs.

Note 23: Commitments

The Ministries has commitments for construction projects in connection with building and improvement additions. The cost to complete the projects at September 30, 2014 was $350,913.

Note 24: Tax Status

Lutheran Retirement Ministries of Alamance County, North Carolina is exempt from Federal and North Carolina Income Taxes under Section 501(c)(3) of the Internal Revenue Code. The Ministries has determined that it does not have any material unrecognized tax benefits or obligations and believes they are no longer subject to income tax examinations for years prior to September 30, 2011.
Note 25: Resident Fee Income

Net resident fee income consists of the following for the years ended September 30, 2014 and September 30, 2013:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residency fees at normal billing rates:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nursing care</td>
<td>$7,641,280</td>
<td>$7,443,360</td>
</tr>
<tr>
<td>Assisted living</td>
<td>1,707,877</td>
<td>1,592,694</td>
</tr>
<tr>
<td>Independent living</td>
<td>8,658,761</td>
<td>8,041,256</td>
</tr>
<tr>
<td>Memory care</td>
<td>2,826,507</td>
<td>2,716,669</td>
</tr>
<tr>
<td>Admission fees earned</td>
<td>3,440,944</td>
<td>3,454,143</td>
</tr>
<tr>
<td>Ancillary service</td>
<td>1,462,271</td>
<td>1,466,901</td>
</tr>
<tr>
<td>Home care and adult day care</td>
<td>677,329</td>
<td>792,844</td>
</tr>
<tr>
<td>Dietary sales to residents</td>
<td>209,649</td>
<td>210,955</td>
</tr>
<tr>
<td>Other operating revenues from residents</td>
<td>288,052</td>
<td>289,573</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>26,912,670</strong></td>
<td><strong>26,008,395</strong></td>
</tr>
</tbody>
</table>

Adjustments:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicare and Medicaid contractual adjustments</td>
<td>(1,823,599)</td>
<td>(1,516,621)</td>
</tr>
<tr>
<td>Charitable and other contractual adjustments</td>
<td>(303,075)</td>
<td>(210,056)</td>
</tr>
<tr>
<td>Bad debts</td>
<td>(129,845)</td>
<td>(149,190)</td>
</tr>
</tbody>
</table>

Net resident fee income

$24,656,151  $24,132,528

Note 26: Charity Care and Community Benefit

The Ministries provides nursing care to residents under Medicaid. Reimbursements under the Medicaid program are less than the Ministries’ cost of providing these services. In addition, the Ministries provide other charitable care through the forgiveness of admission and monthly fees in cases of financial need.

The Ministries provides additional community benefit through participation in various community outreach and education programs. The Ministries also donates the volunteer services of its employees to various charitable organizations in the community.
Note 26: Charity Care and Community Benefit (continued)

Charity care and community benefit are valued at cost for the years ended September 30, 2014 and September 30, 2013 and are summarized as follows.

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charity care:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unreimbursed costs under Medicaid</td>
<td>$ 1,073,657</td>
<td>$ 938,744</td>
</tr>
<tr>
<td>Forgiven admission fees</td>
<td>35,100</td>
<td>-</td>
</tr>
<tr>
<td>Forgiven monthly and daily fees</td>
<td>170,627</td>
<td>125,687</td>
</tr>
<tr>
<td>Bad debts</td>
<td>47,719</td>
<td>82,255</td>
</tr>
<tr>
<td>Total charity care</td>
<td>1,327,103</td>
<td>1,146,686</td>
</tr>
</tbody>
</table>

| Community benefit:   |          |          |
| Expenses incurred by the Ministries to provide health, recreation, community research, and education activities to the community at large | 53,825   | 10,629   |
| Charitable donations | 204,502  | 142,860  |
| Donated volunteer services and space to community service projects and organizations | 58,834   | 72,579   |
| Total community benefit | 317,161  | 226,068  |

Total charity care and community benefit $ 1,644,264 $ 1,372,754

Note 27: Subsequent Events

The Ministries has evaluated events and transactions that occurred between September 30, 2014 and January 6, 2015, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

Note 28: Reclassifications

Certain reclassifications have been made to prior periods to conform to current year presentations.

Of particular significance is the reclassification of net assets. Previously the cash limited for use for the Memorial Garden fund had been classified as a temporarily restricted net asset. This has been reclassified to unrestricted net assets as it is a fee for a service rather than a restricted donation. This change increases unrestricted net assets in 2013 by $116,264, and correspondingly decreases temporarily restricted net assets by this amount.
LUTHERAN RETIREMENT MINISTRIES
OF ALAMANCE COUNTY,
NORTH CAROLINA

2013 Audited Financial Statements

AUDITED FINANCIAL STATEMENTS

For The Years Ended September 30, 2013 and September 30, 2012
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INDEPENDENT AUDITORS’ REPORT

January 13, 2014

The Board of Directors
Lutheran Retirement Ministries of Alamance County, North Carolina
Burlington, North Carolina

We have audited the accompanying financial statements of Lutheran Retirement Ministries of Alamance County, North Carolina (a nonprofit organization) which comprise the statements of financial position as of September 30, 2013 and September 30, 2012 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 the 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 audits 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 auditors consider 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.
The Board of Directors
Lutheran Retirement Ministries of Alamance County, North Carolina

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 Lutheran Retirement Ministries of Alamance County, North Carolina as of September 30, 2013 and September 30, 2012 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.

GILLIAM COBLE & MOSER, LLP
Certified Public Accountants

Burlington, North Carolina
January 13, 2014
LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA

Statements of Financial Position
September 30, 2013 and September 30, 2012

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2013</th>
<th>Operating Fund</th>
<th>Endowment/Memory Care</th>
</tr>
</thead>
<tbody>
<tr>
<td>CURRENT ASSETS:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$ 15,988,557</td>
<td>$ 15,978,070</td>
<td>$ 10,487</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Investments</td>
<td>4,142,895</td>
<td>4,112,795</td>
<td>30,100</td>
</tr>
<tr>
<td>Accounts receivable - net</td>
<td>1,376,367</td>
<td>1,376,367</td>
<td>-</td>
</tr>
<tr>
<td>Due (to) from other funds</td>
<td>-</td>
<td>30,100</td>
<td>(30,100)</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>19,791</td>
<td>19,791</td>
<td>-</td>
</tr>
<tr>
<td>Inventory</td>
<td>215,724</td>
<td>215,724</td>
<td>-</td>
</tr>
<tr>
<td>Total current assets</td>
<td>21,743,334</td>
<td>21,732,847</td>
<td>10,487</td>
</tr>
</tbody>
</table>

| ASSETS WHOSE USE IS LIMITED: | | | |
| Cash | 1,066,516 | 1,037,523 | 28,993 |
| Investments | 6,594,610 | 4,927,899 | 1,666,711 |
| Interest receivable | 22,209 | 22,209 | - |
| Pledges receivable - net | - | - | - |
| Total assets whose use are limited | 7,683,335 | 5,987,631 | 1,695,704 |

| OTHER ASSETS: | | | |
| Long-term investments | 468,791 | - | 468,791 |
| Property and equipment - net | 76,998,041 | 76,998,041 | - |
| Bond closing costs | 190,036 | 190,036 | - |
| Total other assets | 77,656,868 | 77,188,077 | 468,791 |
| Total assets | $ 107,083,537 | $ 104,908,555 | $ 2,174,982 |

See accompanying notes to financial statements.
LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA

Statements of Financial Position

September 30, 2013 and September 30, 2012

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2012</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Totals</td>
<td>Operating</td>
<td>Endowment/</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Fund</td>
<td>Memory Care</td>
</tr>
<tr>
<td>$ 13,612,663</td>
<td>$ 13,612,663</td>
<td>$</td>
<td>-</td>
</tr>
<tr>
<td>544,448</td>
<td>544,448</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4,732,038</td>
<td>4,703,103</td>
<td>28,935</td>
<td></td>
</tr>
<tr>
<td>1,142,076</td>
<td>1,142,076</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-</td>
<td>28,935</td>
<td></td>
<td>(28,935)</td>
</tr>
<tr>
<td>24,899</td>
<td>24,899</td>
<td></td>
<td></td>
</tr>
<tr>
<td>158,572</td>
<td>158,572</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20,214,696</td>
<td>20,214,696</td>
<td></td>
<td>-</td>
</tr>
</tbody>
</table>

| 431,328 | 344,910 | 86,418 |
| 6,849,908 | 5,338,957 | 1,510,951 |
| 22,717  | 22,717  |          |
| 4,000   | -       | 4,000   |
| 7,307,953 | 5,706,584 | 1,601,369 |

| 362,589 | -       | 362,589 |
| 75,946,720 | 75,946,720 |          |
| 191,061  | 191,061  |          |
| 76,500,370 | 76,137,781 | 362,589 |

$104,023,019 $102,059,061 $1,963,958

See accompanying notes to financial statements.
LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA

Statements of Financial Position
September 30, 2013 and September 30, 2012

<table>
<thead>
<tr>
<th>LIABILITIES AND NET ASSETS</th>
<th>2013</th>
<th>Operating Fund</th>
<th>Endowment/ Memory Care</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT LIABILITIES:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current maturities of long-term debt</td>
<td>$1,965,000</td>
<td>$1,965,000</td>
<td>$ -</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>821,204</td>
<td>821,204</td>
<td>-</td>
</tr>
<tr>
<td>Construction contracts payable</td>
<td>512,380</td>
<td>512,380</td>
<td>-</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>1,744,995</td>
<td>1,744,995</td>
<td>-</td>
</tr>
<tr>
<td>Deposits on unoccupied units</td>
<td>387,384</td>
<td>387,384</td>
<td>-</td>
</tr>
<tr>
<td>Reserve on derivative contract</td>
<td>189,525</td>
<td>189,525</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>5,620,488</td>
<td>5,620,488</td>
<td>-</td>
</tr>
<tr>
<td>Long-term debt, excluding current maturities</td>
<td>27,665,000</td>
<td>27,665,000</td>
<td>-</td>
</tr>
<tr>
<td>Deferred revenue from admission fees</td>
<td>26,760,392</td>
<td>26,760,392</td>
<td>-</td>
</tr>
<tr>
<td>Deferred revenue from occupancy fees</td>
<td>124,621</td>
<td>124,621</td>
<td>-</td>
</tr>
<tr>
<td>Deferred revenue from Memorial Garden fees</td>
<td>103,000</td>
<td>103,000</td>
<td>-</td>
</tr>
<tr>
<td>Refundable admission fees</td>
<td>9,593,975</td>
<td>9,593,975</td>
<td>-</td>
</tr>
<tr>
<td>Reserve on derivative contract</td>
<td>1,956,915</td>
<td>1,956,915</td>
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</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>71,824,391</td>
<td>71,824,391</td>
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</tr>
<tr>
<td><strong>NET ASSETS:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Designated by board for self-insurance</td>
<td>1,003,809</td>
<td>1,003,809</td>
<td>-</td>
</tr>
<tr>
<td>Designated by board for endowment</td>
<td>479,279</td>
<td>-</td>
<td>479,279</td>
</tr>
<tr>
<td>Designated by board for capital reserve</td>
<td>3,038,598</td>
<td>3,038,598</td>
<td>-</td>
</tr>
<tr>
<td>Designated by board for debt service</td>
<td>2,961,343</td>
<td>2,961,343</td>
<td>-</td>
</tr>
<tr>
<td>Designated by board for state mandated operating reserve</td>
<td>5,493,964</td>
<td>5,493,964</td>
<td>-</td>
</tr>
<tr>
<td>Undesignated</td>
<td>20,094,404</td>
<td>20,094,404</td>
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<tr>
<td><strong>Total unrestricted</strong></td>
<td>33,071,397</td>
<td>32,592,118</td>
<td>479,279</td>
</tr>
<tr>
<td>Temporarily restricted:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>By donor</td>
<td>520,902</td>
<td>492,046</td>
<td>28,856</td>
</tr>
<tr>
<td>By donor - Memory Care</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Permanently restricted:</strong></td>
<td>1,666,847</td>
<td>-</td>
<td>1,666,847</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td>35,259,146</td>
<td>33,084,164</td>
<td>2,174,982</td>
</tr>
</tbody>
</table>

Total liabilities and net assets $107,083,537 $104,908,555 $2,174,982

See accompanying notes to financial statements.
LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA  
Statements of Financial Position  
September 30, 2013 and September 30, 2012

## LIABILITIES AND NET ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>Operating Fund</th>
<th>Endowment/ Memory Care</th>
</tr>
</thead>
<tbody>
<tr>
<td>Totals</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>$ 1,880,000</td>
<td>$ 1,880,000</td>
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<td>-</td>
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<tr>
<td>777,701</td>
<td>777,701</td>
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<td></td>
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<tr>
<td>360,623</td>
<td>360,623</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>1,598,951</td>
<td>1,598,951</td>
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<td></td>
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<tr>
<td>83,700</td>
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<tr>
<td>266,505</td>
<td>266,505</td>
<td>266,505</td>
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<tr>
<td>4,967,480</td>
<td>4,967,480</td>
<td>4,967,480</td>
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<tr>
<td>29,630,000</td>
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<tr>
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<td>25,728,881</td>
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<tr>
<td>144,298</td>
<td>144,298</td>
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<tr>
<td>41,000</td>
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<tr>
<td>8,721,759</td>
<td>8,721,759</td>
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<td></td>
</tr>
<tr>
<td>3,035,749</td>
<td>3,035,749</td>
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<td></td>
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<tr>
<td>72,269,167</td>
<td>72,269,167</td>
<td>72,269,167</td>
<td>-</td>
</tr>
</tbody>
</table>

|                |      |               |                        |
| 731,449        | 731,449 | -              |                        |
| 362,589        | 362,589 | 362,589        | -                      |
| 2,045,226      | 2,045,226 | 2,045,226     | -                      |
| 2,592,961      | 2,592,961 | 2,592,961     | -                      |
| 5,361,674      | 5,361,674 | -              |                        |
| 18,714,366     | 18,714,366 | 18,714,366   | -                      |

|                |      |               |                        |
| 29,808,265     | 29,445,676 | 362,589        | -                      |

|                |      |               |                        |
| 371,780        | 344,218 | 27,562         |                        |
| 13,871         | -      | 13,871         |                        |
| 1,559,936      | -      | 1,559,936      |                        |

|                |      |               |                        |
| 31,753,852     | 29,789,894 | 1,963,958     |                        |

|                |      |               |                        |
| $ 104,023,019  | $ 102,059,061 | $           | $ 1,963,958 |

See accompanying notes to financial statements.
LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA
STATEMENTS OF OPERATIONS
September 30, 2013 and September 30, 2012

<table>
<thead>
<tr>
<th></th>
<th>2013 Totals</th>
<th>2013 Operating Fund</th>
<th>2013 Endowment/ Memory Care</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income</td>
<td>$2,186,618</td>
<td>$2,069,928</td>
<td>$116,690</td>
</tr>
</tbody>
</table>

Revenues, gains and other support:

<table>
<thead>
<tr>
<th>Service</th>
<th>2013</th>
<th>2012</th>
<th>2013 Gain/Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nursing care</td>
<td>$7,443,360</td>
<td>$7,443,360</td>
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</tr>
<tr>
<td>Assisted living</td>
<td>$1,592,694</td>
<td>$1,592,694</td>
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</tr>
<tr>
<td>Independent living facilities</td>
<td>$8,041,256</td>
<td>$8,041,256</td>
<td>-</td>
</tr>
<tr>
<td>Memory care</td>
<td>$2,716,669</td>
<td>$2,716,669</td>
<td>-</td>
</tr>
<tr>
<td>Admission fees earned</td>
<td>$3,454,143</td>
<td>$3,454,143</td>
<td>-</td>
</tr>
<tr>
<td>Ancillary services</td>
<td>$1,466,901</td>
<td>$1,466,901</td>
<td>-</td>
</tr>
<tr>
<td>Home care and adult day care</td>
<td>$792,844</td>
<td>$792,844</td>
<td>-</td>
</tr>
<tr>
<td>Dietary</td>
<td>$426,740</td>
<td>$426,740</td>
<td>-</td>
</tr>
<tr>
<td>Other operating revenues</td>
<td>$289,573</td>
<td>$289,573</td>
<td>-</td>
</tr>
<tr>
<td>Gain on disposal of property/equipment</td>
<td>$6,079</td>
<td>$6,079</td>
<td>-</td>
</tr>
<tr>
<td>Investment income</td>
<td>$331,901</td>
<td>$325,089</td>
<td>$6,812</td>
</tr>
<tr>
<td>Net unrealized gain on investments</td>
<td>$168,150</td>
<td>$117,742</td>
<td>$50,408</td>
</tr>
<tr>
<td>Net realized gain (loss) on investments</td>
<td>$129,872</td>
<td>$127,326</td>
<td>$2,546</td>
</tr>
<tr>
<td>Donations and grants</td>
<td>$262,099</td>
<td>$205,175</td>
<td>$56,924</td>
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</table>

Less: Medicare and Medicaid contractual adjustments

<table>
<thead>
<tr>
<th>Allowances</th>
<th>2013</th>
<th>2012</th>
<th>2013 Gain/Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charitable and other contractual allowances</td>
<td>$210,056</td>
<td>$210,056</td>
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<tr>
<td>Bad Debts</td>
<td>$149,190</td>
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</tr>
</tbody>
</table>

Total revenues, gains and other support $25,246,414 $25,129,724 $116,690

Operating expenses:

<table>
<thead>
<tr>
<th>Service</th>
<th>2013</th>
<th>2012</th>
<th>2013 Gain/Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nursing services</td>
<td>$3,556,665</td>
<td>$3,556,665</td>
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<tr>
<td>Assisted living</td>
<td>$567,783</td>
<td>$567,783</td>
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<tr>
<td>Independent living</td>
<td>$1,092,379</td>
<td>$1,092,379</td>
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<tr>
<td>Memory care</td>
<td>$1,731,248</td>
<td>$1,731,248</td>
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<tr>
<td>Home care and adult day care</td>
<td>$725,508</td>
<td>$725,508</td>
<td>-</td>
</tr>
<tr>
<td>Activities and social services</td>
<td>$231,560</td>
<td>$231,560</td>
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<tr>
<td>Support services</td>
<td>$5,928,313</td>
<td>$5,928,313</td>
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<tr>
<td>Ancillary services</td>
<td>$874,134</td>
<td>$874,134</td>
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<tr>
<td>Administrative and general</td>
<td>$3,121,820</td>
<td>$3,121,820</td>
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<tr>
<td>Depreciation and amortization</td>
<td>$4,061,828</td>
<td>$4,061,828</td>
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</tr>
<tr>
<td>Interest and related fees</td>
<td>$1,168,558</td>
<td>$1,168,558</td>
<td>-</td>
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</table>

Total operating expenses $23,059,796 $23,059,796 -

See accompanying notes to financial statements.
LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA

STATEMENTS OF OPERATIONS

September 30, 2013 and September 30, 2012

<table>
<thead>
<tr>
<th>2012</th>
<th>Operating Fund</th>
<th>Endowment/Memory Care</th>
</tr>
</thead>
<tbody>
<tr>
<td>Totals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$7,412,830</td>
<td>$7,412,830</td>
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<tr>
<td>1,678,023</td>
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<tr>
<td>7,684,058</td>
<td>7,684,058</td>
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</tr>
<tr>
<td>2,588,449</td>
<td>2,588,449</td>
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</tr>
<tr>
<td>3,571,227</td>
<td>3,571,227</td>
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</tr>
<tr>
<td>1,695,894</td>
<td>1,695,894</td>
<td>-</td>
</tr>
<tr>
<td>600,897</td>
<td>600,897</td>
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</tr>
<tr>
<td>395,786</td>
<td>395,786</td>
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</tr>
<tr>
<td>279,227</td>
<td>279,227</td>
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</tr>
<tr>
<td>590</td>
<td>590</td>
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</tr>
<tr>
<td>367,827</td>
<td>365,050</td>
<td>2,777</td>
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<td>134,375</td>
<td>104,703</td>
<td>29,672</td>
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<tr>
<td>(9,425)</td>
<td>(9,702)</td>
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<td>418,193</td>
<td>417,993</td>
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<tr>
<td>26,817,951</td>
<td>26,785,025</td>
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<td>1,452,522</td>
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<tr>
<td>265,202</td>
<td>265,202</td>
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<tr>
<td>68,438</td>
<td>68,438</td>
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</tr>
<tr>
<td>25,031,789</td>
<td>24,998,863</td>
<td>32,926</td>
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<tr>
<td>3,588,625</td>
<td>3,588,625</td>
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</tr>
<tr>
<td>637,108</td>
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<tr>
<td>985,348</td>
<td>985,348</td>
<td>-</td>
</tr>
<tr>
<td>1,778,686</td>
<td>1,778,686</td>
<td>-</td>
</tr>
<tr>
<td>603,229</td>
<td>603,229</td>
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<tr>
<td>227,099</td>
<td>227,099</td>
<td>-</td>
</tr>
<tr>
<td>5,733,316</td>
<td>5,733,316</td>
<td>-</td>
</tr>
<tr>
<td>1,019,716</td>
<td>1,019,716</td>
<td>-</td>
</tr>
<tr>
<td>2,956,855</td>
<td>2,956,855</td>
<td>-</td>
</tr>
<tr>
<td>3,910,124</td>
<td>3,910,124</td>
<td>-</td>
</tr>
<tr>
<td>1,310,542</td>
<td>1,310,542</td>
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</tr>
<tr>
<td>22,750,648</td>
<td>22,750,648</td>
<td>-</td>
</tr>
<tr>
<td>$2,281,141</td>
<td>$2,248,215</td>
<td>$32,926</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA
STATEMENTS OF CHANGES IN NET ASSETS
September 30, 2013 and September 30, 2012

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>Operating Fund</th>
<th>Endowment/Memory Care</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unrestricted net assets:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating income</td>
<td>$2,186,618</td>
<td>$2,069,928</td>
<td>$116,690</td>
</tr>
<tr>
<td>Interfund transfers</td>
<td>68,528</td>
<td>68,528</td>
<td>-</td>
</tr>
<tr>
<td>Transfer from LRM Community Trust</td>
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<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Change in value on derivative contract</td>
<td>1,155,814</td>
<td>1,155,814</td>
<td>-</td>
</tr>
<tr>
<td>Derivative suit settlement</td>
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<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net assets transferred to restrictions</td>
<td>(147,828)</td>
<td>(147,828)</td>
<td>-</td>
</tr>
<tr>
<td>Increase in unrestricted net assets</td>
<td>3,263,132</td>
<td>3,146,442</td>
<td>116,690</td>
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</tbody>
</table>

| **Temporarily restricted net assets** | | | |
| Net assets transferred to restrictions | 147,828 | 147,828 | - |
| Interfund transfers                  | (32,084) | - | (32,084) |
| Interest and related fees - net      | 59 | - | 59 |
| Net unrealized gain on investments   | 1,167 | - | 1,167 |
| Net realized loss on investments     | (80) | - | (80) |
| Donations                            | 18,361 | - | 18,361 |
| Increase (decrease) in temporarily restricted net assets | 135,251 | 147,828 | (12,577) |

| **Permanently restricted net assets:** | | | |
| Net investment income                | 44,486 | - | 44,486 |
| Interfund transfers                  | (36,444) | - | (36,444) |
| Net unrealized gain on investments   | 60,543 | - | 60,543 |
| Net realized gain on investments     | 38,326 | - | 38,326 |
| Increase in permanently restricted net assets | 106,911 | - | 106,911 |

| Increase in net assets                | 3,505,294 | 3,294,270 | 211,024 |
| Net assets - beginning of year        | 31,753,852 | 29,789,894 | 1,963,958 |
| Net assets - end of year              | $35,259,146 | $33,084,164 | $2,174,982 |

See accompanying notes to financial statements.
<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Totals</td>
<td>2,281,141</td>
<td>2,248,215</td>
<td>32,926</td>
</tr>
<tr>
<td>Operating Fund</td>
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<td>(64,109)</td>
<td>139,721</td>
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<td>5,463</td>
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<tr>
<td></td>
<td>(27,057)</td>
<td>(27,057)</td>
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</tr>
<tr>
<td>Endowment/Memory Care</td>
<td>186,480</td>
<td>186,480</td>
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<td></td>
<td>(25,579)</td>
<td>(69,992)</td>
<td>44,413</td>
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<tr>
<td>Totals</td>
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<td>2,279,000</td>
<td>217,060</td>
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<tr>
<td></td>
<td>25,579</td>
<td>69,992</td>
<td>(44,413)</td>
</tr>
<tr>
<td></td>
<td>(40,000)</td>
<td></td>
<td>(40,000)</td>
</tr>
<tr>
<td></td>
<td>(149)</td>
<td></td>
<td>(149)</td>
</tr>
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<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td>10,542</td>
<td></td>
<td>10,542</td>
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<tr>
<td></td>
<td>(4,028)</td>
<td>69,992</td>
<td>(74,020)</td>
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<td>38,382</td>
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<td>38,382</td>
</tr>
<tr>
<td></td>
<td>(35,612)</td>
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<td>(35,612)</td>
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<tr>
<td></td>
<td>133,711</td>
<td></td>
<td>133,711</td>
</tr>
<tr>
<td></td>
<td>38,716</td>
<td></td>
<td>38,716</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>175,197</td>
<td></td>
<td>175,197</td>
</tr>
<tr>
<td></td>
<td>2,667,229</td>
<td>2,348,992</td>
<td>318,237</td>
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<tr>
<td></td>
<td>29,086,623</td>
<td>27,440,902</td>
<td>1,645,721</td>
</tr>
<tr>
<td>Totals</td>
<td>31,753,852</td>
<td>29,789,894</td>
<td>1,963,958</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA
STATEMENTS OF CASH FLOWS
September 30, 2013 and September 30, 2012

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Totals</td>
<td>Operating Fund</td>
<td>Endowment/ Memory Care</td>
</tr>
<tr>
<td><strong>Cash flows from operating activities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash received from residents and third party payers</td>
<td>$ 25,124,691</td>
<td>$ 25,124,691</td>
<td>$ -</td>
</tr>
<tr>
<td>Investment income received</td>
<td>400,195</td>
<td>330,705</td>
<td>69,490</td>
</tr>
<tr>
<td>Donations - net</td>
<td>116,716</td>
<td>116,716</td>
<td>-</td>
</tr>
<tr>
<td>Cash paid to suppliers and employees</td>
<td>(17,608,556)</td>
<td>(17,608,556)</td>
<td>-</td>
</tr>
<tr>
<td>Interest paid and related fees</td>
<td>(1,185,526)</td>
<td>(1,168,558)</td>
<td>(16,968)</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>6,847,520</td>
<td>6,794,998</td>
<td>52,522</td>
</tr>
</tbody>
</table>

| **Cash flows from investing activities:** |           |           |          |
| Acquisition of property and equipment | (4,964,012) | (4,964,012) | -        |
| Proceeds from sale of property and equipment | 30,500     | 30,500   | -        |
| Proceeds of certificates of deposit - net | 544,448    | 544,448   | -        |
| Proceeds (purchases) of investments - net | 1,136,217  | 1,246,434 | (110,217)|
| **Net cash used in investing activities** | (3,252,847) | (3,142,630) | (110,217)|

| **Cash flows from financing activities:** |           |           |          |
| Payment of bond closing costs        | (20,775)  | (20,775) | -        |
| Interfund transfers                  | -         | 68,528   | (68,528) |
| Refundable admission fees received   | 1,941,183 | 1,941,183 | -        |
| Admission fees refunded              | (765,284) | (765,284) | -        |
| Proceeds from Memorial Garden fees   | 62,000    | 62,000   | -        |
| Donations                            | 79,285    | -        | 79,285   |
| Principal payments on long term debt | (1,880,000)| (1,880,000)| -        |
| **Net cash provided by (used in) financing activities** | (583,591) | (594,348) | 10,757   |

| **Net increase (decrease) in cash and cash equivalents** | 3,011,082 | 3,058,020 | (46,938) |
| **Cash at the beginning of the year** | 14,043,991 | 13,957,573 | 86,418 |
| **Cash at the end of the year** | $ 17,055,073 | $ 17,015,593 | $ 39,480 |

See accompanying notes to financial statements.
LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA

STATEMENTS OF CASH FLOWS

September 30, 2013 and September 30, 2012

<table>
<thead>
<tr>
<th></th>
<th>2012 Totals</th>
<th>Operating Fund</th>
<th>Endowment/ Memory Care</th>
</tr>
</thead>
<tbody>
<tr>
<td>Memory Care</td>
<td>$ 24,989,799</td>
<td>$ 24,989,799</td>
<td>$ -</td>
</tr>
<tr>
<td>Fund</td>
<td>434,738</td>
<td>387,935</td>
<td>46,803</td>
</tr>
<tr>
<td></td>
<td>317,993</td>
<td>317,993</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>(17,162,979)</td>
<td>(17,162,979)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>(1,325,216)</td>
<td>(1,310,542)</td>
<td>(14,674)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>7,254,335</td>
<td>7,222,206</td>
<td>32,129</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(4,442,986)</td>
<td>(4,442,986)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>4,700</td>
<td>4,700</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>1,259,853</td>
<td>1,187,965</td>
<td>71,888</td>
</tr>
<tr>
<td></td>
<td>(988,638)</td>
<td>(849,779)</td>
<td>(138,859)</td>
</tr>
<tr>
<td></td>
<td>(4,167,071)</td>
<td>(4,100,100)</td>
<td>(66,971)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(64,109)</td>
<td>64,109</td>
</tr>
<tr>
<td></td>
<td>816,773</td>
<td>816,773</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>(578,667)</td>
<td>(578,667)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>41,000</td>
<td>41,000</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>36,035</td>
<td>-</td>
<td>36,035</td>
</tr>
<tr>
<td></td>
<td>(1,825,000)</td>
<td>(1,825,000)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>(1,509,859)</td>
<td>(1,610,003)</td>
<td>100,144</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,577,405</td>
<td>1,512,103</td>
<td>65,302</td>
</tr>
<tr>
<td></td>
<td>12,466,586</td>
<td>12,445,470</td>
<td>21,116</td>
</tr>
<tr>
<td></td>
<td>$ 14,043,991</td>
<td>$ 13,957,573</td>
<td>$ 86,418</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
Reconciliation of change in net assets to net cash provided by operating activities:

<table>
<thead>
<tr>
<th></th>
<th>Totals</th>
<th>Operating Fund</th>
<th>Endowment/ Memory Care</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in net assets</td>
<td>$3,505,294</td>
<td>$3,294,270</td>
<td>$211,024</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash provided by operating activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interfund transfers</td>
<td>-</td>
<td>(68,528)</td>
<td>68,528</td>
</tr>
<tr>
<td>Endowment donations</td>
<td>(79,285)</td>
<td>(79,285)</td>
<td></td>
</tr>
<tr>
<td>Change in value on derivative contract</td>
<td>(1,155,814)</td>
<td>(1,155,814)</td>
<td>-</td>
</tr>
<tr>
<td>Gain on disposal of property and equipment</td>
<td>(6,079)</td>
<td>(6,079)</td>
<td>-</td>
</tr>
<tr>
<td>Amortization of deferred revenues from admission fees</td>
<td>(3,454,143)</td>
<td>(3,454,143)</td>
<td>-</td>
</tr>
<tr>
<td>Receipt of non-refundable admission fees</td>
<td>4,485,655</td>
<td>4,485,655</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>4,061,828</td>
<td>4,061,828</td>
<td>-</td>
</tr>
<tr>
<td>Amortization of occupancy fees</td>
<td>(19,677)</td>
<td>(19,677)</td>
<td>-</td>
</tr>
<tr>
<td>Net increase (decrease) in receivables, inventory and prepaid expenses</td>
<td>(281,827)</td>
<td>(285,827)</td>
<td>4,000</td>
</tr>
<tr>
<td>Increase (decrease) in due from other funds</td>
<td>-</td>
<td>(1,165)</td>
<td>1,165</td>
</tr>
<tr>
<td>Net increase in payables and accrued expenses</td>
<td>189,546</td>
<td>189,546</td>
<td>-</td>
</tr>
<tr>
<td>Net unrealized gain on investments</td>
<td>(229,860)</td>
<td>(117,742)</td>
<td>(112,118)</td>
</tr>
<tr>
<td>Net realized (gain) loss on investments</td>
<td>(168,118)</td>
<td>(127,326)</td>
<td>(40,792)</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>$6,847,520</td>
<td>$6,794,998</td>
<td>$52,522</td>
</tr>
</tbody>
</table>
LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA

STATEMENTS OF CASH FLOWS

September 30, 2013 and September 30, 2012

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Totals</td>
<td>Operating Fund</td>
<td>Endowment/</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Memory Care</td>
</tr>
<tr>
<td>$2,667,229</td>
<td>$2,348,992</td>
<td>$318,237</td>
<td></td>
</tr>
<tr>
<td>-</td>
<td>64,109</td>
<td>-(64,109)</td>
<td></td>
</tr>
<tr>
<td>(36,035)</td>
<td>(36,035)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>27,057</td>
<td>27,057</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>(590)</td>
<td>(590)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>(3,571,227)</td>
<td>(3,571,227)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>4,346,772</td>
<td>4,346,772</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>3,910,124</td>
<td>3,910,124</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>(19,645)</td>
<td>(19,645)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>(32,786)</td>
<td>(58,055)</td>
<td>25,269</td>
<td></td>
</tr>
<tr>
<td>7,457</td>
<td>7,457</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>262,213</td>
<td>262,213</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>(268,086)</td>
<td>(104,703)</td>
<td>(163,383)</td>
<td></td>
</tr>
<tr>
<td>(38,148)</td>
<td>9,702</td>
<td>(47,850)</td>
<td></td>
</tr>
<tr>
<td>$7,254,335</td>
<td>$7,222,206</td>
<td>$32,129</td>
<td></td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
Note 1: Summary of Significant Accounting Policies

Nature of operations - Lutheran Retirement Ministries of Alamance County, North Carolina, doing business as Twin Lakes Community, provides a continuing care retirement community licensed by the State of North Carolina. The Ministries consists of 104 nursing care beds, 36 assisted living units, 393 apartments, villas, and garden homes, and 32 memory care beds of which 16 are designated for skilled care and 16 for assisted living.

Financial statement presentation - The accounts of the Ministries are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts comprised of assets, liabilities, fund equity, revenues and expenses. The Ministries has the following three funds:

Operating Fund - This is the general operating fund of the Ministries. It is used to account for all financial resources except for those required to be accounted for in another fund. The primary revenue sources are resident services and admission fees. The primary expenditures are nursing services, support services, and administrative and general.

Endowment Fund - The Board of Directors of Lutheran Retirement Ministries of Alamance County, North Carolina has established an Endowment Fund to receive and administer gifts and bequests received by the organization. The resolution establishing the Endowment Fund stipulates that income generated by the Endowment Fund shall be distributed at such times as deemed necessary to enhance the charitable mission of Lutheran Retirement Ministries of Alamance County, North Carolina. The principal amount of gifts and bequests received are not to be expended.

Memory Care - The Board of Directors of Lutheran Retirement Ministries of Alamance County, North Carolina has established a Memory Care Fund to receive and administer gifts and bequests received by the organization on behalf of the Memory Care Facility.

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

Investments - Investments in equity securities with readily determinable fair values and all investments in fixed income securities are reported at their fair value. The fair values of investments are determined based upon quoted market prices. Investment income (including both realized gains and losses, interest and dividends) is included in the change in net assets. Other investments, which consist of equity securities of closely held corporations, are also reported at estimated fair value.
Note 1: Summary of Significant Accounting Policies (continued)

Accounts receivable - Accounts receivable are stated net of an allowance for doubtful accounts. This allowance is based on management's estimate of the amount of current receivables, which will prove to be uncollectible.

Promises to give and donor restrictions - Contributions are recognized when the donor makes a promise to give to the Ministries that is, in substance, unconditional. Contributions that are restricted by the donor, if the restrictions expire in the fiscal year in which the contributions are recognized, are reported as increases in unrestricted net assets. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Inventory - Inventory consists of operating supplies and is stated at the lower of cost or market. Cost is determined principally on a first-in, first-out method.

Property and equipment - It is the policy of the Ministries to capitalize property and equipment over $1,000; lesser amounts are expensed. Property and equipment are valued at cost less accumulated depreciation. Maintenance and repair costs are charged to expense as incurred. Gains and losses on disposal are reflected in operating income. Donated assets are recorded at their estimated market value on the date of the donation. Depreciation is computed using the straight-line method over the following estimated useful lives of the assets:

- Buildings: 30 Years
- Paving: 20 Years
- Furniture and equipment: 5 - 10 Years
- Building renovations and refurbishments: 15 Years
- Automobiles: 5 Years
- Land improvements: 20-30 Years

The Ministries periodically assesses the realizability of its long-lived assets and evaluates such assets for impairment whenever events or changes in circumstances indicate the carrying amount of any asset may not be recoverable. At September 30, 2013 and 2012, the Ministries has determined that no impairment indicators exist.

Deferred loan costs - Costs associated with obtaining long-term debt are amortized over the debt period. The costs related to the 2009 and 2010 series bonds have been amortized on the effective interest method for the years ending September 30, 2013 and September 30, 2012.
Note 1: Summary of Significant Accounting Policies (continued)

Admission fees - Payment of an admission fee is required before a resident acquires a right to reside in an independent living unit. The Ministries offers two different types of independent living contracts. For garden home units, contracts are 50% refundable with the remaining 50% amortized over a 30 month period. For all units other than garden homes, the entire admission fee is amortized over a 30 month period. The non-refundable admission fees are recorded as deferred revenue and are amortized into revenue over the estimated remaining life expectancy of the resident. The estimated remaining life expectancy of the resident is adjusted on an annual basis. Any refunds due on a residency contract are payable upon the re-lease of the unit by a subsequent occupant.

Obligation to provide future services - The Ministries annually calculates the present value of the net cost of future services and use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from admission fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from admission fees, a liability is recorded (obligation to provide future services and use of facilities) against the corresponding charge to income. As of September 30, 2013 and September 30, 2012, this computation did not require a liability to be recorded.

Note 2: Assets Whose Use Is Limited

The composition of assets whose use is limited at September 30, 2013 and September 30, 2012 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating reserve (Note 7)</td>
<td>$ 5,493,964</td>
<td>$ 5,361,674</td>
</tr>
<tr>
<td>Sullivan Trust</td>
<td>1,666,847</td>
<td>1,559,918</td>
</tr>
<tr>
<td>Resident trust funds</td>
<td>1,621</td>
<td>692</td>
</tr>
<tr>
<td>Resident assistance - Operating</td>
<td>312,301</td>
<td>264,299</td>
</tr>
<tr>
<td>Donations</td>
<td>63,481</td>
<td>34,906</td>
</tr>
<tr>
<td>Chapel fund</td>
<td>28,856</td>
<td>27,580</td>
</tr>
<tr>
<td>Memorial Garden fund</td>
<td>116,265</td>
<td>45,013</td>
</tr>
<tr>
<td>Memory Care</td>
<td></td>
<td>13,871</td>
</tr>
<tr>
<td></td>
<td><strong>$ 7,683,335</strong></td>
<td><strong>$ 7,307,953</strong></td>
</tr>
</tbody>
</table>
LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
September 30, 2013 and September 30, 2012

Note 3: Cash and Cash Equivalents

For the purposes of reporting cash flows, cash and cash equivalents include cash on hand and in banks as well as temporary cash investments in money market funds. The Ministries maintains its cash balances in board-designated banks located in North Carolina. Cash and cash equivalents at September 30, 2013 and 2012 are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Board Designated:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medical self insurance</td>
<td>$1,166,309</td>
<td>$808,449</td>
</tr>
<tr>
<td>Capital reserve</td>
<td>806,852</td>
<td>655,230</td>
</tr>
<tr>
<td>Undesignated</td>
<td>14,015,396</td>
<td>12,148,984</td>
</tr>
<tr>
<td><strong>Assets Whose Use is Limited:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Reserve</td>
<td>543,856</td>
<td>-</td>
</tr>
<tr>
<td>Resident trust funds</td>
<td>1,621</td>
<td>692</td>
</tr>
<tr>
<td>Resident assistance</td>
<td>312,301</td>
<td>264,299</td>
</tr>
<tr>
<td>Donations</td>
<td>63,481</td>
<td>34,906</td>
</tr>
<tr>
<td>Memory Care</td>
<td>-</td>
<td>9,871</td>
</tr>
<tr>
<td>Sullivan Trust</td>
<td>28,383</td>
<td>48,967</td>
</tr>
<tr>
<td>Chapel fund</td>
<td>609</td>
<td>27,580</td>
</tr>
<tr>
<td>Memorial Garden fund</td>
<td>116,265</td>
<td>45,013</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$17,055,073</strong></td>
<td><strong>$14,043,991</strong></td>
</tr>
</tbody>
</table>

Note 4: Certificate of Deposit

At September 30, 2013, the Ministries had no certificates of deposit. At September 30, 2012, the Ministries had one certificate of deposit bearing interest at 1.40% with the remaining maturity of less than three months. The certificate was issued by a board-designated bank in North Carolina.

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undesignated</td>
<td></td>
<td>544,448</td>
</tr>
</tbody>
</table>

Note 5: Uninsured Cash and Certificates of Deposit

The Ministries maintains cash and certificate of deposit accounts at various financial institutions. There is however, credit risk exposure for certain other cash balances that exceed federally insured limits of $250,000. The amounts in excess of the FDIC limit totaled $13,444,539 and $11,997,785 at September 30, 2013 and September 30, 2012, respectively.
Note 6: Investments and Fair Value

**Investments** - The following schedule summarizes the fair value of investments at September 30, 2013 and September 30, 2012:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity securities</td>
<td>$4,492,742</td>
<td>$3,900,090</td>
</tr>
<tr>
<td>Closely held company securities</td>
<td>116,641</td>
<td>117,672</td>
</tr>
<tr>
<td>Fixed Income Securities</td>
<td>6,596,913</td>
<td>7,926,773</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$11,206,296</strong></td>
<td><strong>$11,944,535</strong></td>
</tr>
</tbody>
</table>

Investments are categorized as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board Designated:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt service</td>
<td>$2,333,963</td>
<td>$2,581,122</td>
</tr>
<tr>
<td>Capital reserve</td>
<td>1,778,832</td>
<td>1,382,075</td>
</tr>
<tr>
<td>Resident assistance</td>
<td>321,391</td>
<td>232,589</td>
</tr>
<tr>
<td>Education endowment</td>
<td>147,400</td>
<td>130,000</td>
</tr>
<tr>
<td>Undesignated</td>
<td>30,100</td>
<td>768,841</td>
</tr>
<tr>
<td>Assets Whose Use is Limited:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating reserve</td>
<td>4,927,899</td>
<td>5,338,957</td>
</tr>
<tr>
<td>Sullivan Trust</td>
<td>1,638,464</td>
<td>1,510,951</td>
</tr>
<tr>
<td>Chapel</td>
<td>28,247</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$11,206,296</strong></td>
<td><strong>$11,944,535</strong></td>
</tr>
</tbody>
</table>

**Fair value** - Certain assets and liabilities are required to be recognized and disclosed at fair value. A fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are as follows:

- **Level 1** inputs are quoted prices (unadjusted) in active markets for identical investments that the Company has the ability to access at the measurement date.
- **Level 2** inputs are inputs other than quoted prices included within Level 1 that are observable for the investments, either directly or indirectly.
- **Level 3** inputs are unobservable inputs for the investments.
## Note 6: Investments and Fair Value (continued)

### Fair value measurements at September 30, 2013:

<table>
<thead>
<tr>
<th>Description</th>
<th>September 30, 2013</th>
<th>Quoted Prices</th>
<th>Significant Other Observable Inputs</th>
<th>Significant Unobservable Inputs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>In Active Markets for Identical Assets (Level 1)</td>
<td>(Level 2)</td>
<td>(Level 3)</td>
</tr>
<tr>
<td><strong>Assets:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity securities</td>
<td>$ 4,492,742</td>
<td>$ 4,492,742</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Fixed income securities</td>
<td>6,596,913</td>
<td>6,596,913</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Closely held company securities</td>
<td>116,641</td>
<td></td>
<td>116,641</td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>$ 11,206,296</td>
<td>$ 11,089,655</td>
<td>$ 116,641</td>
<td>$</td>
</tr>
<tr>
<td><strong>Liabilities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest rate swaps (Note 14)</td>
<td>$ 2,146,440</td>
<td></td>
<td>$ 2,146,440</td>
<td>$</td>
</tr>
</tbody>
</table>

### Fair value measurements at September 30, 2012:

<table>
<thead>
<tr>
<th>Description</th>
<th>September 30, 2012</th>
<th>Quoted Prices</th>
<th>Significant Other Observable Inputs</th>
<th>Significant Unobservable Inputs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>In Active Markets for Identical Assets (Level 1)</td>
<td>(Level 2)</td>
<td>(Level 3)</td>
</tr>
<tr>
<td><strong>Assets:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity securities</td>
<td>$ 3,900,090</td>
<td>$ 3,900,090</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Fixed income securities</td>
<td>7,926,773</td>
<td>7,926,773</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Closely held company securities</td>
<td>117,672</td>
<td></td>
<td>117,672</td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>$ 11,944,535</td>
<td>$ 11,826,863</td>
<td>$ 117,672</td>
<td>$</td>
</tr>
<tr>
<td><strong>Liabilities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest rate swaps (Note 14)</td>
<td>$ 3,302,254</td>
<td></td>
<td>$ 3,302,254</td>
<td>$</td>
</tr>
</tbody>
</table>
Note 7: Assets Whose Use is Limited for Operating Reserve

North Carolina General Statute 58-64-33 requires the establishment of an operating reserve equal to 50% of the total operating costs projected by the Ministries for the next twelve-month period. If occupancy is in excess of 90%, the operating reserve requirement decreases to 25% of total operating costs. Total operating costs include debt service and exclude depreciation. If debt service is accounted for by way of another reserve account, it may be excluded from operating costs. The operating reserve cannot be expended without written approval of the State of North Carolina.

The operating reserve requirement of the Ministries as of September 30, 2013 was $5,493,964 based on current occupancy, which exceeds 90%, and projected 2013-2014 operating costs of 21,975,854. The operating reserve balance at September 30, 2013 was $5,493,964.

The operating reserve requirement of the Ministries as of September 30, 2012 was $5,361,674 based on the occupancy at that time, which exceeded 90%, and projected 2012-2013 operating costs of $21,446,697. The operating reserve balance at September 30, 2012 was $5,361,674.

Note 8: Assets Whose Use is Permanently Restricted by Sullivan Trust and Endowment

During the year ended September 30, 1988, Lutheran Retirement Ministries of Alamance County, North Carolina received a bequest from the estates of James and Beulah Sullivan. The will of James Sullivan requires that the bequest be held in trust for the benefit of the Ministries with the income generated by the trust to be delivered to the Ministries at least annually. The assets of the Sullivan Trust and Endowment are reported as permanently restricted on the statements of financial position. The fair value of assets comprising permanently restricted net assets at September 30, 2013 and September 30, 2012 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$ 28,384</td>
<td>$ 49,265</td>
</tr>
<tr>
<td>Marketable securities</td>
<td>1,551,922</td>
<td>1,422,214</td>
</tr>
<tr>
<td>Closely held company securities</td>
<td>116,641</td>
<td>117,672</td>
</tr>
<tr>
<td>Less Sullivan Trust income due to operating fund</td>
<td>(30,100)</td>
<td>(29,215)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 1,666,847</td>
<td>$ 1,559,936</td>
</tr>
</tbody>
</table>
Note 9: Accounts Receivable

Accounts receivable at September 30, 2013 and September 30, 2012 are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resident services</td>
<td>$1,146,118</td>
<td>$1,120,616</td>
</tr>
<tr>
<td>Sales tax</td>
<td>154,047</td>
<td>101,460</td>
</tr>
<tr>
<td>Other</td>
<td>168,202</td>
<td>10,000</td>
</tr>
<tr>
<td></td>
<td>1,468,367</td>
<td>1,232,076</td>
</tr>
<tr>
<td>Less allowance for doubtful accounts</td>
<td>(92,000)</td>
<td>(90,000)</td>
</tr>
<tr>
<td></td>
<td>$1,376,367</td>
<td>$1,142,076</td>
</tr>
</tbody>
</table>

Note 10: Deferred Gifts

The Ministries has been designated the beneficiary of a number of life insurance policies, gift annuities and charitable remainder trusts. As of September 30, 2013 and September 30, 2012 the gross amount of gifts made were approximately $1,135,000 and $1,140,000; the estimated present value of the gifts are approximately $560,000 and $542,000, respectively. In most cases, donors have the ability to stipulate terms of the giving, thus adding an element of uncertainty regarding present value and beneficiary status. It is management's opinion that these deferred gifts are conditional and they have not been recorded in the financial statements.

Note 11: Property and Equipment

Property and equipment at September 30, 2013 and September 30, 2012 are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$6,187,319</td>
<td>$6,187,319</td>
</tr>
<tr>
<td>Land improvements</td>
<td>13,799,231</td>
<td>12,969,090</td>
</tr>
<tr>
<td>Buildings</td>
<td>91,748,452</td>
<td>88,811,420</td>
</tr>
<tr>
<td>Paving</td>
<td>1,000,737</td>
<td>1,000,737</td>
</tr>
<tr>
<td>Furniture and equipment</td>
<td>7,992,519</td>
<td>7,475,364</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>1,475,465</td>
<td>749,838</td>
</tr>
<tr>
<td></td>
<td>122,203,723</td>
<td>117,193,768</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>(45,205,682)</td>
<td>(41,247,048)</td>
</tr>
<tr>
<td>Net property and equipment</td>
<td>$76,998,041</td>
<td>$75,946,720</td>
</tr>
</tbody>
</table>

Depreciation expense for the years ended September 30, 2013 and September 30, 2012 was $4,040,028 and $3,889,046, respectively.
Note 12: Accrued Expenses

Accrued expenses at September 30, 2013 and September 30, 2012 consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and wages</td>
<td>$ 335,398</td>
<td>$ 249,643</td>
</tr>
<tr>
<td>Paid annual leave</td>
<td>962,214</td>
<td>998,898</td>
</tr>
<tr>
<td>Profit sharing contrib</td>
<td>284,883</td>
<td>273,363</td>
</tr>
<tr>
<td>Self insurance claims</td>
<td>162,500</td>
<td>77,000</td>
</tr>
<tr>
<td>State unemployment taxes</td>
<td>-</td>
<td>47</td>
</tr>
<tr>
<td></td>
<td>$ 1,744,995</td>
<td>$ 1,598,951</td>
</tr>
</tbody>
</table>

Note 13: Long-Term Debt

Long-term debt at September 30, 2013 and September 30, 2012 consists of the following:

During the year ended September 30, 2010, the Ministries, through the North Carolina Medical Care Commission issued $29,630,000 of 2009 bank qualified bonds. The principal is due in annual installments from January 1, 2014 through January 1, 2037. Effective December 11, 2012, the interest component is payable monthly at a variable rate of 68% of one-month LIBOR plus a credit spread of 1.2125% and is subject to renewal risk after the term of the agreement expires on January 1, 2019. The interest rate is managed through a swap agreement disclosed in Note 14........................................................................... $ 29,630,000 $ 29,630,000

During the year ended September 30, 2010, the Ministries, through the North Carolina Medical Care Commission issued $5,495,000 of 2010 bank qualified bonds. The principal is due in annual installments from January 1, 2011 through January 1, 2013. Interest is payable monthly at a variable rate of 68% of one month LIBOR plus a credit spread of 1.41375%. The interest rate is managed through a swap agreement disclosed in Note 14 ........................................................................................................... - 1,880,000

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>29,630,000</td>
<td>31,510,000</td>
</tr>
<tr>
<td>Less current maturities of long-term debt</td>
<td>1,965,000</td>
<td>1,880,000</td>
</tr>
<tr>
<td></td>
<td>$ 27,665,000</td>
<td>$ 29,630,000</td>
</tr>
</tbody>
</table>
Note 13: Long-Term Debt (continued)

Scheduled principal maturities of long-term debt at September 30, 2013 are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$1,965,000</td>
</tr>
<tr>
<td>2015</td>
<td>$2,035,000</td>
</tr>
<tr>
<td>2016</td>
<td>$2,100,000</td>
</tr>
<tr>
<td>2017</td>
<td>$2,185,000</td>
</tr>
<tr>
<td>2018</td>
<td>$2,290,000</td>
</tr>
<tr>
<td>2019</td>
<td>$2,355,000</td>
</tr>
<tr>
<td>Thereafter</td>
<td>$16,700,000</td>
</tr>
<tr>
<td>Total</td>
<td>$29,630,000</td>
</tr>
</tbody>
</table>

Note 14: Reserve on Derivative Contracts

The Ministries has an interest rate swap agreement in order to minimize its exposure to the impact of interest rate changes on its long-term debt. This enables the Ministries to maintain a synthetic fixed rate on a significant portion of its overall long-term debt. This type of hedging activity has been recorded as a cash flow hedge with the change in value on the derivative contracts recorded in the Statement of Changes in Net Assets. The swap agreement is structured whereby the Ministries pays the swap counterparty effectively a fixed rate of 3.556% and receives a variable rate at 63% of 30 day LIBOR plus 0.3% on a beginning notional amount at September 30, 2013 of $21,405,000 which will reduce annually through January 1, 2028. The agreement with Branch Banking and Trust expires January 1, 2019; the interest rate and credit spread are subject to renewal risk at that time.

Note 15: Paid Annual Leave

Ministries' employees are allowed to accumulate paid annual leave up to a maximum 70 days as of September 30 each year. Administration level employees are allowed to accumulate up to 90 days. Paid annual leave is payable when the leave is taken or upon the favorable termination of the employee. A limited provision is available for the annual buy-back of unused paid annual leave in excess of the accrual limits. In accordance with Financial Accounting Standards Board, the Ministries recorded a liability of $962,214 and $998,898 for accrued paid annual leave at September 30, 2013 and September 30, 2012, respectively.

Note 16: Retirement Plan

The Ministries maintains a defined contribution retirement plan covering substantially all of its full time employees. Under the terms of the plan the board of directors of the Ministries will determine annually the amount, if any, of the annual employer contribution to the plan. The board of directors elected to make contributions of four percent of eligible compensation which totaled $285,330 and $274,165 for the years ending September 30, 2013 and September 30, 2012, respectively.
Note 17: Self-Funded Medical Insurance Plan

The Ministries maintains an employee benefits plan to provide substantially all employees with medical benefits. The plan obtains insurance from commercial carriers to cover any payments required by the plan in excess of $85,000 per individual per plan year.

Note 18: Risk Management

The Ministries is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Ministries has in place insurance coverage for possible litigation in the ordinary course of business related to professional liability claims. Management believes that claims, if asserted, would be settled within the limits of coverage, which is on an occurrence basis.

As discussed in Note 14, the Ministries has an interest rate swap agreement in order to minimize its exposure to the impact of interest rate changes on its long-term debt. The swap agreements have been recorded on the statement of financial position at their fair value and any changes in fair value have been recorded in the statement of changes in net assets.

Note 19: Contingencies

The contract between the Ministries and the residents provides for a refund of a portion of the resident's admission fee if the resident leaves during the first thirty months of occupancy. In addition, the contract between the Ministries and the garden home residents provides that 50% of the admission fee will be refundable. The contracts provide for the refund to be payable when the dwelling unit is re-leased to another resident. On July 24, 2012, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update. The objective was to clarify how refundable admission fees are reflected in financial statements. Under the new guidance, the refundable admission fee should be classified as a liability and not amortized to income when the resident contract does not explicitly state that the refunds are limited to reoccupancy proceeds. FASB requires that previously amortized refundable admission fees are reinstated as a liability and should be treated as a cumulative effect of a change in accounting principle as of earliest period presented in the financial statements. The effect of this adjustment is $1,218,103 and has been reflected as an increase in the refundable admission fees liability account as of September 30, 2011.

The total amount of contractual refund obligations was $14,906,770 and $13,548,367 at September 30, 2013 and September 30, 2012, respectively. Of the total amount, $9,593,975 and $8,721,759 are for the 50% refundable admission fees at September 30, 2013 and September 30, 2012, respectively.

Revenues received under cost reimbursement and prospective payment agreements with Medicare and Medicaid are subject to audit and retroactive adjustment by third-party payors. Such audits can result in the payment to or receipt from the intermediary of additional funds. Management believes that audit changes, if any, will be immaterial.
Note 20: Operating Leases

The Ministries has several leases for equipment, which are classified as operating leases. Rent expense for the operating leases was $84,666 for the year ended September 30, 2013 and $57,359 for the year ended September 30, 2012.

Future minimum lease payments under noncancelable operating leases with initial or remaining terms in excess of one year are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$41,616</td>
</tr>
<tr>
<td>2015</td>
<td>41,616</td>
</tr>
<tr>
<td>2016</td>
<td>10,404</td>
</tr>
</tbody>
</table>

Note 21: Concentrations of Credit Risk

The Ministries grants credit without collateral to its residents. Concentrations of credit risk with respect to resident accounts are limited due to the large number of individual accounts and based on agreements with third party payors. The Ministries has certain accounts receivable whose collectability is dependent upon performance of the Medicare and Medicaid programs. Management does not believe there are significant credit risks associated with these governmental programs.

Note 22: Commitments

The Ministries has commitments for construction projects in connection with building and improvement additions. The cost to complete the projects at September 30, 2013 was $1,318,632.

Note 23: Tax Status

Lutheran Retirement Ministries of Alamance County, North Carolina is exempt from Federal and North Carolina Income Taxes under Section 501(c)(3) of the Internal Revenue Code. The Ministries has determined that it does not have any material unrecognized tax benefits or obligations and believes they are no longer subject to income tax examinations for years prior to September 30, 2009.

Note 24: Subsequent Events

The Ministries has evaluated events and transactions that occurred between September 30, 2013 and January 13, 2014, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.
Note 25: Resident Fee Income

Net resident fee income consists of the following for the years ended September 30, 2013 and September 30, 2012:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residency fees at normal billing rates:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nursing care</td>
<td>$7,443,360</td>
<td>$7,412,830</td>
</tr>
<tr>
<td>Assisted living</td>
<td>1,592,694</td>
<td>1,678,023</td>
</tr>
<tr>
<td>Independent living</td>
<td>8,041,256</td>
<td>7,684,058</td>
</tr>
<tr>
<td>Memory care</td>
<td>2,716,669</td>
<td>2,588,449</td>
</tr>
<tr>
<td>Admission fees earned</td>
<td>3,454,143</td>
<td>3,571,227</td>
</tr>
<tr>
<td>Ancillary service</td>
<td>1,466,901</td>
<td>1,695,894</td>
</tr>
<tr>
<td>Home care and adult day care</td>
<td>792,844</td>
<td>600,897</td>
</tr>
<tr>
<td>Dietary sales to residents</td>
<td>210,955</td>
<td>196,076</td>
</tr>
<tr>
<td>Other operating revenues from residents</td>
<td>289,573</td>
<td>279,227</td>
</tr>
<tr>
<td></td>
<td>26,008,395</td>
<td>25,706,681</td>
</tr>
</tbody>
</table>

Adjustments:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicare and Medicaid contractual adjustments</td>
<td>(1,516,621)</td>
<td>(1,452,522)</td>
</tr>
<tr>
<td>Charitable and other contractual adjustments</td>
<td>(210,056)</td>
<td>(265,202)</td>
</tr>
<tr>
<td>Bad debts</td>
<td>(149,190)</td>
<td>(68,438)</td>
</tr>
</tbody>
</table>

Net resident fee income: $24,132,528 $23,920,519

Note 26: Charity Care and Community Benefit

The Ministries provides nursing care to residents under Medicaid. Reimbursements under the Medicaid program are less than the Ministries’ cost of providing these services. In addition, the Ministries provide other charitable care through the forgiveness of admission and monthly fees in cases of financial need.

The Ministries provides additional community benefit through participation in various community outreach and education programs. The Ministries also donates the volunteer services of its employees to various charitable organizations in the community.
Note 26: Charity Care and Community Benefit (continued)

Charity care and community benefit are valued at cost for the years ended September 30, 2013 and September 30, 2012 and are summarized as follows.

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charity care:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unreimbursed costs under Medicaid</td>
<td>$938,744</td>
<td>$965,562</td>
</tr>
<tr>
<td>Forgiven admission fees</td>
<td>-</td>
<td>20,625</td>
</tr>
<tr>
<td>Forgiven monthly and daily fees</td>
<td>125,687</td>
<td>145,294</td>
</tr>
<tr>
<td>Bad debts</td>
<td>82,256</td>
<td>18,026</td>
</tr>
<tr>
<td>Total charity care</td>
<td>1,146,687</td>
<td>1,149,507</td>
</tr>
<tr>
<td>Community benefit:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenses incurred by the Ministries to provide health, recreation, community research, and education activities to the community at large</td>
<td>10,629</td>
<td>15,636</td>
</tr>
<tr>
<td>Charitable donations</td>
<td>142,860</td>
<td>157,464</td>
</tr>
<tr>
<td>Donated volunteer services and space to community service projects and organizations</td>
<td>72,579</td>
<td>89,794</td>
</tr>
<tr>
<td>Total community benefit</td>
<td>226,068</td>
<td>262,894</td>
</tr>
<tr>
<td>Total charity care and community benefit</td>
<td>$1,372,755</td>
<td>$1,412,401</td>
</tr>
</tbody>
</table>

Note 27: Reclassifications

Certain reclassifications have been made to prior periods to conform to current year presentations.

Of particular significance is the change in the statements of cash flow which now reflect receipts of non-refundable admission fees as an operating versus previous financing activity presentation. This amount was $4,485,655 and $4,346,772 for the years ended September 30, 2013 and 2012, respectively.
LUTHERAN RETIREMENT MINISTRIES
OF ALAMANCE COUNTY, NORTH CAROLINA
d/b/a
TWIN LAKES COMMUNITY

DISCLOSURE STATEMENT

ATTACHMENT 2

FIVE YEAR PROJECTION STATEMENT
LUTHERAN RETIREMENT MINISTRIES
OF ALAMANCE COUNTY,
NORTH CAROLINA

FINANCIAL FORECASTS

For The Years Ending September 30, 2015
Through September 30, 2019
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B  Forecasted Statements of Operations .......................................................... 4
C  Forecasted Statements of Cash Flows ........................................................... 5
D  Summary of Significant Forecast Assumptions and Accounting Policies.... 6
ACCOUNTANTS' COMPILATION REPORT

The Board of Directors  
Lutheran Retirement Ministries of Alamance County, North Carolina  
Burlington, North Carolina

We have compiled the accompanying forecasted statements of financial position, statements of operations, statements of cash flows, and summary of significant forecast assumptions and accounting policies of Lutheran Retirement Ministries of Alamance County, North Carolina as of September 30, 2015 through September 30, 2019 and for the years then ending, in accordance with standards established by the American Institute of Certified Public Accountants.

The accompanying forecast and this report were prepared to comply with the requirements of North Carolina General Statutes, Chapter 58, Article 64 and should not be used for any other purpose.

A compilation is limited to presenting, in the form of a forecast, information that is the representation of management and does not include evaluation of the support for the assumptions underlying the forecast. We have not examined the forecast and, accordingly, do not express an opinion or any other form of assurance on the accompanying statements or assumptions. Furthermore, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

GILLIAM COBLE & MOSER, LLP  
Certified Public Accountants

February 16, 2015
## Lutheran Retirement Ministries of Alamance County, North Carolina

**Forecasted Statements of Financial Position**

**September 30, 2015 Through September 30, 2019**

### Current Assets:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$17,577,000</td>
<td>$16,191,700</td>
<td>$14,515,500</td>
<td>$14,761,600</td>
<td>$15,506,200</td>
</tr>
<tr>
<td>Investments</td>
<td>5,371,800</td>
<td>5,638,900</td>
<td>5,919,400</td>
<td>6,213,900</td>
<td>6,523,100</td>
</tr>
<tr>
<td>Accounts Receivable (Net)</td>
<td>1,318,600</td>
<td>1,374,800</td>
<td>1,440,100</td>
<td>1,510,700</td>
<td>1,571,800</td>
</tr>
<tr>
<td>Accrued Interest Receivable</td>
<td>18,100</td>
<td>19,000</td>
<td>20,000</td>
<td>21,000</td>
<td>22,100</td>
</tr>
<tr>
<td>Inventory</td>
<td>204,600</td>
<td>214,800</td>
<td>225,500</td>
<td>236,800</td>
<td>248,600</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>24,490,100</td>
<td>23,439,200</td>
<td>22,120,500</td>
<td>22,744,000</td>
<td>23,871,800</td>
</tr>
</tbody>
</table>

### Assets whose Use is Limited:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments - Operating Reserve</td>
<td>5,926,000</td>
<td>6,175,800</td>
<td>6,441,100</td>
<td>6,703,500</td>
<td>7,038,700</td>
</tr>
<tr>
<td>Long-Term Investments - Endowment</td>
<td>1,823,500</td>
<td>1,878,200</td>
<td>1,934,500</td>
<td>1,992,500</td>
<td>2,052,300</td>
</tr>
<tr>
<td><strong>Total Assets whose Use is Limited</strong></td>
<td>7,749,500</td>
<td>8,054,000</td>
<td>8,375,600</td>
<td>8,696,000</td>
<td>9,091,000</td>
</tr>
</tbody>
</table>

### Other Assets:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-Term Investments</td>
<td>588,000</td>
<td>605,600</td>
<td>623,800</td>
<td>642,500</td>
<td>661,800</td>
</tr>
<tr>
<td>Property and Equipment, Net</td>
<td>75,462,000</td>
<td>77,709,600</td>
<td>80,111,700</td>
<td>78,434,900</td>
<td>76,295,200</td>
</tr>
<tr>
<td>Deferred Bond Costs, Net</td>
<td>145,800</td>
<td>122,800</td>
<td>100,800</td>
<td>79,800</td>
<td>59,800</td>
</tr>
<tr>
<td><strong>Total Other Assets</strong></td>
<td>76,195,800</td>
<td>78,438,000</td>
<td>80,836,300</td>
<td>79,157,200</td>
<td>77,016,800</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$108,435,400</td>
<td>$109,931,200</td>
<td>$111,332,400</td>
<td>$110,597,200</td>
<td>$109,979,600</td>
</tr>
</tbody>
</table>

### Current Liabilities:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Maturities of Long-Term Debt</td>
<td>$2,100,000</td>
<td>$2,185,000</td>
<td>$2,290,000</td>
<td>$2,355,000</td>
<td>$815,000</td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>769,800</td>
<td>793,300</td>
<td>832,400</td>
<td>873,000</td>
<td>913,900</td>
</tr>
<tr>
<td>Accrued Expenses</td>
<td>1,802,000</td>
<td>1,892,100</td>
<td>1,986,700</td>
<td>2,086,000</td>
<td>2,190,300</td>
</tr>
<tr>
<td>Deposits on Unoccupied Units</td>
<td>50,000</td>
<td>52,500</td>
<td>55,100</td>
<td>57,900</td>
<td>60,800</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>4,721,800</td>
<td>4,922,900</td>
<td>5,164,200</td>
<td>5,371,900</td>
<td>3,980,000</td>
</tr>
</tbody>
</table>

### Total Liabilities:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-Term Debt, Excluding Current Maturities</td>
<td>23,530,000</td>
<td>21,345,000</td>
<td>19,055,000</td>
<td>16,700,000</td>
<td>15,885,000</td>
</tr>
<tr>
<td>Deferred Revenue From Admission Fees - Refundable</td>
<td>6,338,100</td>
<td>6,655,000</td>
<td>6,987,800</td>
<td>7,337,200</td>
<td>7,704,100</td>
</tr>
<tr>
<td>Deferred Revenue From Admission Fees - Non-Refundable</td>
<td>21,434,200</td>
<td>21,674,000</td>
<td>21,764,300</td>
<td>20,666,800</td>
<td>19,635,600</td>
</tr>
<tr>
<td>Deferred Revenue from Occupancy Fees</td>
<td>188,200</td>
<td>167,200</td>
<td>146,200</td>
<td>125,200</td>
<td>104,200</td>
</tr>
<tr>
<td>Refundable Admission Fees</td>
<td>11,014,000</td>
<td>12,314,000</td>
<td>13,489,000</td>
<td>13,489,000</td>
<td>13,489,000</td>
</tr>
<tr>
<td>Reserve on Derivative Contract</td>
<td>1,837,000</td>
<td>1,837,000</td>
<td>1,837,000</td>
<td>1,837,000</td>
<td>1,837,000</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>69,063,300</td>
<td>68,915,100</td>
<td>68,443,500</td>
<td>65,527,100</td>
<td>62,634,900</td>
</tr>
</tbody>
</table>

### Total Liabilities and Net Assets:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Assets:</td>
<td>$108,435,400</td>
<td>$109,931,200</td>
<td>$111,332,400</td>
<td>$110,597,200</td>
<td>$109,979,600</td>
</tr>
<tr>
<td>Unrestricted</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Designated by Board for Self-Insurance</td>
<td>1,205,800</td>
<td>1,266,100</td>
<td>1,329,400</td>
<td>1,395,900</td>
<td>1,465,700</td>
</tr>
<tr>
<td>Designated by Board for Endowment</td>
<td>588,000</td>
<td>605,600</td>
<td>623,800</td>
<td>642,500</td>
<td>661,800</td>
</tr>
<tr>
<td>Designated by Board for Capital Reserve</td>
<td>2,973,900</td>
<td>2,833,400</td>
<td>2,690,100</td>
<td>2,543,900</td>
<td>2,394,800</td>
</tr>
<tr>
<td>Designated by Board for Debt Service</td>
<td>3,191,000</td>
<td>3,318,600</td>
<td>3,451,300</td>
<td>3,589,400</td>
<td>3,733,000</td>
</tr>
<tr>
<td>Designated by Board for Operating Reserve</td>
<td>5,926,000</td>
<td>6,175,800</td>
<td>6,441,100</td>
<td>6,703,500</td>
<td>7,038,700</td>
</tr>
<tr>
<td>Undesignated</td>
<td>23,663,900</td>
<td>24,938,400</td>
<td>26,418,700</td>
<td>28,202,400</td>
<td>29,998,400</td>
</tr>
<tr>
<td><strong>Total Unrestricted Net Assets</strong></td>
<td>37,548,600</td>
<td>39,137,900</td>
<td>40,954,400</td>
<td>43,077,600</td>
<td>45,292,400</td>
</tr>
<tr>
<td>Permanently Restricted - Endowment</td>
<td>1,823,500</td>
<td>1,878,200</td>
<td>1,934,500</td>
<td>1,992,500</td>
<td>2,052,300</td>
</tr>
<tr>
<td><strong>Total Net Assets</strong></td>
<td>39,372,100</td>
<td>41,016,100</td>
<td>42,888,900</td>
<td>45,070,100</td>
<td>47,344,700</td>
</tr>
</tbody>
</table>

See accompanying summaries of significant assumptions and accounting policies and accountants' compilation report.
## LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA
### FORECASTED STATEMENTS OF OPERATIONS
#### For The Years Ending September 30, 2015 Through 2019

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES, GAINS AND OTHER SUPPORT:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nursing Care</td>
<td>$8,395,700</td>
<td>$8,738,300</td>
<td>$9,081,400</td>
<td>$9,473,300</td>
<td>$9,825,000</td>
</tr>
<tr>
<td>Memory Care</td>
<td>2,902,400</td>
<td>3,019,300</td>
<td>3,142,300</td>
<td>3,275,700</td>
<td>3,395,400</td>
</tr>
<tr>
<td>Assisted Living</td>
<td>1,781,100</td>
<td>1,852,300</td>
<td>1,926,300</td>
<td>2,003,200</td>
<td>2,083,500</td>
</tr>
<tr>
<td>Independent Living</td>
<td>9,104,500</td>
<td>9,496,300</td>
<td>10,157,200</td>
<td>10,821,300</td>
<td>11,299,600</td>
</tr>
<tr>
<td>Admission Fees Earned</td>
<td>3,618,300</td>
<td>3,590,800</td>
<td>3,649,300</td>
<td>3,695,300</td>
<td>3,661,400</td>
</tr>
<tr>
<td>Ancillaries</td>
<td>1,416,700</td>
<td>1,469,700</td>
<td>1,528,000</td>
<td>1,593,600</td>
<td>1,652,600</td>
</tr>
<tr>
<td>Home Care and Adult Day Services</td>
<td>749,000</td>
<td>764,200</td>
<td>794,500</td>
<td>828,700</td>
<td>859,300</td>
</tr>
<tr>
<td>Dietary</td>
<td>395,000</td>
<td>455,900</td>
<td>481,000</td>
<td>507,400</td>
<td>528,100</td>
</tr>
<tr>
<td>Other Operating Revenues</td>
<td>330,100</td>
<td>346,600</td>
<td>364,600</td>
<td>383,600</td>
<td>399,100</td>
</tr>
<tr>
<td>Investment Earnings</td>
<td>352,400</td>
<td>325,300</td>
<td>318,000</td>
<td>308,200</td>
<td>317,900</td>
</tr>
<tr>
<td>Net Unrealized Gain on Investments</td>
<td>17,100</td>
<td>17,600</td>
<td>18,200</td>
<td>18,700</td>
<td>19,300</td>
</tr>
<tr>
<td>Donations</td>
<td>90,000</td>
<td>93,600</td>
<td>97,300</td>
<td>101,200</td>
<td>105,200</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>29,152,300</td>
<td>30,169,900</td>
<td>31,558,100</td>
<td>33,010,200</td>
<td>34,146,400</td>
</tr>
</tbody>
</table>

| **LESS: Medicare and Medicaid Contractual Adjustments** | 1,926,500 | 1,998,800 | 2,078,000 | 2,167,300 | 2,247,500 |

| **Charitable and Other Contractual Allowances** | 366,900 | 404,400 | 425,400 | 447,500 | 465,600 |

| **Total Revenues, Gains and Other Support** | 26,858,900 | 27,766,700 | 29,054,700 | 30,395,400 | 31,433,300 |

| **OPERATING EXPENSES:** | | | | | |
| Nursing Services | 3,518,900 | 3,659,700 | 3,806,100 | 3,958,300 | 4,116,600 |
| Memory Care | 1,943,000 | 2,020,700 | 2,101,500 | 2,185,600 | 2,273,000 |
| Dietary | 1,704,600 | 1,772,800 | 1,843,700 | 1,917,400 | 1,994,100 |
| Housekeeping | 376,000 | 391,000 | 406,600 | 422,900 | 439,800 |
| Laundry | 142,400 | 148,100 | 154,000 | 160,200 | 166,600 |
| Pharmacy | 111,000 | 115,400 | 120,000 | 124,800 | 129,800 |
| Therapies | 753,100 | 795,800 | 827,400 | 863,200 | 894,800 |
| Social Services | 124,900 | 129,900 | 135,100 | 140,500 | 146,100 |
| Activities | 146,000 | 151,800 | 157,900 | 164,200 | 170,800 |
| Nursing Adm./Medical Rec. | 582,700 | 606,000 | 630,200 | 654,600 | 681,600 |
| Maintenance | 2,981,400 | 3,100,700 | 3,324,700 | 3,557,700 | 3,800,000 |
| Grounds | 683,100 | 710,400 | 768,800 | 829,600 | 892,800 |
| Security | 258,200 | 268,500 | 289,200 | 310,800 | 333,200 |
| Administration and General | 2,580,300 | 2,683,500 | 2,800,800 | 2,922,800 | 3,044,700 |
| Pastoral Services | 158,000 | 164,300 | 170,900 | 177,700 | 184,800 |
| Assisted Living | 689,300 | 716,900 | 745,600 | 775,400 | 806,400 |
| Terrace Cafe | 365,200 | 379,800 | 395,000 | 410,800 | 427,200 |
| Independent Living | 1,222,900 | 1,271,800 | 1,362,700 | 1,457,200 | 1,555,500 |
| Sales and Marketing | 369,000 | 383,800 | 409,200 | 435,600 | 463,000 |
| Development and Outreach | 143,000 | 148,700 | 154,600 | 160,800 | 167,200 |
| Home Care and Adult Day Care | 724,800 | 764,200 | 794,500 | 828,700 | 859,300 |
| Beauty and Barber | 70,200 | 73,000 | 75,900 | 78,900 | 82,100 |
| Interest Expense | 1,044,100 | 1,147,100 | 1,043,900 | 935,900 | 824,400 |
| Amortization | 24,000 | 23,000 | 22,000 | 21,000 | 20,000 |
| Depreciation | 4,389,900 | 4,550,500 | 4,697,900 | 4,776,800 | 4,739,700 |

| **Total Operating Expenses** | 25,106,000 | 26,177,400 | 27,238,200 | 28,272,200 | 29,218,500 |

| **Operating Income** | 1,752,900 | 1,589,300 | 1,816,500 | 2,123,200 | 2,214,800 |

| **CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:** | | | | | |
| Net Unrealized Gain on Investments | 53,100 | 54,700 | 56,300 | 58,000 | 59,800 |

| **Total Increase in Net Assets** | 1,806,000 | 1,644,000 | 1,872,800 | 2,181,200 | 2,274,600 |

| **Net Assets at Beginning of Year** | 37,566,100 | 39,372,100 | 41,016,100 | 42,888,900 | 45,070,100 |

| **Net Assets at End of Year** | $39,372,100 | $41,016,100 | $42,888,900 | $45,070,100 | $47,344,700 |

See accompanying summaries of significant assumptions and accounting policies and accountants' compilation report.
### CASH FLOWS FROM OPERATING ACTIVITIES:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Received from Residents and Third Party Payors</td>
<td>$22,672,300</td>
<td>$23,662,200</td>
<td>$24,885,600</td>
<td>$26,180,400</td>
<td>$27,247,400</td>
</tr>
<tr>
<td>Investment Income Received</td>
<td>374,300</td>
<td>324,400</td>
<td>317,000</td>
<td>307,200</td>
<td>316,800</td>
</tr>
<tr>
<td>Contributions Received</td>
<td>90,000</td>
<td>93,600</td>
<td>97,300</td>
<td>101,200</td>
<td>105,200</td>
</tr>
<tr>
<td>Cash Paid to Suppliers and Employees</td>
<td>(19,592,200)</td>
<td>(20,353,400)</td>
<td>(21,351,400)</td>
<td>(22,409,900)</td>
<td>(23,501,000)</td>
</tr>
<tr>
<td>Interest Paid</td>
<td>(1,044,100)</td>
<td>(1,147,100)</td>
<td>(1,043,900)</td>
<td>(935,900)</td>
<td>(824,400)</td>
</tr>
<tr>
<td><strong>Net Cash Provided by Operating Activities</strong></td>
<td>$2,500,300</td>
<td>$2,579,700</td>
<td>$2,904,600</td>
<td>$3,243,000</td>
<td>$3,344,000</td>
</tr>
</tbody>
</table>

### CASH FLOWS FROM INVESTING ACTIVITIES:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of Investments</td>
<td>(635,900)</td>
<td>(516,900)</td>
<td>(545,800)</td>
<td>(556,900)</td>
<td>(644,400)</td>
</tr>
<tr>
<td>Acquisition of Property and Equipment</td>
<td>(3,926,400)</td>
<td>(6,798,100)</td>
<td>(7,100,000)</td>
<td>(3,100,000)</td>
<td>(2,600,000)</td>
</tr>
<tr>
<td><strong>Net Cash Used by Investing Activities</strong></td>
<td>(4,562,300)</td>
<td>(7,315,000)</td>
<td>(7,645,800)</td>
<td>(3,656,900)</td>
<td>(3,244,400)</td>
</tr>
</tbody>
</table>

### CASH FLOWS FROM FINANCING ACTIVITIES:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Admission Fees Received</td>
<td>3,300,000</td>
<td>6,000,000</td>
<td>5,850,000</td>
<td>3,600,000</td>
<td>3,700,000</td>
</tr>
<tr>
<td>Admission Fees Refunded</td>
<td>(500,000)</td>
<td>(550,000)</td>
<td>(600,000)</td>
<td>(650,000)</td>
<td>(700,000)</td>
</tr>
<tr>
<td>Payments of Long-Term Debt</td>
<td>(2,035,000)</td>
<td>(2,100,000)</td>
<td>(2,185,000)</td>
<td>(2,290,000)</td>
<td>(2,355,000)</td>
</tr>
<tr>
<td><strong>Net Cash Provided by Financing Activities</strong></td>
<td>765,000</td>
<td>3,350,000</td>
<td>3,065,000</td>
<td>660,000</td>
<td>645,000</td>
</tr>
</tbody>
</table>

### Net Increase (Decrease) in Cash and Cash Equivalents

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Increase (Decrease) in Cash and Cash Equivalents</strong></td>
<td>(1,297,000)</td>
<td>(1,385,300)</td>
<td>(1,676,200)</td>
<td>246,100</td>
<td>744,600</td>
</tr>
</tbody>
</table>

### Cash and Cash Equivalents - Beginning of Year

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash and Cash Equivalents - Beginning of Year</strong></td>
<td>18,874,000</td>
<td>17,577,000</td>
<td>16,191,700</td>
<td>14,515,500</td>
<td>14,761,600</td>
</tr>
</tbody>
</table>

### Cash and Cash Equivalents - End of Year

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash and Cash Equivalents - End of Year</strong></td>
<td>$17,577,000</td>
<td>$16,191,700</td>
<td>$14,515,500</td>
<td>$14,761,600</td>
<td>$15,506,200</td>
</tr>
</tbody>
</table>

### Reconciliation of Change in Net Assets

**To Net Cash Provided by Operating Activities:**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in Net Assets</td>
<td>$1,806,000</td>
<td>$1,644,000</td>
<td>$1,872,800</td>
<td>$2,181,200</td>
<td>$2,274,600</td>
</tr>
<tr>
<td>Adjustments to Reconcile Change in Net Assets</td>
<td>4,413,900</td>
<td>4,573,500</td>
<td>4,719,900</td>
<td>4,797,800</td>
<td>4,759,700</td>
</tr>
<tr>
<td>Net Decrease (Increase) in Receivables, Inventory and Prepaid Expenses</td>
<td>(75,600)</td>
<td>(67,300)</td>
<td>(77,000)</td>
<td>(82,900)</td>
<td>(74,000)</td>
</tr>
<tr>
<td><strong>Net Decrease in Deferred Occupancy Fees</strong></td>
<td>(21,000)</td>
<td>(21,000)</td>
<td>(21,000)</td>
<td>(21,000)</td>
<td>(21,000)</td>
</tr>
<tr>
<td><strong>Net Decrease in Deferred Occupancy Fees</strong></td>
<td>(70,200)</td>
<td>(72,300)</td>
<td>(74,500)</td>
<td>(76,700)</td>
<td>(79,100)</td>
</tr>
<tr>
<td><strong>Net Cash Provided by Operating Activities</strong></td>
<td>$2,500,300</td>
<td>$2,579,700</td>
<td>$2,904,600</td>
<td>$3,243,000</td>
<td>$3,344,000</td>
</tr>
</tbody>
</table>

See accompanying summaries of significant assumptions and accounting policies and accountants' compilation report.
I. Introduction

This financial forecast presents, to the best of management's knowledge and belief, Lutheran Retirement Ministries of Alamance County, North Carolina's expected financial position, results of operations and cash flows for the forecast period. Accordingly, the forecast reflects its judgment as of February 16, 2015, the date of this forecast, of the expected conditions and its expected course of action. The assumptions disclosed herein are those management believes are significant to the forecast. There will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and these differences may be material. The financial forecast was prepared to provide Lutheran Retirement Ministries of Alamance County, North Carolina residents and prospective residents information about the expected financial results of the organization. Management does not expect to update the financial forecast after issuance. However, management expects to prepare a new forecast annually to provide to residents and prospective residents, and since events and circumstances frequently do not occur as anticipated, subsequent forecasts may vary materially from those currently provided.

II. Summary of Significant Accounting Policies

A. Basis of Presentation:

Forecasted financial position and results of operations of Lutheran Retirement Ministries of Alamance County, North Carolina (Ministries) have been reported on the accrual basis of accounting principles generally accepted in the United States of America. The financial forecast presents combined totals for the Operating Fund and the Endowment Fund.

B. Cash and Cash Equivalents:

For presentation purposes in the financial forecast, cash and cash equivalents include all cash on hand and in banks, all certificates of deposit and all repurchase agreements. Lutheran Retirement Ministries of Alamance County, North Carolina places deposits in excess of federally insured amounts. Lutheran Retirement Ministries of Alamance County, North Carolina has not experienced any financial loss related to such deposits.

C. Allowance for Doubtful Accounts:

Accounts receivable are forecast net of an allowance for doubtful accounts. This allowance is based on management's estimate of the amount of receivables which will prove to be uncollectible.

D. Inventory:

Inventory consists of operating supplies and is stated in the forecast at lower of cost or market with cost determined on a first-in, first-out basis.

E. Investment:

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at their fair value. Investment income (including both realized gains and losses, interest and dividends) is included in the change in net assets. Other investments, which consist of equity securities of closely held corporations, are also reported at fair value. The forecast includes annual appreciation of investments of 5%.

F. Property and Equipment:

Property and equipment are stated at the forecast cost net of accumulated depreciation. Forecasted depreciation is computed using the straight-line method over the following estimated useful lives of the assets:

- Buildings: 30 Years
- Paving: 20 Years
- Furniture and equipment: 5 to 10 Years
- Building renovations and refurbishments: 15 Years
- Automobiles: 5 Years
- Land improvements: 20 to 30 Years

G. Loan Costs:

Costs associated with obtaining tax-exempt revenue bonds are being amortized using the effective interest method over the debt period.
II. Summary of Significant Accounting Policies (continued)

H. Admission Fees:

Payment of an admission fee is required before a resident acquires a right to reside in an independent living unit. The Ministries offers two different types of independent living contracts. For Garden Home units, contracts are 50% refundable with the remaining 50% amortized over a 30 month period. For all other units, the entire admission fee is amortized over a 30 month period. The 50% refundable admission fees are recorded as a liability. The non-refundable admission fees are recorded as deferred revenue and are amortized into revenue over the estimated remaining life expectancy of the resident. The estimated remaining life expectancy of the resident is adjusted on an annual basis. Any refunds due on a residency contract are payable upon the re-lease of the unit by a subsequent occupant.

I. Tax Status:

Lutheran Retirement Ministries of Alamance County, North Carolina is a North Carolina Non-Stock Non-Profit Corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from Federal and North Carolina Income Taxes pursuant to Internal Revenue Code Section 509(a)(2).

III. Operating Fund

A. Accounts Receivable:

Accounts receivable are forecast as follows:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resident services</td>
<td>$1,317,400</td>
<td>$1,371,700</td>
<td>$1,435,400</td>
<td>$1,504,400</td>
<td>$1,562,800</td>
</tr>
<tr>
<td>Other</td>
<td>100,000</td>
<td>106,000</td>
<td>112,400</td>
<td>119,100</td>
<td>126,200</td>
</tr>
<tr>
<td></td>
<td>1,417,400</td>
<td>1,477,700</td>
<td>1,547,800</td>
<td>1,623,500</td>
<td>1,689,000</td>
</tr>
<tr>
<td>Less: Allowance for doubtful accounts</td>
<td>(98,800)</td>
<td>(102,900)</td>
<td>(107,700)</td>
<td>(112,800)</td>
<td>(117,200)</td>
</tr>
<tr>
<td></td>
<td>$1,318,600</td>
<td>$1,374,800</td>
<td>$1,440,100</td>
<td>$1,510,700</td>
<td>$1,571,800</td>
</tr>
</tbody>
</table>

Resident service accounts receivable are forecast at 31 days of nursing care revenue and 12 days of independent living and assisted living revenues. The allowance for doubtful accounts is forecast at 7.5% of resident services receivables.

B. Inventory:

Inventory is forecast to increase by 5% annually.

C. Assets Whose Use is Limited by Sullivan Trust:

During the year ended September 30, 1988, Lutheran Retirement Ministries of Alamance County, North Carolina received a bequest from the estates of James and Beulah Sullivan. The will of James Sullivan requires that the bequest be held in trust for the benefit of the Ministries with the income generated by the trust to be delivered to the Ministries at least annually. The assets of the Sullivan Trust are reported as permanently restricted - endowment on the Balance Sheet. The fair value of assets comprising the Sullivan Trust have been forecast to appreciate by 3% annually.

D. Assets Whose Use is Limited for Operating Reserve:

North Carolina General Statute 58-64-33 requires the establishment of an operating reserve equal to 50% of the total operating costs projected by the Ministries for the next twelve month period. If occupancy is in excess of 90%, the operating reserve requirement decreases to 25% of total operating costs. Total operating costs include debt service and exclude depreciation. The operating reserve cannot be expended without written approval of the State of North Carolina. The forecast includes appreciation of operating reserve assets of 4-5% annually. Occupancy is forecasted to exceed 90%.
E. Property and Equipment:

Property and equipment are forecast as follows:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$ 6,187,300</td>
<td>$ 6,187,300</td>
<td>$ 6,187,300</td>
<td>$ 6,187,300</td>
<td>$ 6,187,300</td>
</tr>
<tr>
<td>Land improvements</td>
<td>14,721,700</td>
<td>15,621,700</td>
<td>16,021,700</td>
<td>16,021,700</td>
<td>16,021,700</td>
</tr>
<tr>
<td>Buildings</td>
<td>99,099,800</td>
<td>104,897,900</td>
<td>111,497,900</td>
<td>114,497,900</td>
<td>116,997,900</td>
</tr>
<tr>
<td>Paving</td>
<td>1,000,800</td>
<td>1,000,800</td>
<td>1,000,800</td>
<td>1,000,800</td>
<td>1,000,800</td>
</tr>
<tr>
<td>Furniture and equipment</td>
<td>8,308,700</td>
<td>8,508,700</td>
<td>8,508,700</td>
<td>8,608,700</td>
<td>8,708,700</td>
</tr>
<tr>
<td>Total</td>
<td>129,318,300</td>
<td>136,116,400</td>
<td>143,216,400</td>
<td>146,316,400</td>
<td>148,916,400</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>53,856,300</td>
<td>58,406,800</td>
<td>63,104,700</td>
<td>67,881,500</td>
<td>72,621,200</td>
</tr>
<tr>
<td>Net property and equipment</td>
<td>$ 75,462,000</td>
<td>$ 77,709,600</td>
<td>$ 80,111,700</td>
<td>$ 78,434,900</td>
<td>$ 76,295,200</td>
</tr>
</tbody>
</table>

Major property and equipment additions are forecast to include:

<table>
<thead>
<tr>
<th>Year Completed</th>
<th>Description</th>
<th>Forecast Construction Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>Renovations and Capital Replacement</td>
<td>2,200,000</td>
</tr>
<tr>
<td>2015</td>
<td>Site Development</td>
<td>505,600</td>
</tr>
<tr>
<td>2015</td>
<td>Fitness Center Renovations</td>
<td>350,000</td>
</tr>
<tr>
<td>2015</td>
<td>Luther Court Landscaping</td>
<td>350,000</td>
</tr>
<tr>
<td>2015</td>
<td>Harris Park</td>
<td>568,500</td>
</tr>
<tr>
<td>2015</td>
<td>Smart House</td>
<td>200,000</td>
</tr>
<tr>
<td>2015</td>
<td>Computer Server Room</td>
<td>100,000</td>
</tr>
<tr>
<td>2016</td>
<td>Renovations and Capital Replacement</td>
<td>2,200,000</td>
</tr>
<tr>
<td>2016</td>
<td>Site Development</td>
<td>300,000</td>
</tr>
<tr>
<td>2016</td>
<td>Maintenance Complex</td>
<td>500,000</td>
</tr>
<tr>
<td>2016</td>
<td>West Campus Sewer Line</td>
<td>500,000</td>
</tr>
<tr>
<td>2016</td>
<td>Garden Homes (8 units)</td>
<td>2,880,000</td>
</tr>
<tr>
<td>2016</td>
<td>Garden Homes Site Work</td>
<td>400,000</td>
</tr>
<tr>
<td>2017</td>
<td>Renovations and Capital Replacement</td>
<td>2,200,000</td>
</tr>
<tr>
<td>2017</td>
<td>Site Development</td>
<td>300,000</td>
</tr>
<tr>
<td>2017</td>
<td>Maintenance Complex</td>
<td>1,500,000</td>
</tr>
<tr>
<td>2017</td>
<td>Garden Homes (7 units)</td>
<td>2,600,000</td>
</tr>
<tr>
<td>2017</td>
<td>Garden Homes Site Work</td>
<td>400,000</td>
</tr>
<tr>
<td>2018</td>
<td>Renovations and Capital Replacement</td>
<td>2,200,000</td>
</tr>
<tr>
<td>2018</td>
<td>Site Development</td>
<td>300,000</td>
</tr>
<tr>
<td>2018</td>
<td>Maintenance Complex</td>
<td>500,000</td>
</tr>
<tr>
<td>2019</td>
<td>Renovations and Capital Replacement</td>
<td>2,200,000</td>
</tr>
<tr>
<td>2019</td>
<td>Site Development</td>
<td>300,000</td>
</tr>
</tbody>
</table>

$23,554,100

F. Accounts Payable and Accrued Expenses:

Accounts payable are forecast to total 31 days operating expenses excluding depreciation and interest expense. Accrued expenses are forecast to increase by 5% annually.
LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA  
SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES  
September 30, 2015 Through September 30, 2019  

III. Operating Fund (continued)  

G. Bank Qualified Debt:  
The Ministries, through the North Carolina Medical Care Commission, issued $35,125,000 of Health Care Facilities Revenue Refunding Bonds Series 2009 and 2010 to refund the outstanding balance of their Bonds Series 2007. The 2009 and 2010 bonds have principal due in annual installments from 2015 to 2037. These bonds are issued in a bank qualified private placement structure whereby the financial institution has contracted to purchase and hold the bonds until January 1, 2019. Interest on the 2009 and 2010 bonds is payable monthly at a variable rate of 68% of one-month LIBOR, plus a credit spread of 1.2125%. The interest rate is managed through the existing swap agreement. These obligations are collateralized through a Master Trust Indenture by substantially all revenues, property and equipment of the Ministries with the exclusion of approximately 45 acres. There are various restrictive covenants on the issuance of additional debt, sale of property, maintenance of a long-term debt service coverage ratio, maintenance of a ratio of available reserves, maintenance of a minimum days cash on hand and maintenance of a minimum amount of net assets.  

H. Reserve on Derivative Contract:  
The Ministries has an interest rate swap agreement in order to minimize its exposure to the impact of interest rate changes on its long-term debt. This enables the Ministries to maintain fixed rate debt on a significant portion of its overall long-term debt. Of the total $25,630,000 variable rate bond, the interest rate swap agreement covers $17,405,000 and effectively fixes the interest rate on that notional amount of 3.556%. When the prevailing variable rate differs from the fixed rate covered by the swap agreement, an asset or liability exists. The asset or liability represents the true benefit or cost the Ministries would receive or accrue if the swap agreement was terminated. The Ministries anticipates holding the interest rate swap agreement until the notional amount of debt is retired. This liability has been recorded in the five year forecast based on the value at September 30, 2014 and has not been adjusted for the periods ended September 30, 2015 through September 30, 2019.  

I. Deferred Revenue From Admission Fees:  
Deferred revenue from admission fees has been forecast as follows:  

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance - Beginning of Year</td>
<td>$39,654,600</td>
<td>$38,956,300</td>
<td>$40,938,500</td>
<td>$42,663,200</td>
<td>$42,041,900</td>
</tr>
<tr>
<td>New Unit Sales:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>West Campus (non-refundable)</td>
<td>-</td>
<td>1,300,000</td>
<td>1,175,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>West Campus (refundable)</td>
<td>-</td>
<td>1,300,000</td>
<td>1,175,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Turnover Sales:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>East Campus</td>
<td>2,700,000</td>
<td>2,700,000</td>
<td>2,700,000</td>
<td>2,700,000</td>
<td>2,700,000</td>
</tr>
<tr>
<td>West Campus (non-refundable)</td>
<td>300,000</td>
<td>350,000</td>
<td>400,000</td>
<td>450,000</td>
<td>500,000</td>
</tr>
<tr>
<td>West Campus (refundable)</td>
<td>300,000</td>
<td>350,000</td>
<td>400,000</td>
<td>450,000</td>
<td>500,000</td>
</tr>
<tr>
<td>Amortization of existing units</td>
<td>(2,836,000)</td>
<td>(2,633,000)</td>
<td>(2,435,000)</td>
<td>(2,243,000)</td>
<td>(2,060,000)</td>
</tr>
<tr>
<td>Amortization of new units:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>East Campus</td>
<td>(182,300)</td>
<td>(357,800)</td>
<td>(526,500)</td>
<td>(688,500)</td>
<td>(843,800)</td>
</tr>
<tr>
<td>West Campus (non-refundable)</td>
<td>-</td>
<td>(87,800)</td>
<td>(163,800)</td>
<td>(157,600)</td>
<td></td>
</tr>
<tr>
<td>Amortization turnover</td>
<td>(600,000)</td>
<td>(600,000)</td>
<td>(600,000)</td>
<td>(600,000)</td>
<td>(600,000)</td>
</tr>
<tr>
<td>Refunds</td>
<td>(500,000)</td>
<td>(550,000)</td>
<td>(600,000)</td>
<td>(650,000)</td>
<td>(700,000)</td>
</tr>
<tr>
<td>Balance - End of Year</td>
<td>$38,836,300</td>
<td>$40,695,500</td>
<td>$42,296,200</td>
<td>$41,550,900</td>
<td>$40,889,500</td>
</tr>
<tr>
<td>Income for the Year</td>
<td>$3,618,300</td>
<td>$3,590,800</td>
<td>$3,649,300</td>
<td>$3,695,300</td>
<td>$3,661,400</td>
</tr>
<tr>
<td>Refundable Admission Fees</td>
<td>$11,014,000</td>
<td>$12,314,000</td>
<td>$13,489,000</td>
<td>$13,489,000</td>
<td>$13,489,000</td>
</tr>
<tr>
<td>Deferred Revenue - Refundable</td>
<td>6,338,100</td>
<td>6,655,000</td>
<td>6,989,000</td>
<td>7,337,200</td>
<td>7,704,100</td>
</tr>
<tr>
<td>Deferred Revenue - Non-Refundable</td>
<td>21,484,200</td>
<td>21,726,500</td>
<td>21,819,400</td>
<td>20,724,700</td>
<td>19,696,400</td>
</tr>
<tr>
<td>Total Deferred Revenue - End of Year</td>
<td>$38,836,300</td>
<td>$40,695,500</td>
<td>$42,296,200</td>
<td>$41,550,900</td>
<td>$40,889,500</td>
</tr>
</tbody>
</table>
Admission fees received from new units have been forecast as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Description</th>
<th>Average Admission Fee Per Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>Garden Homes (8 units)</td>
<td>325,000</td>
</tr>
<tr>
<td>2017</td>
<td>Garden Homes (7 units)</td>
<td>335,000</td>
</tr>
</tbody>
</table>

All new units have been forecast to be leased during the year construction is completed.

Admission fees received from the lease of existing units and admission fee refunds have been forecast based on Lutheran Retirement Ministries historical averages.

J. Resident Service Revenues:

Resident service revenues have been forecast based on 90% average occupancy for nursing, 97% for memory care, 92% for assisted living and 93% for independent living. All rates have been forecast to increase by 4% per year and include the forecasted addition of new units. The forecast reflects a discount from these published rates for independent living residents who signed residency contracts prior to September 30, 2003. Forecast rates are as follows:

<table>
<thead>
<tr>
<th>Service Type</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Nursing (Daily Rates)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private</td>
<td>$248</td>
<td>$258</td>
<td>$268</td>
<td>$279</td>
<td>$290</td>
</tr>
<tr>
<td>Semi-private</td>
<td>238</td>
<td>248</td>
<td>258</td>
<td>268</td>
<td>279</td>
</tr>
<tr>
<td>Home for aged</td>
<td>248</td>
<td>258</td>
<td>268</td>
<td>279</td>
<td>290</td>
</tr>
<tr>
<td><strong>Memory Care (Daily Rates)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Skilled - Private</td>
<td>264</td>
<td>275</td>
<td>286</td>
<td>297</td>
<td>309</td>
</tr>
<tr>
<td>Skilled - Semi-private</td>
<td>254</td>
<td>264</td>
<td>275</td>
<td>286</td>
<td>297</td>
</tr>
<tr>
<td>Assisted - Private</td>
<td>254</td>
<td>264</td>
<td>275</td>
<td>286</td>
<td>297</td>
</tr>
<tr>
<td>Assisted - Semi-private</td>
<td>244</td>
<td>254</td>
<td>264</td>
<td>275</td>
<td>286</td>
</tr>
<tr>
<td><strong>Assisted Living Units (Monthly Rates)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small</td>
<td>4,306</td>
<td>4,478</td>
<td>4,657</td>
<td>4,843</td>
<td>5,037</td>
</tr>
<tr>
<td>Large</td>
<td>4,579</td>
<td>4,762</td>
<td>4,952</td>
<td>5,150</td>
<td>5,356</td>
</tr>
<tr>
<td>2nd person</td>
<td>2,000</td>
<td>2,080</td>
<td>2,163</td>
<td>2,250</td>
<td>2,340</td>
</tr>
<tr>
<td><strong>Independent Living - Residents Prior to 10/1/03 (Monthly Rates)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>One bedroom apartment</td>
<td>1,272</td>
<td>1,323</td>
<td>1,376</td>
<td>1,431</td>
<td>1,488</td>
</tr>
<tr>
<td>Two bedroom apartment</td>
<td>1,493</td>
<td>1,553</td>
<td>1,615</td>
<td>1,680</td>
<td>1,747</td>
</tr>
<tr>
<td>Villa A</td>
<td>1,493</td>
<td>1,553</td>
<td>1,615</td>
<td>1,680</td>
<td>1,747</td>
</tr>
<tr>
<td>Villa B</td>
<td>1,628</td>
<td>1,693</td>
<td>1,761</td>
<td>1,831</td>
<td>1,904</td>
</tr>
<tr>
<td>Villa C</td>
<td>1,493</td>
<td>1,553</td>
<td>1,615</td>
<td>1,680</td>
<td>1,747</td>
</tr>
<tr>
<td>Villa D</td>
<td>1,628</td>
<td>1,693</td>
<td>1,761</td>
<td>1,831</td>
<td>1,904</td>
</tr>
<tr>
<td>2nd person</td>
<td>470</td>
<td>489</td>
<td>509</td>
<td>529</td>
<td>550</td>
</tr>
<tr>
<td><strong>Independent Living - Residents Subsequent to 10/1/03 (Monthly Rates)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>One bedroom apartment</td>
<td>1,338</td>
<td>1,392</td>
<td>1,448</td>
<td>1,506</td>
<td>1,566</td>
</tr>
<tr>
<td>Two bedroom apartment</td>
<td>1,511</td>
<td>1,571</td>
<td>1,634</td>
<td>1,699</td>
<td>1,767</td>
</tr>
<tr>
<td><strong>Wittenberg</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small</td>
<td>1,676</td>
<td>1,743</td>
<td>1,813</td>
<td>1,886</td>
<td>1,961</td>
</tr>
<tr>
<td>Large</td>
<td>1,749</td>
<td>1,819</td>
<td>1,892</td>
<td>1,968</td>
<td>2,047</td>
</tr>
<tr>
<td>Villa A</td>
<td>1,898</td>
<td>1,974</td>
<td>2,053</td>
<td>2,135</td>
<td>2,220</td>
</tr>
<tr>
<td>Villa B</td>
<td>1,973</td>
<td>2,052</td>
<td>2,134</td>
<td>2,219</td>
<td>2,308</td>
</tr>
<tr>
<td>Villa C</td>
<td>1,898</td>
<td>1,974</td>
<td>2,053</td>
<td>2,135</td>
<td>2,220</td>
</tr>
<tr>
<td>Villa D</td>
<td>1,973</td>
<td>2,052</td>
<td>2,134</td>
<td>2,219</td>
<td>2,308</td>
</tr>
<tr>
<td>2nd person</td>
<td>522</td>
<td>543</td>
<td>565</td>
<td>588</td>
<td>612</td>
</tr>
<tr>
<td>Garden Home - E &amp; F</td>
<td>2,256</td>
<td>2,346</td>
<td>2,440</td>
<td>2,538</td>
<td>2,640</td>
</tr>
<tr>
<td>Garden Home - G &amp; H</td>
<td>2,401</td>
<td>2,497</td>
<td>2,597</td>
<td>2,701</td>
<td>2,809</td>
</tr>
<tr>
<td>Garden Home - I</td>
<td>2,542</td>
<td>2,644</td>
<td>2,750</td>
<td>2,860</td>
<td>2,974</td>
</tr>
<tr>
<td>Garden Home - J</td>
<td>2,112</td>
<td>2,196</td>
<td>2,284</td>
<td>2,375</td>
<td>2,470</td>
</tr>
<tr>
<td>2nd person - Garden Home</td>
<td>539</td>
<td>561</td>
<td>583</td>
<td>606</td>
<td>630</td>
</tr>
</tbody>
</table>
III. **Operating Fund (continued)**

**K. Other Operating Revenues:**

Other operating revenues are forecast based on their relationship to nursing revenue.

**L. Operating Expenses:**

The 2015 operating expenses were taken from the 2014-2015 adopted budget.

Operating expenses have been forecast to increase as follows in the following departments for 2015 through 2019.

- Activities 4%
- Administration and general 4%
- Assisted living 4%
- Beauty and barber 4%
- Chaplain 4%
- Dietary 4%
- Grounds 4%
- Housekeeping 4%
- Independent living 4%
- Laundry 4%
- Maintenance 4%
- Marketing and development 4%
- Memory care 4%
- Nursing adm./Medical rec. 4%
- Nursing care 4%
- Pharmacy 4%
- Security 4%
- Social services 4%
- Home care and adult day care **Equals home care and adult day care revenue**
- Development 4%
- Terrace Café 4%
- Therapies **Equals 62% of ancillary revenue less pharmacy**

IV. **Endowment Fund**

The Board of Directors of Lutheran Retirement Ministries of Alamance County, North Carolina has established an Endowment Fund to receive and administer gifts and bequests received by the organization. The resolution establishing the Endowment Fund stipulates that income generated by the Endowment Fund shall be distributed at such times as deemed necessary to enhance the charitable mission of Lutheran Retirement Ministries of Alamance County, North Carolina. The principal amount of gifts and bequests received are not to be expended.

Endowment Fund investment earnings are forecast at 3% per annum. Investment earnings less investment expenses are forecast to be transferred to the Operating Fund annually.
LUTHERAN RETIREMENT MINISTRIES
OF ALAMANCE COUNTY, NORTH CAROLINA
d/b/a
TWIN LAKES COMMUNITY

DISCLOSURE STATEMENT

ATTACHMENT 3

2014 FORECASTED VS. ACTUAL

BALANCE SHEET
STATEMENT OF OPERATIONS
STATEMENT OF CASH FLOWS
## Lutheran Retirement Ministries of Alamance County, NC
### Forecasted vs Actual Balance Sheet
#### September 30, 2014

### Assets

<table>
<thead>
<tr>
<th></th>
<th>2014 Forecast</th>
<th>2014 Actual</th>
<th>$ Variance Favorable (Unfavorable)</th>
<th>% Variance Favorable (Unfavorable)</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>15,436,700</td>
<td>18,059,048</td>
<td>2,622,348</td>
<td>16.99%</td>
<td>(1)</td>
</tr>
<tr>
<td>Investments</td>
<td>5,566,600</td>
<td>5,117,384</td>
<td>(439,216)</td>
<td>-7.90%</td>
<td></td>
</tr>
<tr>
<td>Accounts Receivable (Net)</td>
<td>1,239,700</td>
<td>1,230,837</td>
<td>(8,863)</td>
<td>-0.71%</td>
<td></td>
</tr>
<tr>
<td>Accrued Interest Receivable</td>
<td>20,800</td>
<td>17,163</td>
<td>(3,637)</td>
<td>-17.49%</td>
<td></td>
</tr>
<tr>
<td>Inventory</td>
<td>226,600</td>
<td>194,942</td>
<td>(31,658)</td>
<td>-13.97%</td>
<td></td>
</tr>
<tr>
<td>Prepaid Expenses</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>22,480,400</td>
<td>24,619,374</td>
<td>2,138,974</td>
<td>9.51%</td>
<td></td>
</tr>
<tr>
<td><strong>Assets Whose Use Is Limited:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(2)</td>
</tr>
<tr>
<td>Cash - Restricted Donations</td>
<td>0</td>
<td>900,780</td>
<td>900,780</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Investments - Operating Reserve</td>
<td>5,835,600</td>
<td>5,544,498</td>
<td>(291,102)</td>
<td>-4.99%</td>
<td></td>
</tr>
<tr>
<td>Long-Term Investments - Endowment</td>
<td>1,716,900</td>
<td>1,761,408</td>
<td>44,508</td>
<td>2.59%</td>
<td></td>
</tr>
<tr>
<td><strong>Total Assets Whose Use Is Limited</strong></td>
<td>7,552,500</td>
<td>8,206,686</td>
<td>654,186</td>
<td>8.66%</td>
<td></td>
</tr>
<tr>
<td><strong>Other Assets:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(3)</td>
</tr>
<tr>
<td>Long-Term Investments</td>
<td>523,300</td>
<td>516,852</td>
<td>(6,448)</td>
<td>-1.23%</td>
<td></td>
</tr>
<tr>
<td>Property and Equipment, Net</td>
<td>76,959,200</td>
<td>76,147,744</td>
<td>(811,456)</td>
<td>-1.05%</td>
<td></td>
</tr>
<tr>
<td>Deferred Bond Costs, Net</td>
<td>166,000</td>
<td>169,751</td>
<td>3,751</td>
<td>2.26%</td>
<td></td>
</tr>
<tr>
<td><strong>Total Other Assets</strong></td>
<td>77,648,500</td>
<td>76,834,347</td>
<td>(814,153)</td>
<td>-1.05%</td>
<td></td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>107,681,400</td>
<td>109,660,407</td>
<td>1,979,007</td>
<td>1.84%</td>
<td></td>
</tr>
</tbody>
</table>

### Liabilities and Net Assets

<table>
<thead>
<tr>
<th></th>
<th>2014 Forecast</th>
<th>2014 Actual</th>
<th>$ Variance Favorable (Unfavorable)</th>
<th>% Variance Favorable (Unfavorable)</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Liabilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Maturities of Long-Term Debt</td>
<td>2,035,000</td>
<td>2,035,000</td>
<td>0</td>
<td>0.00%</td>
<td></td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>625,500</td>
<td>1,012,335</td>
<td>386,835</td>
<td>61.84%</td>
<td></td>
</tr>
<tr>
<td>Accrued Expenses</td>
<td>1,958,300</td>
<td>1,716,222</td>
<td>(242,078)</td>
<td>-12.36%</td>
<td></td>
</tr>
<tr>
<td>Reserve on Derivative Contract</td>
<td>0</td>
<td>192,765</td>
<td>192,765</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Deposits on Unoccupied Units</td>
<td>50,000</td>
<td>20,500</td>
<td>(29,500)</td>
<td>-40.00%</td>
<td></td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>4,668,800</td>
<td>4,985,822</td>
<td>317,022</td>
<td>6.79%</td>
<td></td>
</tr>
<tr>
<td>Long-Term Debt, Excluding Current Maturities</td>
<td>25,630,000</td>
<td>25,630,000</td>
<td>0</td>
<td>0.00%</td>
<td></td>
</tr>
<tr>
<td>Deferred Revenue from Admission Fees - Refundable</td>
<td>5,578,400</td>
<td>6,036,372</td>
<td>457,972</td>
<td>8.21%</td>
<td></td>
</tr>
<tr>
<td>Deferred Revenue from Admission Fees - Non-Refundable</td>
<td>21,956,850</td>
<td>22,574,717</td>
<td>617,867</td>
<td>2.81%</td>
<td></td>
</tr>
<tr>
<td>Deferred Revenue from Occupancy Fees</td>
<td>206,600</td>
<td>209,165</td>
<td>2,565</td>
<td>1.24%</td>
<td></td>
</tr>
<tr>
<td>Refundable Admission Fees</td>
<td>10,729,750</td>
<td>11,013,975</td>
<td>284,225</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Reserve on Derivative Contract</td>
<td>2,146,400</td>
<td>1,644,175</td>
<td>(502,225)</td>
<td>-23.40%</td>
<td></td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>70,916,800</td>
<td>72,094,226</td>
<td>1,177,426</td>
<td>1.66%</td>
<td></td>
</tr>
</tbody>
</table>

### Net Assets:

<table>
<thead>
<tr>
<th></th>
<th>2014 Forecast</th>
<th>2014 Actual</th>
<th>$ Variance Favorable (Unfavorable)</th>
<th>% Variance Favorable (Unfavorable)</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Designated by Board for Self-Insurance</td>
<td>1,054,000</td>
<td>1,148,426</td>
<td>94,426</td>
<td>8.96%</td>
<td></td>
</tr>
<tr>
<td>Designated by Board for Endowment</td>
<td>523,300</td>
<td>539,393</td>
<td>16,093</td>
<td>3.08%</td>
<td></td>
</tr>
<tr>
<td>Designated by Board for Capital Reserve</td>
<td>2,890,500</td>
<td>3,120,039</td>
<td>229,539</td>
<td>7.94%</td>
<td></td>
</tr>
<tr>
<td>Designated by Board for Debt Service</td>
<td>3,068,300</td>
<td>3,077,171</td>
<td>8,871</td>
<td>0.29%</td>
<td></td>
</tr>
<tr>
<td>Designated by Board for Operating Reserve</td>
<td>5,835,600</td>
<td>5,681,775</td>
<td>(153,825)</td>
<td>-2.64%</td>
<td></td>
</tr>
<tr>
<td>Undesignated</td>
<td>21,676,000</td>
<td>21,600,045</td>
<td>(75,955)</td>
<td>-0.35%</td>
<td></td>
</tr>
<tr>
<td><strong>Total Unrestricted Net Assets</strong></td>
<td>35,047,700</td>
<td>35,166,849</td>
<td>119,149</td>
<td>0.34%</td>
<td></td>
</tr>
<tr>
<td>Temporarily Restricted - Donations</td>
<td>0</td>
<td>628,974</td>
<td>628,974</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Permanently Restricted - Endowment</td>
<td>1,716,900</td>
<td>1,770,358</td>
<td>53,458</td>
<td>3.11%</td>
<td></td>
</tr>
<tr>
<td><strong>Total Net Assets</strong></td>
<td>36,764,600</td>
<td>37,566,181</td>
<td>801,581</td>
<td>2.18%</td>
<td></td>
</tr>
<tr>
<td><strong>Total Liabilities and Net Assets</strong></td>
<td>107,681,400</td>
<td>109,660,407</td>
<td>1,979,007</td>
<td>1.84%</td>
<td></td>
</tr>
</tbody>
</table>

**For Purposes of This Schedule A Material Difference Is Defined as a Difference in Excess of $500,000.**

**Notes on Material Differences:**

1. Cash and Investments are higher than forecast due to higher than forecast receipt of turnover admission fees and the delayed construction of Harris Park.
2. The forecast assumed all temporarily restricted donations would be received and expended during the same year.
3. Property and Equipment is lower than forecast due to the delayed construction date for Harris Park.
4. Deferred Revenue from Admission Fees are higher than forecast due to the accelerated construction date for Harris Park.
5. Changes in the long-term interest rate yield curve resulted in a reduction of the liability associated with the termination value of the interest rate swap derivative agreement.
6. Temporarily Restricted - Donations are higher than forecast because the forecast assumed all temporarily restricted donations would be received and expended within the same year.
LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NC
FORECASTED VS ACTUAL STATEMENT OF OPERATIONS
FOR THE YEAR ENDING SEPTEMBER 30, 2014

<table>
<thead>
<tr>
<th></th>
<th>2014 FORECAST</th>
<th>2014 ACTUAL</th>
<th>$ VARIANCE FAVORABLE</th>
<th>% VARIANCE FAVORABLE</th>
<th>NOTES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>(UNFAVORABLE)</td>
<td>(UNFAVORABLE)</td>
<td></td>
</tr>
<tr>
<td>REVENUES:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Resident Service Revenues (Net)</td>
<td>21,067,600</td>
<td>20,717,506</td>
<td>(350,094)</td>
<td>-1.66%</td>
<td>(1)</td>
</tr>
<tr>
<td>Admission Fees Earned</td>
<td>3,498,300</td>
<td>3,440,944</td>
<td>(57,356)</td>
<td>-1.64%</td>
<td></td>
</tr>
<tr>
<td>Other Operating Revenues</td>
<td>1,163,300</td>
<td>1,533,252</td>
<td>369,952</td>
<td>31.80%</td>
<td>(2)</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td><strong>25,729,200</strong></td>
<td><strong>25,691,702</strong></td>
<td><strong>(37,498)</strong></td>
<td><strong>-0.15%</strong></td>
<td></td>
</tr>
<tr>
<td>EXPENSES:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>18,869,900</td>
<td>18,479,398</td>
<td>390,502</td>
<td>2.07%</td>
<td>(3)</td>
</tr>
<tr>
<td>Depreciation and Amortization</td>
<td>4,262,900</td>
<td>4,282,403</td>
<td>(19,503)</td>
<td>-0.46%</td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>1,141,000</td>
<td>1,074,640</td>
<td>66,360</td>
<td>5.82%</td>
<td></td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>24,273,800</strong></td>
<td><strong>23,836,441</strong></td>
<td><strong>437,359</strong></td>
<td><strong>1.80%</strong></td>
<td></td>
</tr>
<tr>
<td>Income from Operations</td>
<td><strong>55,400</strong></td>
<td><strong>1,865,261</strong></td>
<td><strong>399,861</strong></td>
<td><strong>27.47%</strong></td>
<td></td>
</tr>
<tr>
<td>Increase in Permanently Restricted Net Assets</td>
<td>50,000</td>
<td>139,541</td>
<td>89,541</td>
<td>179.08%</td>
<td></td>
</tr>
<tr>
<td>Temporarily Restricted Donations and Income</td>
<td>0</td>
<td>2,732</td>
<td>2,732</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Derivative Suit Settlement</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Transfer from LRM Community Trust</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Change in Value of Interest Rate Swap Agreement</td>
<td>0</td>
<td>309,501</td>
<td>309,501</td>
<td>N/A</td>
<td>(4)</td>
</tr>
<tr>
<td><strong>Increase (Decrease) in Net Assets</strong></td>
<td><strong>1,505,400</strong></td>
<td><strong>2,307,035</strong></td>
<td><strong>801,635</strong></td>
<td><strong>53.25%</strong></td>
<td></td>
</tr>
</tbody>
</table>

FOR PURPOSES OF THIS SCHEDULE A MATERIAL DIFFERENCE IS DEFINED AS A DIFFERENCE IN EXCESS OF $100,000.

NOTES ON MATERIAL DIFFERENCES:
(1) CENSUS FOR THE YEAR WAS APPROXIMATELY 1% LOWER THAN FORECAST. WE ALSO EXPERIENCED A SMALL REDUCTION IN DEMAND FOR HOME CARE AND ADULT DAY SERVICES.
(2) OTHER OPERATING REVENUES WERE HIGHER THAN FORECAST DUE TO REALIZED AND UNREALIZED INVESTMENT GAINS AND THE RECEIPT OF HIGHER THAN FORECAST DONATIONS.
(3) OPERATING EXPENSES WERE LESS THAN FORECAST AS A RESULT OF REDUCED CLAIMS RELATED TO THE SELF-INSURED PORTION OF OUR EMPLOYEE HEALTH PLAN. HOME CARE EXPENSES WERE ALSO LESS THAN FORECAST DUE TO REDUCED DEMAND FOR SERVICES.
(4) CHANGES IN THE LONG-TERM INTEREST RATE YIELD CURVE RESULTED IN A REDUCTION OF THE LIABILITY ASSOCIATED WITH THE TERMINATION VALUE OF THE INTEREST RATE SWAP DERIVATIVE AGREEMENT.


<table>
<thead>
<tr>
<th></th>
<th>2014 FORECAST</th>
<th>2014 ACTUAL</th>
<th>2014 $ VARIANCE FAVORABLE (UNFAVORABLE)</th>
<th>2014 % VARIANCE FAVORABLE (UNFAVORABLE)</th>
<th>NOTES</th>
</tr>
</thead>
<tbody>
<tr>
<td>CASH RECEIVED FROM RESIDENTS AND THIRD PARTY PAYORS</td>
<td>21,880,100</td>
<td>26,710,351</td>
<td>4,830,251</td>
<td>22.08%</td>
<td>(1)</td>
</tr>
<tr>
<td>INVESTMENT INCOME RECEIVED</td>
<td>392,500</td>
<td>339,327</td>
<td>(53,173)</td>
<td>-13.55%</td>
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<tr>
<td>CONTRIBUTIONS RECEIVED</td>
<td>80,000</td>
<td>142,651</td>
<td>62,651</td>
<td>78.31%</td>
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<tr>
<td>CASH PAID TO SUPPLIERS AND EMPLOYEES</td>
<td>(18,863,100)</td>
<td>(18,397,290)</td>
<td>465,810</td>
<td>-2.47%</td>
<td>(2)</td>
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<td>INTEREST PAID</td>
<td>(1,141,000)</td>
<td>(1,095,106)</td>
<td>45,894</td>
<td>-4.02%</td>
<td></td>
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<td></td>
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<tr>
<td>NET CASH PROVIDED BY OPERATING ACTIVITIES</td>
<td>2,348,500</td>
<td>7,699,933</td>
<td>5,351,433</td>
<td>227.87%</td>
<td></td>
</tr>
<tr>
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<tr>
<td>CASH FLOWS FROM INVESTING ACTIVITIES:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>( PURCHASE) PROCEEDS OF INVESTMENTS</td>
<td>(627,000)</td>
<td>(1,388,352)</td>
<td>(761,352)</td>
<td>121.43%</td>
<td>(3)</td>
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<td>PROCEEDS FROM SALE OF PROPERTY AND EQUIPMENT</td>
<td>0</td>
<td>400</td>
<td>400</td>
<td>N/A</td>
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<tr>
<td>ACQUISITION OF PROPERTY AND EQUIPMENT</td>
<td>(4,712,500)</td>
<td>(3,702,576)</td>
<td>1,009,924</td>
<td>-21.43%</td>
<td>(4)</td>
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<tr>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</td>
<td>3,106,500</td>
<td>(727,395)</td>
<td>(3,833,895)</td>
<td>-123.42%</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</td>
<td>115,500</td>
<td>1,882,010</td>
<td>1,766,510</td>
<td>1529.45%</td>
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<tr>
<td>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</td>
<td>15,321,200</td>
<td>17,055,073</td>
<td>1,733,873</td>
<td>11.32%</td>
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<tr>
<td>CASH AND CASH EQUIVALENTS - END OF YEAR</td>
<td>15,436,700</td>
<td>18,937,083</td>
<td>3,500,383</td>
<td>22.68%</td>
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<tr>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>INCREASE (DECREASE) IN NET ASSETS</td>
<td>1,505,400</td>
<td>2,307,035</td>
<td>801,635</td>
<td>53.25%</td>
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<td>ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RESTRICTED DONATIONS</td>
<td>0</td>
<td>(14,105)</td>
<td>(14,105)</td>
<td>N/A</td>
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<td>CHANGE IN VALUE OF DERIVATIVE CONTRACT</td>
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<td>(309,501)</td>
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<td>(5)</td>
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<td>GAIN ON DISPOSAL OF PROPERTY AND EQUIPMENT</td>
<td>0</td>
<td>195</td>
<td>195</td>
<td>N/A</td>
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<tr>
<td>AMORTIZATION OF ADMISSION FEES</td>
<td>(3,498,300)</td>
<td>(3,601,077)</td>
<td>(102,777)</td>
<td>2.94%</td>
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<td>RECEIPT OF NON-REFUNDABLE ADMISSION FEES</td>
<td>0</td>
<td>5,291,641</td>
<td>5,291,641</td>
<td>N/A</td>
<td>(1)</td>
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<tr>
<td>DEPRECIATION AND AMORTIZATION</td>
<td>4,262,900</td>
<td>4,282,403</td>
<td>19,503</td>
<td>0.46%</td>
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<td>NET DECREASE (INCREASE) IN RECEIVABLES, INVENTORY AND PREPAID EXPENSES</td>
<td>147,100</td>
<td>168,404</td>
<td>21,304</td>
<td>14.48%</td>
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<tr>
<td>NET INCREASE IN PAYABLES AND ACCRUED EXPENSES</td>
<td>17,600</td>
<td>(59,862)</td>
<td>(77,462)</td>
<td>-440.13%</td>
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<tr>
<td>NET DECREASE IN DEFERRED OCCUPANCY FEES</td>
<td>(21,000)</td>
<td>(19,706)</td>
<td>1,294</td>
<td>-6.16%</td>
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<tr>
<td>NET REALIZED GAIN ON INVESTMENTS</td>
<td>0</td>
<td>(182,850)</td>
<td>(182,850)</td>
<td>N/A</td>
<td></td>
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<tr>
<td>NET UNREALIZED GAIN ON INVESTMENTS</td>
<td>(65,200)</td>
<td>(162,644)</td>
<td>(97,444)</td>
<td>149.45%</td>
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<td>227.87%</td>
<td></td>
</tr>
</tbody>
</table>

FOR PURPOSES OF THIS SCHEDULE A MATERIAL DIFFERENCE IS DEFINED AS A DIFFERENCE IN EXCESS OF $250,000.

NOTES ON MATERIAL DIFFERENCES:

(1) FOR AUDIT PRESENTATION PURPOSES THE RECEIPT OF $5,291,641 OF NON-REFUNDABLE ADMISSION FEES HAS BEEN SHOWN AS AN OPERATING ACTIVITY INSTEAD OF AS A FINANCING ACTIVITY IN THE FORECAST.

(2) EXPENDITURES FOR SUPPLIES AND EMPLOYEES WERE LOWER THAN FORECAST DUE TO LOWER THAN BUDGETED CLAIMS FOR OUR SELF-INSURED EMPLOYEE HEALTH PLAN. HOME CARE EXPENSES WERE ALSO LESS THAN BUDGETED DUE TO LOWER DEMAND FOR HOME CARE SERVICES.

(3) THE PURCHASES OF INVESTMENTS WERE HIGHER THAN FORECAST DUE TO THE REINVESTMENT OF PRIOR YEAR U.S. GOVERNMENT AGENCY BOND MATURITIES.

(4) EXPENDITURES FOR THE ACQUISITION OF PROPERTY AND EQUIPMENT WERE LESS THAN FORECAST DUE TO A DELAY IN THE START OF THE HARRIS PARK PROJECT.

(5) CHANGES IN THE LONG-TERM INTEREST RATE YIELD CURVE RESULTED IN A REDUCTION OF THE LIABILITY ASSOCIATED WITH THE TERMINATION VALUE OF THE INTEREST RATE SWAP DERIVATIVE AGREEMENT. THIS CHANGE IS A NON-CASH ADDITION TO NET ASSETS.
LUTHERAN RETIREMENT MINISTRIES
OF ALAMANCE COUNTY, NORTH CAROLINA
d/b/a
TWIN LAKES COMMUNITY
DISCLOSURE STATEMENT
ATTACHMENT 4
RESIDENCY CONTRACTS
THIS CONTRACT is entered into on ________________________ (“date of this contract”) between LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA d/b/a/ TWIN LAKES COMMUNITY, a non-profit corporation (“we” or “us”) and ________________________________ (“you”).

**BACKGROUND**

A. We own and operate a continuing care retirement community in Burlington, North Carolina, known as “Twin Lakes Community” (“Retirement Community”).

B. We are affiliated with the Evangelical Lutheran Church in America and meet the criteria and provisions for affiliation established by that Church. We are a separate corporation, however, and our Church-affiliated status shall not cause any Lutheran Church body to incur or be subjected to our liabilities or debts. We are fully responsible for the management and fiscal affairs of Retirement Community and solely responsible for any debts and liabilities incurred in its operation.

C. We do not discriminate on the basis of race, color, creed, national origin, sex, or disability in the admission, retention and care of our residents.

D. You (or one of you) are at least 62 years of age. You have applied to become a resident in one of our independent living units and your application has been accepted, subject to the execution of this Contract. Your application is made part of this Contract by reference.

**AGREEMENT**

NOW THEREFORE, for valuable consideration and the promises contained herein, you and we agree as follows:

1. **DEFINITIONS.** The following definitions shall apply:
   
   a. “Admission Fee”: The up-front payment required for admission to Retirement Community. Your Admission Fee is ________________ Dollars ($__________).

   b. “Occupancy Charge”: The monthly fee payable to Retirement Community. The goods and services covered by the Occupancy Charge are outlined in Section 6.b, below. The Occupancy Charge is ________________ Dollars ($__________) for a single occupant per month plus ________________ Dollars ($__________) for each additional occupant.

   c. “Living Unit”: The villa, garden home, or apartment that you occupy at Retirement Community. The address of your Living Unit is ___________________________________________.
d. “Initial Occupancy Date”: The date on which you receive keys to your Living Unit or that is 60 days after the date of this contract, whichever occurs first; provided, however, that if your Living Unit is not ready for occupancy on that date, then we will provide you with a Notice of Availability specifying the Initial Occupancy Date.

e. “Rescission Period”: The thirty (30) day period in which you may rescind or cancel this Contract.

f. “Joint Occupancy”: Occupancy of the Living Unit by two individuals, one of whom must be at least 62 years of age.

2. ADMISSION FEE.

a. Amount and Payment. You agree to pay us the Admission Fee in accordance with the following Payment Schedule:

   • Initial deposit in the amount of _____________________ Dollars ($___________) paid on ____________________.

   • Remaining balance due paid on or before “initial occupancy date” as defined in Section 1d above.

3. CANCELLATION, TERMINATION AND RESCISSION PRIOR TO OCCUPANCY

a. Right to Rescind. You may rescind or cancel this Contract within thirty (30) days after the later of the date of execution of this Contract or the date you receive our disclosure statement that meets the requirements of Chapter 58 of the North Carolina General Statutes (“Rescission Period”).

   You may move into your Living Unit during the Rescission Period, but are not obligated to do so. You will not be charged a monthly Occupancy Charge during the Rescission Period, unless you move into your Living Unit during such time.

   To rescind the Contract, you must within the Rescission Period: (i) deliver written notice to us; (ii) remove all of your personal property from the Living Unit; and (iii) turn over to us your keys to the Living Unit.

   If you rescind the Contract during the Rescission Period, we will refund all amounts you have paid to us subject to the provisions of paragraph d of this Section.

b. Cancellation Due to Injury, Death or Incapacity. If prior to the Initial Occupancy Date you die or become unable to live independently because of illness, injury or incapacity, this Contract is automatically canceled and you or your legal representative shall receive a refund of all amounts you have paid to us subject to the provisions of paragraph d of this Section.

c. Termination by Retirement Community. We may terminate this Contract at any time before the Initial Occupancy Date if we determine, in our sole discretion, that one of the following events has occurred: a) you made a material misrepresentation or omission in your admission application; b) you experienced
a change in your health or financial condition such that you no longer satisfy our admissions criteria; or c) you fail to pay the Admission Fee in accordance with the Payment Schedule. If we terminate this Contract, we will refund all amounts you have paid to us, subject to the provisions of paragraph d of this Section.

d. **Amount of Refund.** The refund amount will be the amount you have paid us less the following: (i) the costs we specifically incurred at your request for special changes and improvements to your Living Unit and described on Exhibit 1.3 or in any amendment hereto; (ii) the monthly Occupancy Charge or other periodic charges applicable to the period of time since the Initial Occupancy Date; (iii) any other charges, including Occupancy Charges, actually incurred by you since the Initial Occupancy Date; and (iv) a service charge equal to two percent (2%) of your Admission Fee provided for herein.

e. **Timing of Payment of Refund.** If this Contract is terminated under the provisions of this Section, we will pay the refund amount to which you are entitled within sixty (60) days after the date of termination.

f. **No Accrual of Interest.** No interest shall accrue or be payable on the refund to which you may be entitled under this Contract.

4. **MONTHLY OCCUPANCY CHARGES.**

a. **Commencement.** Beginning on the “start billing” date specified on the Billing Information Form (to be signed by you at closing and attached as an addendum to this contract) and continuing for each month or portion thereof while you occupy your Living Unit, you will pay us a monthly Occupancy Charge. The monthly Occupancy Charge for your first month of occupancy will be payable with your second month’s bill. You will pay all subsequent monthly Occupancy Charges in advance on the first day of each calendar month. We reserve the right to charge interest on any past due monthly Occupancy Charges at a rate of one and one-half percent (1½%) per month. Monthly Occupancy Charges not received by the 10th day of the month for which the charge is payable shall be deemed past due. If you do not pay your monthly Occupancy Charges as agreed, we may terminate this Contract as described in Section 9, below. In addition, we may deduct the unpaid charges plus accrued interest and our reasonable attorneys’ fees from any refund of your Admission Fee to which you might subsequently be entitled.

b. **Amount of Monthly Occupancy Charge.** The initial Occupancy Charge is the amount shown in Section 1 of this Contract. We reserve the right to change the monthly Occupancy Charge as we deem appropriate. We consider a number of financial, economic, programmatic and regulatory factors in developing our annual operating budget and potential increases in fees for our residents. These factors include, but are not limited to, competitive market pressures such as employee wages and benefits, insurance costs and cost of capital; projected increases from vendors and other providers of goods and services; adjustments in government programs such as Medicare and Medicaid; additional resident service programs; repair and maintenance of facilities; and technological advances.
The amount of your Occupancy Charge may change between the date of this contract and the date your first Occupancy Charge is due; in such event, we will advise you in writing in advance of the change. It is our policy not to change the Occupancy Charge more than twice each calendar year, but we reserve the right to make more frequent changes should we deem it appropriate.

c. **Continuation of Fee During Absence.** You agree to pay your monthly Occupancy charges on time and in full during your absence from your Living Unit, whether such absence is voluntary (such as vacation) or involuntary (such as hospitalization), including during any time when you reside in a facility on the Retirement Community campus that provides a level of care other than independent living.

d. **Financial Difficulty.** If you experience financial difficulties beyond your control while a resident of Retirement Community, you may submit a request to us for assistance with the cost of your monthly Occupancy Charge. We will evaluate your request based on your individual circumstances, and we may grant or deny financial assistance to you for any reason in our sole discretion. Financial difficulties which in our judgment are the result of your gift giving, imprudent disbursement of financial resources, or intentional sheltering of assets will not be grounds for financial assistance.

e. **Benefit Programs.** You agree to make proper application for Medicaid, public assistance, or any other available public benefit programs for which you might be eligible once you have exhausted the financial resources that you disclosed on your application. You agree to notify us of your application and to our communicating with such programs and such programs communicating with us concerning your application and eligibility for assistance. Failure to do so in good faith, or to provide the information necessary for the application for such assistance to be processed, shall constitute a breach of this Contract and may result in termination of this Contract as described in Section 9, below.

5. **OCCUPANCY OF LIVING UNIT.**

a. **Right to Occupy.** You have the right to occupy the Living Unit identified in Section 1 of this Contract, and more specifically described on attached Exhibit 3.1, from the Initial Occupancy Date until the right to occupy your Living Unit is terminated as herein provided. You agree that no one other than you will occupy your Living Unit without our advance written consent. You do not need to obtain our consent for an occasional overnight guest who stays one week or less with you. No one who resides with you, whether with or without our consent, shall have any rights under this Contract, or any claim for care or services from us.

b. **Joint Occupancy.** If this Contract is entered into by two individuals for joint residency of a single living unit, each joint resident is jointly and severally liable for the payment and performance of all obligations under this Contract. If one joint resident dies or abandons the Living Unit, the remaining resident shall continue to be obligated under this Contract, except that we will charge you the monthly Occupancy Fee for only one person.

c. **Marriage during Term of Contract.** If you marry during the term of this Contract, the following shall apply:
i. **Marriage to Another CCRC Contract Holder.** If you marry someone who also is a resident of the Retirement Community under a CCRC contract with us, you may surrender either of the living units and choose to occupy one. If you surrender the living unit described in this Contract, refund of your Admission Fee will be governed by this Contract. If you choose to occupy the living unit described in this Contract, you will begin paying the Occupancy Charge for two occupants when your spouse moves into your Living Unit.

ii. **Marriage to a Person Not a CCRC Contract Holder.** If you marry someone who is not a resident of the Retirement Community under a CCRC contract with us, your spouse may become a resident of your Living Unit if your spouse 1) meets all the current requirements for admission to the type of Living Unit you occupy; 2) signs this contract and any amendments we deem necessary; and 3) pays an additional Admission Fee, the amount to be determined by the retirement community. If your spouse does not meet our requirements for admission or chooses not to become a CCRC contract holder with us, you may request that your spouse be permitted to occupy your unit. If we approve your spouse's occupancy, you will pay a second person Occupancy Charge for your spouse, but your spouse will have no rights under this contract and no claim for care, services or residency from us.

d. **Relocation to Another Independent Living Unit.** We will consider your request to move from one living unit to another within Independent Living, and we reserve the exclusive right to determine, in our discretion, whether to permit such a move. A move to another living unit does not cause any change to the accrual period used to determine the refund amount to which you may be entitled upon termination of this Contract. Such a move will not entitle you to any part of the accrual portion of your Admission Fee. You may be charged an additional Admission Fee equal to the difference between the then current Admission Fee for the new unit and the Admission Fee you paid for your Living Unit under this Contract. In addition, you will be charged the cost of refurbishing your prior Living Unit (payable in an installment of one-half of the estimated cost prior to moving, and the balance upon invoice from us), and you will be responsible for your cost of moving.

6. **FACILITIES AND SERVICES PROVIDED BY RETIREMENT COMMUNITY.**

a. **Physical Facilities.** The Retirement Community consists of apartments, villas, and garden homes for Independent Living; apartments for Assisted Living; a Healthcare Facility; a Memory Care Facility; administrative and staff offices; recreational facilities; facilities for preparing and serving meals; and common activities facilities.

b. **Basic Services.** The following basic services and expenses will be covered by your monthly Occupancy Charge:

   i. **Insurance.** We carry fire and extended coverage insurance on our buildings and liability coverage for the Retirement Community. You are required to secure and are responsible for the cost of property and casualty and liability insurance for your personal belongings and other
personal property located at the Retirement Community. We do not carry insurance on your personal property.

ii. **Utilities.** We furnish and pay for the cost of heat and electricity, air conditioning, cable television service, water and sewer services, and trash collection. You are responsible for the cost of installation of telephone service and internet service, and the monthly charges for those services.

iii. **Fixtures.** We furnish your home with window blinds, an electric range, a built-in microwave, a refrigerator, and a garbage disposal. Washing machines and clothes dryers are accessible to apartment units; washing machines, clothes dryers and dishwashers are standard in all other floor plans.

iv. **General Maintenance of Common Areas and Grounds.** We maintain all common areas and grounds.

v. **Parking Spaces.** You and your guests are entitled to the nonexclusive use of the parking areas designated on the Retirement Community premises for resident and visitor parking.

vi. **Recreational, Social and Religious Activities.** We provide recreational, physical, social, spiritual, educational and cultural activities as we determine in our discretion.

vii. **Emergency Nursing Assistance.** Our nursing staff is on call twenty-four hours a day for emergencies.

viii. **Maintenance of Living Unit and Fixtures.** We maintain the structural portion of your home and the fixtures described in Section 6.b.iii above. This maintenance does not include housekeeping or maintenance of your personal property.

ix. **Transportation.** We provide regularly scheduled group transportation to selected medical facilities, shopping malls and grocery stores. The schedule and locations may be adjusted, modified, and changed at our discretion.

x. **Annual Cleaning.** Our housekeeping staff will perform an annual cleaning of your home at no additional charge to you. Advance notice will be given for annual cleaning dates.

xi. **Grace Days.** We will use good faith efforts to make available each calendar year up to three days per independent living resident of temporary care in one of our facilities without additional occupancy charge to you. These grace days do not renew in the event of a long-term move to healthcare. These grace days shall not be cumulative or transferable to another resident, whether such resident is a party to this or another Contract. Please note that fees for services (including, but not limited to, salon, therapy, transportation, and pharmacy) used during a stay in health care will not be waived.

c. **Optional Services.** We may make certain services available to you to purchase at your option on a fee-for-service basis. Fees for such services will be payable
either at the time the service is rendered or upon billing by us, as we deem appropriate. Such optional services may be expanded or reduced in our sole discretion. Optional services currently include:

i. **Meal Service.** Meal service is available at the Pepper Tree Cafeteria on an à la carte basis. Meals are available at The Terrace Restaurant in the Boland Center as posted.

ii. **Housekeeping.** Housekeeping services are available at rates established by Retirement Community.

iii. **Transportation.** Limited personal transportation service is available.

iv. **Home Care.** Private duty personal services are available and are provided by certified nursing assistants.

v. **Rehabilitation.** Speech Therapy, Occupational Therapy and Physical Therapy services are available in the Coble Healthcare Facility.

vi. **Salon Services.** A salon is located in the Coble Healthcare Facility and is available for use by residents of the Retirement Community.

7. **MAINTENANCE OF LIVING UNIT.**

a. **Your Responsibilities.** You agree:

i. To keep your Living Unit clean, safe and sanitary at all times;

ii. To dispose of all rubbish, garbage and other waste in a clean and safe manner and in a designated area;

iii. To use in a proper and reasonable manner all electrical, plumbing, sanitary, heating, ventilating and other fixtures and appliances we furnish as a part of your Living Unit;

iv. Not to destroy, deface, damage or remove any part of your Living Unit or permit others to do so;

v. To obtain our approval before you make any modifications to your Living Unit; and

vi. To be responsible for all damage to, defacement of or removal of our property and fixtures in your Living Unit, whatever the cause, except when caused by ordinary wear and tear, by an act of one of our agents, by a third party not your guest or invitee, or by natural causes.

b. **Our Responsibilities.** We agree:

i. To comply with all building codes applicable to your Living Unit;

ii. Except as stated above, to make all repairs and do whatever is necessary to maintain your Living Unit in a fit and habitable condition; and

iii. To maintain in good and safe working order and, upon written notification from you of a need for repair, to repair promptly all electrical, plumbing,
sanitary, heating, ventilating and other facilities and fixtures provided by us in your Living Unit.

8. **RESIDENT ACCESS TO OTHER RETIREMENT COMMUNITY FACILITIES.**

   a. **Priority.** You will have priority access over residents who have not entered into a CCRC contract with us and over nonresidents to available Assisted Living apartments and available beds in our Coble Healthcare and Memory Care Facilities.

   b. **Additional Charges.** If you temporarily move to another level of care at the Retirement Community, you agree to pay the charges established by us for the increased services and care available at that level of care, and to continue to pay the monthly Occupancy Charges for your Living Unit.

   c. **Outside Care.** We operate a home care agency for our residents so that you have a convenient source from which to hire additional personal care services to be provided in your home. You may not hire outside assistance with personal care in your home if we are able to meet your needs for such care. If we are not able to meet your needs and you choose to hire outside care through an agency other than ours, you agree to comply with the requirements of our policy on outside employees.

9. **TERMINATION AFTER INITIAL OCCUPANCY DATE.**

   a. **Termination by You after Initial Occupancy Date.** After the Initial Occupancy Date you have the right to terminate this Contract at any time for any reason, by giving us at least thirty (30) days’ written notice. In addition, this Contract will automatically terminate thirty (30) days after your death or abandonment of your Living Unit.

   b. **Termination by Retirement Community After Initial Occupancy Date.** After the Initial Occupancy Date we may terminate this Contract upon thirty (30) days’ written notice to you for any of the following reasons: i) we determine, after consulting with a physician we select, that you pose a threat to yourself or to the health, safety or welfare of our other Residents; ii) you require care that we do not or cannot provide; iii) our Board of Directors determines, in its sole discretion, that you are not compatible with our other residents or that you are disruptive of the Retirement Community’s environment; iv) you fail to pay the monthly Occupancy Charge for your Living Unit or charges for other services and facilities provided by us to you; v) you fail to comply with your commitment, under the terms of this Contract, not to shelter assets or otherwise arrange your financial affairs in a manner that would enable you to become eligible for a program or programs of public assistance such as Medicaid without having first obtained the written consent of our Chief Executive Officer; or vi) you fail to comply with the terms of this Contract or with our published rules, regulations and policies as amended from time to time.

   c. **Your Obligations upon Termination of this Contract.** If this Contract terminates under this Section 9 of the Contract, you agree that, within thirty (30) days after written notice of termination, you will remove (or in the event of your death, your legal representative within thirty days of your death will so remove) all of your personal property from your Living Unit and you will vacate the Living Unit,
leaving it in the same condition as on the Initial Occupancy Date, except for normal wear and tear.

d. **Our Right to Remove and Dispose of Your Personal Property.** We may remove any personal property that you do not remove from your Living Unit by the end of the thirty-day notice period. We may, but are not obligated to, pack and store any items we choose, and you agree to pay the actual cost for such packing and storage. You also agree that we are not responsible for any damage that occurs to your personal property remaining in your Living Unit after you have vacated the Living Unit. If you do not pay the packing/storage fee and do not retrieve your personal property within three (3) months of your last day of occupancy, we may dispose of the personal property in any manner we deem appropriate, and we shall not be liable to you or your heirs for such personal property or any proceeds from the sale of such personal property.

e. **Payment of Admission Fee Refund upon Termination of this Contract.** If this Contract is terminated within two and one-half years (that is, within 912 days) after the Initial Occupancy Date, you shall be entitled to receive a refund of a portion of your admission fee. No part of the amount you paid us to make special changes or improvements to your Living Unit, as described on Exhibit 1.3 or in any amendment hereto, is refundable.

During the first two and one-half years following your Initial Occupancy Date ("912 Day Period"), 96% of your admission fee will decline ratably over that 912 Day Period.

The total amount of your refund will be calculated according to the following formula:

\[
\text{Amount of Refund in Dollars} = \left( \frac{\text{Admission Fee} \times 96\%}{912} \right) \times \left( 912 - \text{Number of Days (Full or Partial) in your Accrual Period as calculated below} \right)
\]

Thus, the refund amount declines ratably over a 30-month period that begins on your initial occupancy date. The amount that declines ratably is equal to 96% of your admission fee.

The refund shall be reduced by (i) any amounts that you owe to us, including but not limited to unpaid Occupancy Charges; (ii) any costs we incur to restore your Living Unit to its original condition, other than for normal wear and tear; (iii) any costs we incur to remove, store or dispose of personal property you leave in your Living Unit; and (iv) the amount of any financial assistance we have provided to you.

i. **Accrual Period.** For purposes of calculating the refund payable to you under this provision of the Contract, the first day of your Accrual Period shall be the Initial Occupancy Date; the last day of your Accrual Period
shall be the day on which you a) have ceased to be a resident of the Retirement Community in any level of care; b) have removed all of your personal property from the Living Unit (or from such other unit within the facilities of the Retirement Community as you occupied at the time you ceased to be a resident of the Retirement Community); and c) have delivered to us your keys to the Living Unit, thereby relinquishing your free access to the Living Unit. You and we recognize that the first thirty (30) days of your Accrual Period are subject to the provisions of the Section of this Contract entitled “Right to Rescind.” Under no circumstances shall the accrual period exceed 912 days.

ii. No Refund During Your Residency. No refund shall be paid when you continue to be a resident of the Retirement Community, whether in another unit or under a different level of care within the facilities of the Retirement Community.

iii. No Interest on Refund. No interest shall be payable on the refund.

iv. Timing of Payment of Refund. We will pay the refund amount to you within sixty (60) days after we collect a new Admission Fee for your Living Unit from a new resident or after you have ceased to be a resident of the Retirement Community, whichever shall later occur.

f. Imputed Interest Rules. If the imputed interest rules of IRS Code Section 7872 apply to the refundable portion of this contract, Retirement Community shall report imputed interest on this contract to the Internal Revenue Service.

10. AGREEMENT TO SUBMIT DISPUTE TO MEDIATION OR ARBITRATION. You and we agree that in the event a dispute arises regarding your care or treatment or in the event you or we have any other claim or dispute, including any claim or dispute arising under this Contract or relating to the interpretation of this Contract but excluding any pricing disputes such as any dispute over adjustments of monthly or daily rates or other costs associated with resident services or care, any and all such claims or disputes shall first be submitted to a mediator for possible resolution, and if mediation is unsuccessful in resolving all aspects of the dispute, then the same shall be submitted to binding arbitration, as more specifically set forth herein. You and we understand that by agreeing to arbitration, both you and we are waiving the constitutional right to have any claim that we or you might have decided in a court of law before a judge and jury.

a. Mediation. You and we agree that if you or your representative has a claim or dispute against us, you or your representative shall notify us in writing of the dispute and shall provide a description and factual details of the nature of the claim or dispute. You and we

i. May submit evidence or information in writing to a mediator, to be designated by the mutual agreement of you and us, in support of the claim or dispute and of any defense either of us may have to the claim. If you and we cannot agree on the designation of a mediator, each party shall select a mediator, and those two mediators shall then select a third mediator who will mediate the dispute. This selection of a mediator shall be binding upon both of us;

ii. Have the right to a hearing before the mediator, at which you and we may present evidence in support of or in defense of any such claim or
dispute to the extent allowed by the mediator. The mediator will set the
time and date of the hearing and assist each of us in an unbiased manner
in attempting to reach an amicable settlement of the claim or dispute;

iii. Agree that the mediation shall be scheduled at a time convenient for you
and us and shall be held in Alamance County, North Carolina;

iv. Agree that, if either of us refuses to negotiate or mediate in a good faith
attempt to resolve the matter of concern, the mediator shall be required
to note that fact in the mediator’s conclusion to the mediation attempt;

v. Agree that, in the event the parties are unable to reach an amicable
settlement, we will then submit the dispute to a mandatory, binding
arbitration consistent with the North Carolina Uniform Arbitration Act and
the rules of the American Arbitration Association, as set forth below.

b. Arbitration. You and we agree voluntarily to submit to binding
arbitration any controversy, dispute or claim that remains unsettled
after mediation in accordance with the following procedure:

i. Any dispute or controversy not settled through the mediation
process outlined above shall be submitted to, and determined
and settled by, binding arbitration in Alamance County, North
Carolina, in accordance with the North Carolina Uniform
Arbitration Act and the rules of the American Arbitration
Association.

ii. You and we shall mutually select and retain the services of an
arbitrator or arbitration company (hereinafter “arbitrator”). If
you and we are unable to agree to the selection of an arbitrator,
then each of us shall choose an arbitrator, and the two
arbitrators shall in turn choose an arbitrator mutually agreeable
to said two arbitrators. The third arbitrator so chosen shall be
the arbitrator that you and we retain to settle our claim or
dispute, and the choice of said arbitrator shall be binding upon
both of us.

iii. The costs and expenses (including reasonable attorneys’ fees) in
connection with the arbitration shall be allocated between you
and us in the manner that the Arbitrator decides to be fair and
appropriate under the circumstances.

The decision of the Arbitrator shall be final, shall not be appealable and
shall not be stayed, and judgment upon such decision may be entered
in any court of competent jurisdiction. Application may be made to
such court for confirmation of such decision or a judicial acceptance
thereof, or for an order of enforcement or other legal remedy which
may be necessary to effectuate such decision. This clause goes to the
very essence of this stipulation. However, in the event the party
against whom the decision is made shall appeal from any such decision
or file or cause to be filed a complaint with any state court after the
issuance of the arbitrator’s findings, then the appellant or claimant
agrees, without question, to pay and be responsible for paying any and
all court costs, attorney fees, and any other cost incurred by the
nonclaimant or appellee (party not initiating the Court action) in participating in such litigation.

BY AGREEING TO THIS PROVISION, YOU WAIVE YOUR CONSTITUTIONAL RIGHT TO A JURY TRIAL. However, this agreement to arbitrate shall not limit your right to file a grievance or complaint, formal or informal, with Retirement Community or any appropriate state or federal agency.

The parties agree that damages awarded, if any, in an arbitration conducted pursuant to this Section 10 shall be determined in accordance with the provisions of the state or federal law applicable to a comparable civil action, including any prerequisites to, credit against, or limitations on, such damages.

It is the intention of the parties to this Contract that the provisions of this Section 10 shall inure to the benefit of and bind the parties, their successors and assigns, including the agents, employees and servants of Retirement Community, and all persons whose claims are derived through or on your behalf, including that of any parent, spouse, child, guardian, executor, administrator, legal representative, or heir.

All claims based in whole or in part on the same incident, transaction, or related course of care or services provided by Retirement Community to you shall be arbitrated in one proceeding. A claim shall be waived and forever barred if it arose prior to the date upon which notice of arbitration is given to Retirement Community or received by you and is not presented in the arbitration proceeding.

11. REPRESENTATIONS AND FURTHER AGREEMENTS BY YOU.

a. Health and Financial Information Material Part of Contract. You acknowledge that the medical, personal, and financial information you submitted as part of your application with us is a material part of this Contract, and that we have relied upon that information in determining your ability to meet the financial obligations of residency in the Retirement Community.

b. Prohibition against Medicaid Planning and Other Asset Protection Planning Strategies. We must protect ourselves and our residents against the risk to the financial strength of the Retirement Community that could be caused by a resident engaging in financial planning designed to protect that resident's financial resources against the cost of medical care for that resident or that resident's spouse ("Medicaid Planning"). Medicaid Planning includes, but is not limited to, the making of gifts; the funding of trusts; the investment in or purchase of assets that are deemed not to count as resources for purposes of determining one's eligibility for government programs such as Medicaid; and engaging in other strategies designed to enable the resident to become eligible for financial assistance from government programs before the resident has exhausted the resident's resources in paying for the resident's normal living expenses and the resident's medical care. As a material and express condition of this Contract, you agree not to engage in Medicaid Planning without having first obtained the written consent of the Chief Executive Officer of Retirement Community. Furthermore, pursuant to Section 1396ra(c)(5)(B)(V) of Chapter 42
of the United States Code, a material and express condition of this Contract is
your agreement not to seek assistance from Medicaid with the cost of your care
until you have exhausted, through payment for your health, maintenance and
support, the financial resources set forth on your application for admission to
Twin Lakes Community.

In the event of any material misrepresentation in or omission from your
application for admission to the Retirement Community, or in the event that you
violate the prohibition against Medicaid Planning, we may terminate this Contract
and the termination and refund provisions in this Contract then apply.

c. **Obligation to Update Health and Financial Information.** You agree to provide
such additional health and financial information as we may request during the
term of this Contract. You agree to notify us if you learn that you have a
communicable disease. Accordingly, you also agree to authorize the release of
all medical information to us at any time we request such information, and you
have executed such an authorization coincident with the execution of this
Contract. In addition, you agree to furnish a full and accurate financial
statement of assets, liabilities, and income and shall authorize the release of all
financial information of third parties to us at any time we may so request. You
also authorize us to release such health and financial information to third parties
(i) who provide financial assistance to you or (ii) to whom you have applied for
assistance, including but not limited to, the Department of Social Services, the
Social Security Administration, the Division of Medical Assistance, other
organizations involved in the administration of Medicare and Medicaid, and
health insurance companies. You also authorize us to communicate with such
programs or companies and them with us concerning your application and
eligibility. You have executed such an authorization coincident with the
execution of this Contract.

d. **Medical Insurance.** You agree to maintain Medicare Part A and Medicare Part B,
or equivalent insurance coverage acceptable to us, with evidence of such
coverage upon request.

e. **Emergency Transportation.** In the case of an emergency, you authorize us to
arrange for transportation by an emergency services provider that we choose in
our discretion. You agree to pay the cost of the emergency services provider.

f. **Other Health Costs.** You agree to pay the cost, if any, for services of consultants
and other services and supplies not included in this Contract when expressly
ordered by your physician or requested by you or your family. In the event of a
health emergency, you agree to pay for additional charges in excess of the
monthly Occupancy Charge for special services or supplies that we, in our
discretion, deem reasonable or necessary.

 g. **Reasonable Care.** We agree to exercise such reasonable care toward you as
your known condition may require. However, we are in no sense an insurer of
your safety or welfare and assume no liability for such.

 h. **Move to Another Level of Care.** We may effect your move to another living unit
in Independent Living or another level of care within the facilities of the
Retirement Community. The decision to effect such a move will be in our sole
discretion and will be binding on you; the decision will be made, however, only
after consulting with you, and when we deem it appropriate, with your family, physician, or designee.

i. **Valuables.** Neither we nor our employees are responsible for any valuables or money in your possession. We accept full responsibility for valuables and money turned over to us for safekeeping.

j. **Rules and Regulations.** You agree to abide by all rules and regulations in effect from time to time and applicable to residents of the Retirement Community.

k. **Tobacco Free Campus.** Twin Lakes Community is a tobacco-free campus. The use of tobacco products is strictly prohibited on our campus, including within private residences on our campus. You agree to adhere to, and to ensure that any guests of yours adhere to, our tobacco-free policy, and to any modifications to the policy.

l. **Pets.** You agree that, without our prior written consent, you will not keep or maintain either temporarily or permanently any dogs, cats or other animals or pets, except for fish or small birds in appropriate containers.

m. **Non-Assignment.** Your rights and privileges under this Contract are personal to you and cannot be transferred or assigned to any other person voluntarily or by execution of law. No person other than you may occupy your Living Unit except with our prior written approval.

n. **Additional Obligations.** In addition to the other obligations under this Contract, you agree:

   i. To absolve and release us and our employees of any responsibility for any event, accident or deterioration of medical condition while you are away from the premises of the Retirement Community and not under the direct care and supervision of our staff.

   ii. To pay and indemnify us for all costs we incur, including reasonable attorney’s fees, if you fail to pay any amount due us under the terms of the Contract, or if you breach any other terms of this Contract.

   iii. If you are injured by a third party, you agree that we shall be subrogated to your rights to recover from such third party the costs and expenses incurred by reason of such injuries, and you authorize us to take all necessary steps to enforce the payment of such costs and expenses by the responsible third party.

   iv. You agree to pay or reimburse us for any loss or damage we suffer as a result of the negligence or misconduct of you or your guest or invitee. We assume no responsibility for any injury or illness you suffer as a result of the negligence or intentional misconduct of any third party.

o. **Nature of Your Rights.** Your rights under this Contract are the rights and privileges herein expressly granted and do not include any proprietary interest or membership in the Retirement Community.
p. **Obligations Divisible.** If a portion of this Contract shall be determined to be illegal or unenforceable or not in conformity with applicable laws and regulations, the remainder of this Contract shall continue in full force and effect.

q. **Disclosure Statement.** You hereby acknowledge that you have received a copy of our current disclosure statement. In the event of any discrepancy between the language contained in this Contract and the language contained in the disclosure statement, the language of this Contract shall control. You further acknowledge that, prior to the execution of this Contract, you have transferred to us no money or other property except for your deposit money.

r. **Successors and Assigns.** This Contract shall be binding upon, inure to the benefit of, and be enforceable by, Lutheran Retirement Ministries of Alamance County, North Carolina d/b/a Twin Lakes Community, its successors and assigns.

s. **Transfer to Another Level of Care.** If you transfer to another level of care at the Retirement Community, you agree to enter into an addendum agreement at that time specific to the new level of care. The Addendum will contain terms and occupancy rates consistent with the terms and rates then offered by us to other residents for that level of care.

t. **Evaluation by a Physician.** You agree to permit a physician selected by Retirement Community to evaluate you should we believe, in our sole discretion, that you may pose a threat to yourself or to the health, safety or welfare of our other residents or that you require care that we do not or cannot provide.

u. **Site Plans.** All structures and improvements not constructed as of the date of this Contract but shown on a site plan or in advertising or promotional material for the Retirement Community are solely for the illustrative purposes of showing the proposed development of the Retirement Community, and we are under no obligation to you to complete such structures or improvements.

v. ** Entire Contract.** This Contract constitutes the entire agreement between you and us. We are not liable for or bound in any manner by any statements, representations or promises made by any person representing or purporting to represent us unless such statements, representations or promises are set forth in this Contract.

w. **Governing Law.** This Contract shall be governed by and interpreted in accordance with the law of the State of North Carolina and any applicable federal laws.

x. **Amendments Only in Writing.** This Contract may only be amended or changed in writing by all parties to the Contract and in accordance with any applicable laws governing the Contract. This Contract replaces any prior contracts between the parties.
LUTHERAN RETIREMENT MINISTRIES
OF ALAMANCE COUNTY, NORTH CAROLINA,
d/b/a TWIN LAKES COMMUNITY

_____________________________________________
PAMELA S. FOX, PRESIDENT / CEO

STATE OF NORTH CAROLINA
COUNTY OF ALAMANCE

I, ______________________________, a Notary Public for the above State and County, do hereby certify that Pamela S. Fox, authorized agent of LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA, d/b/a TWIN LAKES COMMUNITY, personally appeared before me this day and acknowledged the due execution of the foregoing Residency Contract in the capacity indicated.

Witness my hand and notarial seal this the _______ of ________________ 2015.

_________________________________________
( NOTARY PUBLIC)
(Official Seal)

My commission expires ______________________

_____________________________________________
RESIDENT

STATE OF ______________________
COUNTY OF ____________________

I, ______________________________, a Notary Public for the above State and County, do hereby certify that ________________________________ personally appeared before me this day and acknowledged the due execution of the foregoing Residency Contract in the capacity indicated.

Witness my hand and notarial seal this the _______ of ________________ 2015.
My commission expires ______________________

_____________________________________________
RESIDENT

STATE OF ___________________
COUNTY OF __________________

I, _______________________________, a Notary Public for the above State and County, do hereby certify that _____________________________________, personally appeared before me this day and acknowledged the due execution of the foregoing Residency Contract in the capacity indicated.

Witness my hand and notarial seal this the _______ of ________________2015.

_________________________________________
( NOTARY PUBLIC)
(Official Seal)
My commission expires ______________________
Twin Lakes Community
RESIDENCY CONTRACT FOR LIVING UNIT
50% Refundable Admission

THIS CONTRACT is entered into on ________________________ ("date of this contract") between LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA d/b/a/ TWIN LAKES COMMUNITY, a non-profit corporation ("we" or "us") and ________________________________ ("you").

BACKGROUND

A. We own and operate a continuing care retirement community in Burlington, North Carolina, known as “Twin Lakes Community” ("Retirement Community").

B. We are affiliated with the Evangelical Lutheran Church in America and meet the criteria and provisions for affiliation established by that Church. We are a separate corporation, however, and our Church-affiliated status shall not cause any Lutheran Church body to incur or be subjected to our liabilities or debts. We are fully responsible for the management and fiscal affairs of Retirement Community and solely responsible for any debts and liabilities incurred in its operation.

C. We do not discriminate on the basis of race, color, creed, national origin, sex, or disability in the admission, retention and care of our residents.

D. You (or one of you) are at least 62 years of age. You have applied to become a resident in one of our independent living units and your application has been accepted, subject to the execution of this Contract. Your application is made part of this Contract by reference.

AGREEMENT

NOW THEREFORE, for valuable consideration and the promises contained herein, you and we agree as follows:

1. DEFINITIONS. The following definitions shall apply:

   a. “Admission Fee”: The up-front payment required for admission to Retirement Community. Your Admission Fee is _______________ Dollars ($__________).

   b. “Occupancy Charge”: The monthly fee payable to Retirement Community. The goods and services covered by the Occupancy Charge are outlined in Section 6.b, below. Your Occupancy Charge is _______________ Dollars ($__________) per month plus _______________ Dollars ($__________) for each additional occupant.

   c. “Living Unit”: The villa, garden home, or apartment that you occupy at Retirement Community. The address of your Living Unit is ____________________________________________.
d. “Initial Occupancy Date”: The date on which you receive keys to your Living Unit or that is 60 days after the date of this contract, whichever occurs first; provided, however, that if your Living Unit is not ready for occupancy on that date, then we will provide you with a Notice of Availability specifying the Initial Occupancy Date.

e. “Rescission Period”: The thirty (30) day period in which you may rescind or cancel this Contract.

f. “Joint Occupancy”: Occupancy of the Living Unit by two individuals, one of whom must be at least 62 years of age.

2. ADMISSION FEE.

a. Amount and Payment. You agree to pay us the Admission Fee in accordance with the following Payment Schedule:

   • Initial deposit in the amount of $__________ paid on ______________.

   • Remaining balance due paid on or before “initial occupancy date” as defined in Section 1d above.

3. CANCELLATION, TERMINATION AND RESCISSION PRIOR TO OCCUPANCY

a. Right to Rescind. You may rescind or cancel this Contract within thirty (30) days after the later of the date of execution of this Contract or the date you receive our disclosure statement that meets the requirements of Chapter 58 of the North Carolina General Statutes (“Rescission Period”).

   You may move into your Living Unit during the Rescission Period, but are not obligated to do so. You will not be charged a monthly Occupancy Charge during the Rescission Period, unless you move into your Living Unit during such time.

   To rescind the Contract, you must within the Rescission Period: (i) deliver written notice to us; (ii) remove all of your personal property from the Living Unit; and (iii) turn over to us your keys to the Living Unit.

   If you rescind the Contract during the Rescission Period, we will refund all amounts you have paid to us subject to the provisions of paragraph d of this Section.

b. Cancellation Due to Injury, Death or Incapacity. If prior to the Initial Occupancy Date you die or become unable to live independently because of illness, injury or incapacity, this Contract is automatically canceled and you or your legal representative shall receive a refund of all amounts you have paid to us subject to the provisions of paragraph d of this Section.

c. Termination by Retirement Community. We may terminate this Contract at any time before the Initial Occupancy Date if we determine, in our sole discretion, that one of the following events has occurred: a) you made a material misrepresentation or omission in your admission application; b) you experienced a change in your health or financial condition such that you no longer satisfy our admissions criteria; or c) you fail to pay the Admission Fee in accordance with
the Payment Schedule. If we terminate this Contract, we will refund all amounts you have paid to us, subject to the provisions of paragraph d of this Section.

d. **Amount of Refund.** The refund amount will be the amount you have paid us less the following: (i) the costs we specifically incurred at your request for special changes and improvements to your Living Unit and described on Exhibit 1.3 or in any amendment hereto; (ii) the monthly Occupancy Charge or other periodic charges applicable to the period of time since the Initial Occupancy Date; (iii) any other charges, including Occupancy Charges, actually incurred by you since the Initial Occupancy Date; and (iv) a service charge equal to two percent (2%) of your Admission Fee provided for herein.

e. **Timing of Payment of Refund.** If this Contract is terminated under the provisions of this Section, we will pay the refund amount to which you are entitled within sixty (60) days after we obtain a new resident for your Living Unit and collect an Admission Fee from that new resident.

f. **No Accrual of Interest.** No interest shall accrue or be payable on the refund to which you may be entitled under this Contract.

4. **MONTHLY OCCUPANCY CHARGES.**

a. **Commencement.** Beginning on the “start billing” date specified on the Billing Information Form (to be signed by you at closing and attached as an addendum to this contract) and continuing for each month or portion thereof while you occupy your Living Unit, you will pay us a monthly Occupancy Charge. The monthly Occupancy Charge for your first month of occupancy will be payable with your second month’s bill. You will pay all subsequent monthly Occupancy Charges in advance on the first day of each calendar month. We reserve the right to charge interest on any past due monthly Occupancy Charges at a rate of one and one-half percent (1½%) per month. Monthly Occupancy Charges not received by the 10th day of the month for which the charge is payable shall be deemed past due. If you do not pay your monthly Occupancy Charges as agreed, we may terminate this Contract as described in Section 9, below. In addition, we may deduct the unpaid charges plus accrued interest and our reasonable attorneys’ fees from any refund of your Admission Fee to which you might subsequently be entitled.

b. **Amount of Monthly Occupancy Charge.** The initial Occupancy Charge is the amount shown in Section 1 of this Contract. We reserve the right to change the monthly Occupancy Charge as we deem appropriate. We consider a number of financial, economic, programmatic and regulatory factors in developing our annual operating budget and potential increases in fees for our residents. These factors include, but are not limited to, competitive market pressures such as employee wages and benefits, insurance costs and cost of capital; projected increases from vendors and other providers of goods and services; adjustments in government programs such as Medicare and Medicaid; additional resident service programs; repair and maintenance of facilities; and technological advances.

The amount of your Occupancy Charge may change between the date of this contract and the date your first Occupancy Charge is due; in such event, we will advise you in writing in advance of the change. It is our policy not to change the
Occupancy Charge more than twice each calendar year, but we reserve the right to make more frequent changes should we deem it appropriate.

c. **Continuation of Fee During Absence.** You agree to pay your monthly Occupancy charges on time and in full during your absence from your Living Unit, whether such absence is voluntary (such as vacation) or involuntary (such as hospitalization), including during any time when you reside in a facility on the Retirement Community campus that provides a level of care other than independent living.

d. **Financial Difficulty.** If you experience financial difficulties beyond your control while a resident of Retirement Community, you may submit a request to us for assistance with the cost of your monthly Occupancy Charge. We will evaluate your request based on your individual circumstances, and we may grant or deny financial assistance to you for any reason in our sole discretion. Financial difficulties which in our judgment are the result of your gift giving, imprudent disbursement of financial resources, or intentional sheltering of assets will not be grounds for financial assistance.

e. **Benefit Programs.** You agree to make proper application for Medicaid, public assistance, or any other available public benefit programs for which you might be eligible once you have exhausted the financial resources that you disclosed on your application. You agree to notify us of your application and to our communicating with such programs and such programs communicating with us concerning your application and eligibility for assistance. Failure to do so in good faith, or to provide the information necessary for the application for such assistance to be processed, shall constitute a breach of this Contract and may result in termination of this Contract as described in Section 9, below.

5. **OCCUPANCY OF LIVING UNIT.**

a. **Right to Occupy.** You have the right to occupy the Living Unit identified in Section 1 of this Contract, and more specifically described on attached Exhibit 3.1, from the Initial Occupancy Date until the right to occupy your Living Unit is terminated as herein provided. You agree that no one other than you will occupy your Living Unit without our advance written consent. You do not need to obtain our consent for an occasional overnight guest who stays one week or less with you. No one who resides with you, whether with or without our consent, shall have any rights under this Contract, or any claim for care or services from us.

b. **Joint Occupancy.** If this Contract is entered into by two individuals for joint residency of a single living unit, each joint resident is jointly and severally liable for the payment and performance of all obligations under this Contract. If one joint resident dies or abandons the Living Unit, the remaining resident shall continue to be obligated under this Contract, except that we will charge you the monthly Occupancy Fee for only one person.

c. **Marriage during Term of Contract.** If you marry during the term of this Contract, the following shall apply:

i. **Marriage to Another CCRC Contract Holder.** If you marry someone who also is a resident of the Retirement Community under a CCRC contract with us, you may surrender either of the living units and choose to
occupy one. If you surrender the living unit described in this Contract, refund of your Admission Fee will be governed by this Contract. If you choose to occupy the living unit described in this Contract, you will begin paying the Occupancy Charge for two occupants when your spouse moves into your Living Unit.

ii. **Marriage to a Person Not a CCRC Contract Holder.** If you marry someone who is not a resident of the Retirement Community under a CCRC contract with us, your spouse may become a resident of your Living Unit if your spouse 1) meets all the current requirements for admission to the type of Living Unit you occupy; 2) signs this contract and any amendments we deem necessary; and 3) pays an additional Admission Fee, the amount to be determined by the retirement community. If your spouse does not meet our requirements for admission or chooses not to become a CCRC contract holder with us, you may request that your spouse be permitted to occupy your unit. If we approve your spouse's occupancy, you will pay a second person Occupancy Charge for your spouse, but your spouse will have no rights under this contract and no claim for care, services or residency from us.

d. **Relocation to Another Independent Living Unit.** We will consider your request to move from one living unit to another within Independent Living, and we reserve the exclusive right to determine, in our discretion, whether to permit such a move. A move to another living unit does not cause any change to the accrual period used to determine the refund amount to which you may be entitled upon termination of this Contract. Such a move may entitle you to a refund of the 50% refundable portion of your Admission Fee, but will not entitle you to any part of the accrual portion of your Admission Fee. You may be charged an additional Admission Fee equal to the difference between the then current Admission Fee for the new unit and the accrual portion of the Admission Fee you paid for your Living Unit under this Contract. In addition, you will be charged the cost of refurbishing your prior Living Unit (payable in an installment of one-half of the estimated cost prior to moving, and the balance upon invoice from us), and you will be responsible for your cost of moving.

6. **FACILITIES AND SERVICES PROVIDED BY RETIREMENT COMMUNITY.**

a. **Physical Facilities.** The Retirement Community consists of apartments, villas, and garden homes for Independent Living; apartments for Assisted Living; a Healthcare Facility; a Memory Care Facility; administrative and staff offices; recreational facilities; facilities for preparing and serving meals; and common activities facilities.

b. **Basic Services.** The following basic services and expenses will be covered by your monthly Occupancy Charge:

i. **Insurance.** We carry fire and extended coverage insurance on our buildings and liability coverage for the Retirement Community. You are required to secure and are responsible for the cost of property and casualty and liability insurance for your personal belongings and other personal property located at the Retirement Community. We do not carry insurance on your personal property.
ii. **Utilities.** We furnish and pay for the cost of heat and electricity, air conditioning, cable television service, water and sewer services, and trash collection. You are responsible for the cost of installation of telephone service and internet service, and the monthly charges for those services.

iii. **Fixtures.** We furnish your home with window blinds, an electric range, a built-in microwave, a refrigerator, and a garbage disposal. Washing machines and clothes dryers are accessible to apartment units; washing machines, clothes dryers and dishwashers are standard in all other floor plans.

iv. **General Maintenance of Common Areas and Grounds.** We maintain all common areas and grounds.

v. **Parking Spaces.** You and your guests are entitled to the nonexclusive use of the parking areas designated on the Retirement Community premises for resident and visitor parking.

vi. **Recreational, Social and Religious Activities.** We provide recreational, physical, social, spiritual, educational and cultural activities as we determine in our discretion.

vii. **Emergency Nursing Assistance.** Our nursing staff is on call twenty-four hours a day for emergencies.

viii. **Maintenance of Living Unit and Fixtures.** We maintain the structural portion of your home and the fixtures described in Section 6.b.iii above. This maintenance does not include housekeeping or maintenance of your personal property.

ix. **Transportation.** We provide regularly scheduled group transportation to selected medical facilities, shopping malls and grocery stores. The schedule and locations may be adjusted, modified, and changed at our discretion.

x. **Annual Cleaning.** Our housekeeping staff will perform an annual cleaning of your home at no additional charge to you. Advance notice will be given for annual cleaning dates.

xi. **Grace Days.** We will use good faith efforts to make available each calendar year up to three days per independent living resident of temporary care in one of our facilities without additional occupancy charge to you. These grace days do not renew in the event of a long-term move to healthcare. These grace days shall not be cumulative or transferable to another resident, whether such resident is a party to this or another Contract. Please note that fees for services (including, but not limited to, salon, therapy, transportation, and pharmacy) used during a stay in health care will not be waived.

c. **Optional Services.** We may make certain services available to you to purchase at your option on a fee-for-service basis. Fees for such services will be payable either at the time the service is rendered or upon billing by us, as we deem appropriate. Such optional services may be expanded or reduced in our sole discretion. Optional services currently include:
i. Meal Service. Meal service is available at the Pepper Tree Cafeteria on an à la carte basis. Meals are available at The Terrace Restaurant in the Boland Center as posted.

ii. Housekeeping. Housekeeping services are available at rates established by Retirement Community.

iii. Transportation. Limited personal transportation service is available.

iv. Nursing. Private duty personal services are available and are provided by certified nursing assistants.

v. Rehabilitation. Speech Therapy, Occupational Therapy and Physical Therapy services are available in the Coble Healthcare Facility.

vi. Salon Services. A salon is located in the Coble Healthcare Facility and is available for use by residents of the Retirement Community.

7. MAINTENANCE OF LIVING UNIT.

a. Your Responsibilities. You agree:

i. To keep your Living Unit clean, safe and sanitary at all times;

ii. To dispose of all rubbish, garbage and other waste in a clean and safe manner and in a designated area;

iii. To use in a proper and reasonable manner all electrical, plumbing, sanitary, heating, ventilating and other fixtures and appliances we furnish as a part of your Living Unit;

iv. Not to destroy, deface, damage or remove any part of your Living Unit or permit others to do so;

v. To obtain our approval before you make any modifications to your Living Unit; and

vi. To be responsible for all damage to, defacement of or removal of our property and fixtures in your Living Unit, whatever the cause, except when caused by ordinary wear and tear, by an act of one of our agents, by a third party not your guest or invitee, or by natural causes.

b. Our Responsibilities. We agree:

i. To comply with all building codes applicable to your Living Unit;

ii. Except as stated above, to make all repairs and do whatever is necessary to maintain your Living Unit in a fit and habitable condition; and

iii. To maintain in good and safe working order and, upon written notification from you of a need for repair, to repair promptly all electrical, plumbing, sanitary, heating, ventilating and other facilities and fixtures provided by us in your Living Unit.

8. RESIDENT ACCESS TO OTHER RETIREMENT COMMUNITY FACILITIES.
a. **Priority.** You will have priority access over residents who have not entered into a CCRC contract with us and over nonresidents to available Assisted Living apartments and available beds in our Coble Healthcare and Memory Care Facilities.

b. **Additional Charges.** If you temporarily move to another level of care at the Retirement Community, you agree to pay the charges established by us for the increased services and care available at that level of care, and to continue to pay the monthly Occupancy Charges for your Living Unit.

c. **Outside Care.** We operate a home care agency for our residents so that you have a convenient source from which to hire additional personal care services to be provided in your home. You may not hire outside assistance with personal care in your home if we are able to meet your needs for such care. If we are not able to meet your needs and you choose to hire outside care through an agency other than ours, you agree to comply with the requirements of our policy on outside employees.

9. **TERMINATION AFTER INITIAL OCCUPANCY DATE.**

a. **Termination by You after Initial Occupancy Date.** After the Initial Occupancy Date you have the right to terminate this Contract at any time for any reason, by giving us at least thirty (30) days’ written notice. In addition, this Contract will automatically terminate thirty (30) days after your death or abandonment of your Living Unit.

b. **Termination by Retirement Community After Initial Occupancy Date.** After the Initial Occupancy Date we may terminate this Contract upon thirty (30) days’ written notice to you for any of the following reasons: i) we determine, after consulting with a physician we select, that you pose a threat to yourself or to the health, safety or welfare of our other Residents; ii) you require care that we do not or cannot provide; iii) our Board of Directors determines, in its sole discretion, that you are not compatible with our other residents or that you are disruptive of the Retirement Community’s environment; iv) you fail to pay the monthly Occupancy Charge for your Living Unit or charges for other services and facilities provided by us to you; v) you fail to comply with your commitment, under the terms of this Contract, not to shelter assets or otherwise arrange your financial affairs in a manner that would enable you to become eligible for a program or programs of public assistance such as Medicaid without having first obtained the written consent of our Chief Executive Officer; or vi) you fail to comply with the terms of this Contract or with our published rules, regulations and policies as amended from time to time.

c. **Your Obligations upon Termination of this Contract.** If this Contract terminates under this Section 9 of the Contract, you agree that, within thirty (30) days after written notice of termination, you will remove (or in the event of your death, your legal representative within thirty days of your death will so remove) all of your personal property from your Living Unit and you will vacate the Living Unit, leaving it in the same condition as on the Initial Occupancy Date, except for normal wear and tear.

d. **Our Right to Remove and Dispose of Your Personal Property.** We may remove any personal property that you do not remove from your Living Unit by the end
of the thirty-day notice period. We may, but are not obligated to, pack and store any items we choose, and you agree to pay the actual cost for such packing and storage. You also agree that we are not responsible for any damage that occurs to your personal property remaining in your Living Unit after you have vacated the Living Unit. If you do not pay the packing/storage fee and do not retrieve your personal property within three (3) months of your last day of occupancy, we may dispose of the personal property in any manner we deem appropriate, and we shall not be liable to you or your heirs for such personal property or any proceeds from the sale of such personal property.

e. **Payment of Admission Fee Refund upon Termination of this Contract.** Upon termination of this Contract after the Initial Occupancy Date, you shall be entitled to receive a refund of a portion of your admission fee. No part of the amount you paid us to make special changes or improvements to your Living Unit, as described on Exhibit 1.3 or in any amendment hereto, is refundable.

The refundable amount will consist of one-half of your admission fee. During the first two and one-half years following your Initial Occupancy Date ("912 Day Period"), 96% of the remaining half of your admission fee will decline ratably over that 912 Day Period.

The total amount of your refund will be calculated according to the following formula:

<table>
<thead>
<tr>
<th>Amount of Refund in Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>50% of Admission Fee + [ (\frac{50% \text{ of Admission Fee} \times 96%}{912}) \times (912 \text{ MINUS Number of Days (Full or Partial) in your Accrual Period as calculated below}) ]</td>
</tr>
</tbody>
</table>

Thus, the refund amount is equal to the sum of two components. The first component is a fixed amount equal to 50% of your admission fee. The second component is an amount that declines ratably over a 30-month period equal to 96% of the remaining 50% of your admission fee.

The refund shall be reduced by (i) any amounts that you owe to us, including but not limited to unpaid Occupancy Charges; (ii) any costs we incur to restore your Living Unit to its original condition, other than for normal wear and tear; (iii) any costs we incur to remove, store or dispose of personal property you leave in your Living Unit; and (iv) the amount of any financial assistance we have provided to you.

i. **Accrual Period.** For purposes of calculating the refund payable to you under this provision of the Contract, the first day of your Accrual Period shall be the Initial Occupancy Date; the last day of your Accrual Period shall be the day on which you a) have ceased to be a resident of the Retirement Community in any level of care; b) have removed all of your personal property from the Living Unit (or from such other unit within the facilities of the Retirement Community as you occupied at the time you ceased to be a resident of the Retirement Community); and c) have
delivered to us your keys to the Living Unit, thereby relinquishing your free access to the Living Unit. You and we recognize that the first thirty (30) days of your Accrual Period are subject to the provisions of the Section of this Contract entitled “Right to Rescind.” Under no circumstances shall the accrual period exceed 912 days.

ii. **No Refund During Your Residency.** No refund shall be paid when you continue to be a resident of the Retirement Community, whether in another unit or under a different level of care within the facilities of the Retirement Community.

iii. **No Interest on Refund.** No interest shall be payable on the refund.

iv. **Timing of Payment of Refund.** We will pay the refund amount to you within sixty (60) days after we collect a new Admission Fee for your Living Unit from a new resident or after you have ceased to be a resident of the Retirement Community, whichever shall later occur.

f. **Imputed Interest Rules.** If the imputed interest rules of IRS Code Section 7872 apply to the refundable portion of this contract, Retirement Community shall report imputed interest on this contract to the Internal Revenue Service.

10. **AGREEMENT TO SUBMIT DISPUTE TO MEDIATION OR ARBITRATION.** You and we agree that in the event a dispute arises regarding your care or treatment or in the event you or we have any other claim or dispute, including any claim or dispute arising under this Contract or relating to the interpretation of this Contract but excluding any pricing disputes such as any dispute over adjustments of monthly or daily rates or other costs associated with resident services or care, any and all such claims or disputes shall first be submitted to a mediator for possible resolution, and if mediation is unsuccessful in resolving all aspects of the dispute, then the same shall be submitted to binding arbitration, as more specifically set forth herein. You and we understand that by agreeing to arbitration, both you and we are waiving the constitutional right to have any claim that we or you might have decided in a court of law before a judge and jury.

a. **Mediation.** You and we agree that if you or your representative has a claim or dispute against us, you or your representative shall notify us in writing of the dispute and shall provide a description and factual details of the nature of the claim or dispute. You and we

i. May submit evidence or information in writing to a mediator, to be designated by the mutual agreement of you and us, in support of the claim or dispute and of any defense either of us may have to the claim. If you and we cannot agree on the designation of a mediator, each party shall select a mediator, and those two mediators shall then select a third mediator who will mediate the dispute. This selection of a mediator shall be binding upon both of us;

ii. Have the right to a hearing before the mediator, at which you and we may present evidence in support of or in defense of any such claim or dispute to the extent allowed by the mediator. The mediator will set the time and date of the hearing and assist each of us in an unbiased manner in attempting to reach an amicable settlement of the claim or dispute;
iii. Agree that the mediation shall be scheduled at a time convenient for you and us and shall be held in Alamance County, North Carolina;

iv. Agree that, if either of us refuses to negotiate or mediate in a good faith attempt to resolve the matter of concern, the mediator shall be required to note that fact in the mediator’s conclusion to the mediation attempt;

v. Agree that, in the event the parties are unable to reach an amicable settlement, we will then submit the dispute to a mandatory, binding arbitration consistent with the North Carolina Uniform Arbitration Act and the rules of the American Arbitration Association, as set forth below.

b. ARBITRATION. You and we agree voluntarily to submit to binding arbitration any controversy, dispute or claim that remains unsettled after mediation in accordance with the following procedure:

i. Any dispute or controversy not settled through the mediation process outlined above shall be submitted to, and determined and settled by, binding arbitration in Alamance County, North Carolina, in accordance with the North Carolina Uniform Arbitration Act and the rules of the American Arbitration Association.

ii. You and we shall mutually select and retain the services of an arbitrator or arbitration company (hereinafter “arbitrator”). If you and we are unable to agree to the selection of an arbitrator, then each of us shall choose an arbitrator, and the two arbitrators shall in turn choose an arbitrator mutually agreeable to said two arbitrators. The third arbitrator so chosen shall be the arbitrator that you and we retain to settle our claim or dispute, and the choice of said arbitrator shall be binding upon both of us.

iii. The costs and expenses (including reasonable attorneys’ fees) in connection with the arbitration shall be allocated between you and us in the manner that the Arbitrator decides to be fair and appropriate under the circumstances.

The decision of the Arbitrator shall be final, shall not be appealable and shall not be stayed, and judgment upon such decision may be entered in any court of competent jurisdiction. Application may be made to such court for confirmation of such decision or a judicial acceptance thereof, or for an order of enforcement or other legal remedy which may be necessary to effectuate such decision. This clause goes to the very essence of this stipulation. However, in the event the party against whom the decision is made shall appeal from any such decision or file or cause to be filed a complaint with any state court after the issuance of the arbitrator’s findings, then the appellant or claimant agrees, without question, to pay and be responsible for paying any and all court costs, attorney fees, and any other cost incurred by the nonclaimant or appellee (party not initiating the Court action) in participating in such litigation.
BY AGREEING TO THIS PROVISION, YOU WAIVE YOUR CONSTITUTIONAL RIGHT TO A JURY TRIAL. However, this agreement to arbitrate shall not limit your right to file a grievance or complaint, formal or informal, with Retirement Community or any appropriate state or federal agency.

The parties agree that damages awarded, if any, in an arbitration conducted pursuant to this Section 10 shall be determined in accordance with the provisions of the state or federal law applicable to a comparable civil action, including any prerequisites to, credit against, or limitations on, such damages.

It is the intention of the parties to this Contract that the provisions of this Section 10 shall inure to the benefit of and bind the parties, their successors and assigns, including the agents, employees and servants of Retirement Community, and all persons whose claims are derived through or on your behalf, including that of any parent, spouse, child, guardian, executor, administrator, legal representative, or heir.

All claims based in whole or in part on the same incident, transaction, or related course of care or services provided by Retirement Community to you shall be arbitrated in one proceeding. A claim shall be waived and forever barred if it arose prior to the date upon which notice of arbitration is given to Retirement Community or received by you and is not presented in the arbitration proceeding.

11. REPRESENTATIONS AND FURTHER AGREEMENTS BY YOU.

a. Health and Financial Information Material Part of Contract. You acknowledge that the medical, personal, and financial information you submitted as part of your application with us is a material part of this Contract, and that we have relied upon that information in determining your ability to meet the financial obligations of residency in the Retirement Community.

b. Prohibition against Medicaid Planning and Other Asset Protection Planning Strategies. We must protect ourselves and our residents against the risk to the financial strength of the Retirement Community that could be caused by a resident engaging in financial planning designed to protect that resident’s financial resources against the cost of medical care for that resident or that resident’s spouse (“Medicaid Planning”). Medicaid Planning includes, but is not limited to, the making of gifts; the funding of trusts; the investment in or purchase of assets that are deemed not to count as resources for purposes of determining one’s eligibility for government programs such as Medicaid; and engaging in other strategies designed to enable the resident to become eligible for financial assistance from government programs before the resident has exhausted the resident’s resources in paying for the resident’s normal living expenses and the resident’s medical care. As a material and express condition of this Contract, you agree not to engage in Medicaid Planning without having first obtained the written consent of the Chief Executive Officer of Retirement Community. Furthermore, pursuant to Section 1396ra(c)(5)(B)(V) of Chapter 42 of the United States Code, a material and express condition of this Contract is your agreement not to seek assistance from Medicaid with the cost of your care until you have exhausted, through payment for your health, maintenance and
support, the financial resources set forth on your application for admission to Twin Lakes Community.

In the event of any material misrepresentation in or omission from your application for admission to the Retirement Community, or in the event that you violate the prohibition against Medicaid Planning, we may terminate this Contract and the termination and refund provisions in this Contract then apply.

c. **Obligation to Update Health and Financial Information.** You agree to provide such additional health and financial information as we may request during the term of this Contract. You agree to notify us if you learn that you have a communicable disease. Accordingly, you also agree to authorize the release of all medical information to us at any time we request such information, and you have executed such an authorization coincident with the execution of this Contract. In addition, you agree to furnish a full and accurate financial statement of assets, liabilities, and income and shall authorize the release of all financial information of third parties to us at any time we may so request. You also authorize us to release such health and financial information to third parties (i) who provide financial assistance to you or (ii) to whom you have applied for assistance, including but not limited to, the Department of Social Services, the Social Security Administration, the Division of Medical Assistance, other organizations involved in the administration of Medicare and Medicaid, and health insurance companies. You also authorize us to communicate with such programs or companies and them with us concerning your application and eligibility. You have executed such an authorization coincident with the execution of this Contract.

d. **Medical Insurance.** You agree to maintain Medicare Part A and Medicare Part B, or equivalent insurance coverage acceptable to us, with evidence of such coverage upon request.

e. **Emergency Transportation.** In the case of an emergency, you authorize us to arrange for transportation by an emergency services provider that we choose in our discretion. You agree to pay the cost of the emergency services provider.

f. **Other Health Costs.** You agree to pay the cost, if any, for services of consultants and other services and supplies not included in this Contract when expressly ordered by your physician or requested by you or your family. In the event of a health emergency, you agree to pay for additional charges in excess of the monthly Occupancy Charge for special services or supplies that we, in our discretion, deem reasonable or necessary.

g. **Reasonable Care.** We agree to exercise such reasonable care toward you as your known condition may require. However, we are in no sense an insurer of your safety or welfare and assume no liability for such.

h. **Move to Another Level of Care.** We may effect your move to another living unit in Independent Living or another level of care within the facilities of the Retirement Community. The decision to effect such a move will be in our sole discretion and will be binding on you; the decision will be made, however, only after consulting with you, and when we deem it appropriate, with your family, physician, or designee.
i. **Valuables.** Neither we nor our employees are responsible for any valuables or money in your possession. We accept full responsibility for valuables and money turned over to us for safekeeping.

j. **Rules and Regulations.** You agree to abide by all rules and regulations in effect from time to time and applicable to residents of the Retirement Community.

k. **Tobacco Free Campus.** Twin Lakes Community is a tobacco-free campus. The use of tobacco products is strictly prohibited on our campus, including within private residences on our campus. You agree to adhere to, and to ensure that any guests of yours adhere to, our tobacco-free policy, and to any modifications to the policy.

l. **Pets.** You agree that, without our prior written consent, you will not keep or maintain either temporarily or permanently any dogs, cats or other animals or pets, except for fish or small birds in appropriate containers.

m. **Non-Assignment.** Your rights and privileges under this Contract are personal to you and cannot be transferred or assigned to any other person voluntarily or by execution of law. No person other than you may occupy your Living Unit except with our prior written approval.

n. **Additional Obligations.** In addition to the other obligations under this Contract, you agree:

i. To absolve and release us and our employees of any responsibility for any event, accident or deterioration of medical condition while you are away from the premises of the Retirement Community and not under the direct care and supervision of our staff.

ii. To pay and indemnify us for all costs we incur, including reasonable attorney's fees, if you fail to pay any amount due us under the terms of the Contract, or if you breach any other terms of this Contract.

iii. If you are injured by a third party, you agree that we shall be subrogated to your rights to recover from such third party the costs and expenses incurred by reason of such injuries, and you authorize us to take all necessary steps to enforce the payment of such costs and expenses by the responsible third party.

iv. You agree to pay or reimburse us for any loss or damage we suffer as a result of the negligence or misconduct of you or your guest or invitee. We assume no responsibility for any injury or illness you suffer as a result of the negligence or intentional misconduct of any third party.

o. **Nature of Your Rights.** Your rights under this Contract are the rights and privileges herein expressly granted and do not include any proprietary interest membership in the Retirement Community.

p. **Obligations Divisible.** If a portion of this Contract shall be determined to be illegal or unenforceable or not in conformity with applicable laws and regulations, the remainder of this Contract shall continue in full force and effect.
q. Disclosure Statement. You hereby acknowledge that you have received a copy of our current disclosure statement. In the event of any discrepancy between the language contained in this Contract and the language contained in the disclosure statement, the language of this Contract shall control. You further acknowledge that, prior to the execution of this Contract, you have transferred to us no money or other property except for your deposit money.

r. Successors and Assigns. This Contract shall be binding upon, inure to the benefit of, and be enforceable by, Lutheran Retirement Ministries of Alamance County, North Carolina d/b/a Twin Lakes Community, its successors and assigns.

s. Transfer to Another Level of Care. If you transfer to another level of care at the Retirement Community, you agree to enter into an addendum agreement at that time specific to the new level of care. The Addendum will contain terms and occupancy rates consistent with the terms and rates then offered by us to other residents for that level of care.

t. Evaluation by a Physician. You agree to permit a physician selected by Retirement Community to evaluate you should we believe, in our sole discretion, that you may pose a threat to yourself or to the health, safety or welfare of our other residents or that you require care that we do not or cannot provide.

u. Site Plans. All structures and improvements not constructed as of the date of this Contract but shown on a site plan or in advertising or promotional material for the Retirement Community are solely for the illustrative purposes of showing the proposed development of the Retirement Community, and we are under no obligation to you to complete such structures or improvements.

v. Entire Contract. This Contract constitutes the entire agreement between you and us. We are not liable for or bound in any manner by any statements, representations or promises made by any person representing or purporting to represent us unless such statements, representations or promises are set forth in this Contract.

w. Governing Law. This Contract shall be governed by and interpreted in accordance with the law of the State of North Carolina and any applicable federal laws.

x. Amendments Only in Writing. This Contract may only be amended or changed in writing by all parties to the Contract and in accordance with any applicable laws governing the Contract. This Contract replaces any prior contracts between the parties.
STATE OF NORTH CAROLINA
COUNTY OF ALAMANCE

I, ______________________________, a Notary Public for the above State and County, do hereby certify that Pamela S. Fox, authorized agent of LUTHERAN RETIREMENT MINISTRIES OF ALAMANCE COUNTY, NORTH CAROLINA, d/b/a/ TWIN LAKES COMMUNITY, personally appeared before me this day and acknowledged the due execution of the foregoing Residency Contract in the capacity indicated.

Witness my hand and notarial seal this the _______ of _______________ 2015.

_________________________________________
(NOTARY PUBLIC)
(Official Seal)

My commission expires ____________________
RESIDENT

STATE OF ______________________

COUNTY OF ____________________

I, _______________________________, a Notary Public for the above State and County, do hereby certify that _____________________________________, personally appeared before me this day and acknowledged the due execution of the foregoing Residency Contract in the capacity indicated.

Witness my hand and notarial seal this the _______ of ________________ 2015.

_________________________________________
( NOTARY PUBLIC)

(Official Seal)

My commission expires ______________________

RESIDENT

STATE OF ______________________

COUNTY OF ____________________

I, _______________________________, a Notary Public for the above State and County, do hereby certify that _____________________________________, personally appeared before me this day and acknowledged the due execution of the foregoing Residency Contract in the capacity indicated.

Witness my hand and notarial seal this the _______ of ________________ 2015.

_________________________________________
( NOTARY PUBLIC)

(Official Seal)

My commission expires ______________________
<table>
<thead>
<tr>
<th></th>
<th>DECEMBER</th>
<th>DECEMBER</th>
<th>YTD</th>
<th>YTD</th>
<th>LAST YEAR ACTUAL YTD</th>
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<td>76,342</td>
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<td>CONTRACTUAL ADJUSTMENTS</td>
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<td>(582,729)</td>
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<td>TRANSFER FROM A&amp;A</td>
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<td><strong>TOTAL REVENUE</strong></td>
<td><strong>$ 1,967,368</strong></td>
<td><strong>$ 1,932,341</strong></td>
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<td><strong>OPERATING EXPENSES</strong></td>
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<tr>
<td>SALARIES</td>
<td>$ 876,742</td>
<td>$ 836,638</td>
<td>$ 2,535,014</td>
<td>$ 2,509,915</td>
<td>$ 2,403,397</td>
</tr>
<tr>
<td>BENEFITS</td>
<td>237,537</td>
<td>231,025</td>
<td>708,036</td>
<td>693,074</td>
<td>648,169</td>
</tr>
<tr>
<td>SUPPLIES</td>
<td>182,752</td>
<td>219,490</td>
<td>558,132</td>
<td>658,470</td>
<td>555,504</td>
</tr>
<tr>
<td>UTILITIES</td>
<td>132,385</td>
<td>119,425</td>
<td>343,842</td>
<td>358,275</td>
<td>345,304</td>
</tr>
<tr>
<td>INSURANCE</td>
<td>26,369</td>
<td>34,633</td>
<td>79,107</td>
<td>103,900</td>
<td>98,850</td>
</tr>
<tr>
<td>INTEREST</td>
<td>85,313</td>
<td>91,175</td>
<td>257,126</td>
<td>273,525</td>
<td>277,879</td>
</tr>
<tr>
<td>BOND PRINCIPAL</td>
<td>173,650</td>
<td>173,650</td>
<td>520,950</td>
<td>520,950</td>
<td>504,375</td>
</tr>
<tr>
<td>OTHER EXPENSES</td>
<td>200,409</td>
<td>179,554</td>
<td>506,516</td>
<td>538,663</td>
<td>538,300</td>
</tr>
<tr>
<td>CAPITAL EXPENDITURES</td>
<td>11,100</td>
<td>12,400</td>
<td>12,228</td>
<td>37,200</td>
<td>6,574</td>
</tr>
<tr>
<td><strong>TOTAL OPERATING EXPENSES</strong></td>
<td><strong>$ 1,926,258</strong></td>
<td><strong>$ 1,897,990</strong></td>
<td><strong>$ 5,580,949</strong></td>
<td><strong>$ 5,693,972</strong></td>
<td><strong>$ 5,378,351</strong></td>
</tr>
<tr>
<td><strong>OPERATING INCOME - BUDGETARY BASIS</strong></td>
<td><strong>$ 41,110</strong></td>
<td><strong>$ 34,351</strong></td>
<td><strong>$ 290,482</strong></td>
<td><strong>$ 103,052</strong></td>
<td><strong>$ 145,706</strong></td>
</tr>
<tr>
<td>ADD:  ADMISSION FEES EARNED</td>
<td></td>
<td></td>
<td>870,000</td>
<td>860,236</td>
<td></td>
</tr>
<tr>
<td>EQUIPMENT PURCHASES</td>
<td></td>
<td></td>
<td>12,228</td>
<td>6,574</td>
<td></td>
</tr>
<tr>
<td>BOND PRINCIPAL</td>
<td></td>
<td></td>
<td>520,950</td>
<td>504,375</td>
<td></td>
</tr>
<tr>
<td>RESTRICTED DONATIONS RECEIVED</td>
<td></td>
<td></td>
<td>0</td>
<td>19,650</td>
<td></td>
</tr>
<tr>
<td>INVESTMENTS MARKET VALUE</td>
<td></td>
<td></td>
<td>40,514</td>
<td>223,868</td>
<td></td>
</tr>
<tr>
<td><strong>OPERATING INCOME - FULL ACCRUAL BASIS</strong></td>
<td><strong>$ 624,174</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>$ 636,523</strong></td>
</tr>
<tr>
<td><strong>LESS:</strong> DEPRECIATION</td>
<td></td>
<td></td>
<td>(1,110,000)</td>
<td>(1,065,530)</td>
<td></td>
</tr>
<tr>
<td>TRANSFER FROM A&amp;A</td>
<td></td>
<td></td>
<td>0</td>
<td>(60,000)</td>
<td>1,644</td>
</tr>
<tr>
<td>HEALTH INSURANCE CLAIMS</td>
<td></td>
<td></td>
<td>(51,888)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
# Lutheran Retirement Ministries
## Operating Fund
### Balance Sheets

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>December 2014</th>
<th>December 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Investments - Unrestricted</td>
<td>23,676,059</td>
<td>19,870,993</td>
</tr>
<tr>
<td>Cash and Investments - Restricted</td>
<td>6,353,467</td>
<td>5,924,762</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>1,242,003</td>
<td>1,345,703</td>
</tr>
<tr>
<td>Inventory and Prepaid Expenses</td>
<td>217,604</td>
<td>333,912</td>
</tr>
<tr>
<td>Property and Equipment - Net</td>
<td>75,423,014</td>
<td>77,226,379</td>
</tr>
<tr>
<td>Bond Closing Costs</td>
<td>169,751</td>
<td>190,036</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>107,081,898</strong></td>
<td><strong>104,891,784</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND FUND BALANCE</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable and Accrued Expenses</td>
<td>2,255,877</td>
<td>2,500,408</td>
</tr>
<tr>
<td>Accrued Swap Liability</td>
<td>1,989,439</td>
<td>1,920,212</td>
</tr>
<tr>
<td>Tax Exempt Bonds Payable</td>
<td>27,665,000</td>
<td>29,630,000</td>
</tr>
<tr>
<td>Refundable Admission Fees</td>
<td>11,013,975</td>
<td>9,791,725</td>
</tr>
<tr>
<td>Deferred Revenue from Admission Fees</td>
<td>28,253,187</td>
<td>26,891,022</td>
</tr>
<tr>
<td>Deferred Revenue from Occupancy Fees</td>
<td>99,908</td>
<td>119,620</td>
</tr>
<tr>
<td>Deferred Revenue from Memorial Garden Fees</td>
<td>108,000</td>
<td>103,000</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>71,385,386</strong></td>
<td><strong>70,955,987</strong></td>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td><strong>35,696,513</strong></td>
<td><strong>33,935,798</strong></td>
</tr>
<tr>
<td><strong>Total Liabilities and Net Assets</strong></td>
<td><strong>107,081,898</strong></td>
<td><strong>104,891,784</strong></td>
</tr>
</tbody>
</table>

**Note:** DOES NOT INCLUDE ASSETS OF ENDOWMENT FUND
Lutheran Retirement Ministries of Alamance County, NC  
Statement of Cash Flows  
For the Three Months Ended December 31, 2014 and December 31, 2013

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Flows From Operating Activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash received from residents and third party payors</td>
<td>5,716,313</td>
<td>5,354,401</td>
</tr>
<tr>
<td>Investment income received</td>
<td>131,546</td>
<td>334,669</td>
</tr>
<tr>
<td>Donations received</td>
<td>76,342</td>
<td>77,858</td>
</tr>
<tr>
<td>Cash paid to suppliers and employees</td>
<td>(5,018,651)</td>
<td>(4,735,094)</td>
</tr>
<tr>
<td>Interest paid and related fees</td>
<td>(257,126)</td>
<td>(277,879)</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>648,424</td>
<td>753,955</td>
</tr>
</tbody>
</table>

| **Cash Flows From Investing Activities:** |              |              |
| Net Purchase of Marketable Securities | (102,456)    | (307,597)    |
| Acquisition of property and equipment | (607,491)    | (1,815,718)  |
| **Net cash used in investing activities** | (709,946)    | (2,123,315)  |

| **Cash Flows From Financing Activities:** |              |              |
| Admission fees received              | 482,598      | 801,231      |
| Admission fees refunded               | 0            | 0            |
| **Net cash provided by financing activities** | 482,598      | 801,231      |

| **Net Increase in Cash and Cash Equivalents** |              |              |
|                                              | 421,076      | (568,130)    |

| **Cash and Cash Equivalents - October 1** | 18,333,609   | 15,321,151   |
| **Cash and Cash Equivalents - December 31** | 18,754,685   | 14,753,021   |

**Note:** Cash and Cash Equivalents do not include Marketable Securities of $11,172,385 at September 30, 2014 and $11,274,841 at December 31, 2014.