

**FILED**

**Commonwealth of Virginia  
State Corporation Commission  
Bureau of Insurance**

**July 18, 2024**

**Commissioner of Insurance**

**BY: Sarowar Jahan**

**RAPPAHANNOCK WESTMINSTER-CANTERBURY, INC.**

**ROUTE 646, 132 LANCASTER DRIVE**

**IRVINGTON, VIRGINIA 22480**

**DISCLOSURE STATEMENT**

The filing of this Disclosure Statement with the State Corporation Commission does not constitute approval, recommendation or endorsement of Rappahannock Westminster-Canterbury, Inc. by the State Corporation Commission.

**Summary of Financial Information**  
**Rappahannock Westminster-Canterbury, Inc.**  
**For The Years Ended March 31,**

	2024	2023
Total Assets	\$43,445,768	\$42,625,506
Total Liabilities	\$41,576,253	\$42,541,665
Total Net Assets	\$ 1,869,515	\$ 83,841
Total Revenues	\$23,043,455	\$21,989,330
Total Expenses	\$23,339,175	\$22,031,813
Operating Income (Loss)	(\$ 295,720)	(\$ 42,483)
Net Income (Loss)	\$ 1,798,625	\$ 241,805

**Financial Narrative:**

The fiscal year ended March 31, 2024 concluded with net income of \$1,798,625 and an increase in net assets of \$1,785,674. RWC saw a steady flow of new resident move-ins to independent living. In addition, transitions from independent living to assisted living and the health center were consistent throughout the year, improving overall occupancy rates year-end over year-end. As a result, revenue increased 4.8%. Expenses increased 5.9% over the prior year due to inflation. Total assets increased over the year primarily because of investment gains during the year. Total liabilities decreased due to a reduction in long-term debt and a reduction in deferred revenue. RWC continues to have adequate cash flow and revenue to meet its bond covenants.

Occupancy Information:	Capacity of Units	Year End Occupancy	Year End Percentage Occupancy
Independent Living	158	145	92%
Assisted Living	46	39	85%
Nursing	42	33	79%

## **Continuing Care Provider**

Rappahannock Westminster-Canterbury, Inc., which is referred to in the following as "RWC" or "Corporation", is a nonstock, nonprofit Virginia Corporation organized under the laws of the Commonwealth of Virginia. RWC was issued a certificate of incorporation by the State Corporation Commission, Commonwealth of Virginia, on September 26, 1980. It is located on Route 646 in Lancaster County, with a mailing address of 132 Lancaster Drive, Irvington, Virginia 22480.

## **Officers, Directors, Trustees, Managing and General Partners, and Certain Persons Who Hold Equity or Beneficial Interests**

### BOARD OF TRUSTEES

<u>BOARD MEMBER</u>	<u>PRINCIPAL BUSINESS</u>	<u>AFFILIATION AND ADDRESS</u>
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Jeffrey Joy Chairman	Retired, IlliniCare Health Plan 87 Talon CT Lancaster, VA 22503
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Rev. Megan Limburg	Rector, St. Mary's Whitechapel Episcopal Church 253 Navajo Road Kilmarnock, VA 22482
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Philip Booth	Retired Executive RWC 132 Lancaster Dr. #614 Irvington, VA 22480
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Sandra Lynn Kellum	General Manager, Ampro Shipyard & Kellum Farms P.O. Box 311 Reedville, VA 22539
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Cameron Scott Blandford Vice-Chair	Director/Lead Member Technical Staff, AT&T 112 Congressional Williamsburg, VA 23188
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Melissa "Missy" Mullins	Vice-President and Trust Officer Chesapeake Wealth Management 97 N Main St. Kilmarnock, VA 22482
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Ginger Philbrick	Owner, Because You Are Polite LLC 530 Chesapeake Drive White Stone, VA 22578
Valda Foulds	Consultant; Retired Town Manager; Banking 132 Lancaster Drive, Cottage 832 Irvington, VA 22480
Dr. Shannon Kennedy	President, Rappahannock Community College 12745 College Drive Glenns, VA 23149

### OFFICERS

Stuart A. Bunting	President, CEO and Secretary
Susan E. Vaughn	Vice President, CFO and Treasurer
Phillip L. Williams	Vice President Operations
Wanda N. Wallin	Vice President Human Resources
Shanee M. Jones	Vice President Health Services

The Board of Trustees is composed of unpaid volunteers who are elected for three-year terms. Approximately one-third of the board membership is elected at each annual meeting. No member of the board or any other person has an equity or beneficial interest in the Corporation.

**Business Experience of; Acquisition of Goods and Services from; and Criminal, Civil and Regulatory Proceedings Against the Provider; its Officers, Directors, Trustees, Managing and General Partners, Certain Persons Who Hold Equity or Beneficial Interests; and the Management**

- a. Give a description of any specific business experience in the operation or management of similar facilities.

Stuart A. Bunting joined RWC in 1999 as Director of Administrative and Financial Services. He was appointed Senior Vice President and CFO in 2001. He was appointed President and CEO on August 18, 2004. Prior to joining RWC, he was a Program Administrator at Newport News Shipbuilding from 1997-1999. He was formerly Assistant Vice President and Securities Operations Manager for Wachovia Operational Services Corporation. He holds a BBA in Trust Management from Campbell University and a MBA from University of North Carolina-Greensboro. He is a Certified Financial Planner designee and a Certified Aging Services Professional (CASP). He is active in LeadingAge Virginia (formerly the Virginia Association of Non-Profit Homes for the Aging) and formerly served on its Board of Directors and as Treasurer. He is a member

of the Northern Neck Advisory Board of Chesapeake Bank and a past member of the Board of Directors of the Lancaster County Chamber of Commerce. He is a member of the Board of Bon Secours Richmond Health System. He is currently licensed as a nursing home administrator and preceptor.

Susan E. Vaughn joined RWC in May 2023 as Vice President, Treasurer and CFO. Her prior work experience included financial auditing, SEC reporting, and controllership of 3 medium-sized for-profit enterprises. She holds a BS in Accounting from the University of Virginia and is a CPA in the Commonwealth of Virginia.

Phillip L. Williams joined RWC in 2010 as Director of Operations. He was appointed Vice President Operations in 2016. He holds a Nursing Home Administrator's license, 2013; MBA from the University of Maryland, 1996; and BA from Hampden-Sydney College, 1989. He is a member of the Wiley Foundation Board and Boys and Girls Club of the Northern Neck Board. He formerly served on the Steamboat Era Museum Board and the Lancaster by the Bay Chamber of Commerce board.

Wanda N. Wallin joined RWC in January 2019 as Director of Human Resources. She was appointed Vice President Human Resources in March 2021. Wanda's prior work experience includes 20 years in leadership roles in mission-based non-profit schools. Prior to her time in education, she owned and managed a personnel placement firm and spent several years in the banking industry. She holds a BS in Business Administration from Old Dominion University, a M. Ed. from the College of William and Mary and a Certification in School Administration from George Washington University. Wanda currently serves on the Lancaster by the Bay Chamber of Commerce Board and on the Boys and Girls Club of the Northern Neck Human Resource Committee.

Shanee' M. Jones joined RWC in September 2000 in Culinary Services. She was appointed Health Services Administrator in June 2018. She was appointed Vice President of Health Services in February 2021. She holds a Nursing Administrator License and a BS from Old Dominion University. She has held various positions at RWC including Assistant Nursing Home Administrator.

Overall management of the Corporation is provided by Rappahannock Westminster-Canterbury, Inc.

- b. Give the name and address of any professional service, firm, association, foundation, trust, partnership or corporation or any other business or legal entity in which such person has, or which has in such person, a ten percent or greater direct or indirect interest and which it is presently intended will or may provide goods, leases or services to the provider of a value of \$500 or more, within any year, including:
  - (1) A description of the goods, leases or services and the probable or anticipated cost thereof to the provider.
  - (2) The process by which the contract was awarded.
  - (3) Any additional offers that were received, and
  - (4) Any additional information requested by the Commission detailing how and why a contract was awarded.

None of the current Board Members or officers of the company have a ten percent or greater direct or indirect interest in RWC or provides or intends to provide goods, leases or services to RWC of a value of \$500 or more, within any year.

c. Give a description of any matter in which such person:

- (1) 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
- (2) Is subject to an injunctive or restrictive order of a court of record, 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, arising out of or relating to business activity or health care, including without limitation actions affecting a license to operate a foster care facility, nursing home, retirement home, home for the aged or facility registered under this chapter or similar laws in another state; or
- (3) Is currently the subject of any state or federal prosecution, or administrative investigation involving allegations of fraud, embezzlement, fraudulent conversion, or misappropriation of property.

None of the matters listed above apply to Rappahannock Westminster-Canterbury, Inc., or to any officer or trustee of the Corporation as evidenced by a signed statement from each member of the Board of Trustees and each officer. The referenced statements are maintained on file in the administrative office of RWC.

## **Ownership of Real Property**

All real property is owned by Rappahannock Westminster-Canterbury, Inc., a nonprofit, nonstock corporation.

## **Location and Description of Real Property**

Rappahannock Westminster-Canterbury is located on a 165-acre site on Route 646 in Lancaster County. The facility consists of 77 cottages grouped in clusters and connected to the main service building by a covered walkway; 46 free-standing homes; a three story apartment building containing 35 apartments which is connected to the main service building by an enclosed walkway; a main service building which contains administrative offices, activity areas, the central dining areas, the main food preparation kitchen, in-house laundry, storage rooms, a 42-bed health care facility (Westbury Center), 38-bed assisted living center (Westbury Court), an 8-bed memory care cottage, office space for supportive services, a branch bank, a beauty shop and a resident clinic and an exercise room. Connected to the main service building is a Life Enrichment Center including an indoor heated swimming pool, exercise and fitness space and lobby space. Other amenities

include a fishing lake, a nature trail and a bird sanctuary.

## **Affiliations with Religious, Charitable or Other Nonprofit Organizations; Tax Status of Provider**

Give a statement as to:

- a. Whether the provider is or ever has been affiliated with a religious, charitable or other nonprofit organization, the nature of any such affiliation, and the extent to which the affiliate organization is or will be responsible for the financial and contractual obligation of the provider.

Rappahannock Westminster-Canterbury, Inc, was organized and created by Episcopalians and Presbyterians located in the vicinity of Lancaster County, Virginia. This group of local citizens was assisted in the development of RWC by Virginia Diocesan Homes and Westminster Presbyterian Homes, Inc. These two Virginia Corporations were organized, respectively, by the Episcopal Diocese of Virginia and the Presbyterian Synod of the Mid-Atlantic for the purpose of acting on the behalf of the Diocese and Synod in their ministry to the aging to establish residential homes for aged men, women, and couples.

While RWC is the result of a joint planning effort undertaken by Episcopalians and Presbyterians, the Corporation is not an agent of the Episcopal Diocese of Virginia or the Presbyterian Synod of the Mid-Atlantic, or any of their affiliated entities, and the liability for the performance of RWC's obligations is limited to Rappahannock Westminster-Canterbury, Inc. RWC is totally independent of comparable facilities in Virginia and other states which are similarly organized and operated and use the name "Westminster-Canterbury" because of a church relationship.

- b. Any provision of the Federal Internal Revenue Code under which the provider is exempt from the payment of income tax.

RWC is exempt from federal income tax under section 501(c) (3) of the Internal Revenue Code.

## **Services Provided Under Continuing Care Contracts**

The Rappahannock Westminster-Canterbury Residence and Services Agreement is attached to and made a part of this Disclosure Statement as Attachment I. A description of the services provided by RWC is contained on pages 2-5 of the Residence and Services Agreement. Services provided by RWC include the following: occupancy of a living unit; three meals per day billed according to the meal plan selected; use of social and recreational facilities, and common areas such as dining areas, pub and lounges; an indoor heated swimming pool; utilities such as water, heating, electricity, air conditioning, trash removal, and high speed internet access; major housekeeping services; lawn and maintenance services; basic cable; centrally located washers and dryers; a private mail box; storage space; parking space; security; use of the resident health clinic; assisted living, nursing care; skilled nursing care and memory care on a permanent or temporary basis.

Other services and facilities are available through RWC for an additional charge and include the following: meals and lodgings for guests; transportation; personal laundry; medicine, drugs,

vitamins and food supplements; private room surcharges; memory care surcharges; propane or LP gas; physical therapy, occupational therapy, speech therapy; massage therapy; podiatrist, or other health professionals; certain services at the resident health clinic, temporary care in the residence; manicures and pedicures; personal fitness training; special recreational, entertainment, or arts and crafts events; concierge services; and home care services.

## **Fees Required of Residents**

An initial reservation deposit of One Thousand Dollars (\$1,000) is required upon execution of the Reservation Agreement or the Future Residency Agreement. An amount equal to Ten Percent (10%) of the total Entrance Fee Option selected, less the One Thousand Dollar (\$1,000) Reservation Deposit or Future Residency Fee is due and payable within ten (10) days of receipt of written notice of acceptance by the Admissions Committee and upon execution of the Residence and Services Agreement. The balance of Ninety Percent (90%) of the total Entrance Fee for the Entrance Fee Option selected is due and payable at the earlier of the date of occupancy or within ninety (90) days of the letter of written notice of acceptance by the Admissions Committee unless otherwise agreed to in writing by RWC.

Generally, residency is open to any person 65 years of age or older who is ambulatory and in satisfactory health. An individual aged 60 to 64 may be accepted upon payment of an additional four percent of the Entrance Fee for each year under the age of 65.

Residents of RWC are responsible for two basic financial requirements, both of which are based on the size of the living unit occupied. The Entrance Fee is a one-time, lump sum payment, which is actuarially determined to provide for future health care and shall not be increased or changed during the duration of the Residence & Services Agreement except for changes required by state or federal programs. The monthly fee is payable in advance on the first day of each month beginning with the effective date of the Residence & Services Agreement. The basic monthly fee will not increase should the resident require care in a semi-private room in the Westbury Center on a temporary or permanent basis, unless Entrance Fee Options II or IV is selected. Provisions for each option are detailed on Page 19 of this Disclosure Statement and included in the revised "Residence and Services Agreement" [Attachment I]. Residents will be invoiced monthly for any services and supplies provided other than those RWC is obligated to provide. Resident invoices are to be paid within thirty days after receipt.

The Entrance Fees and monthly fees may be adjusted by RWC upon thirty days written notification. RWC will endeavor to maintain the fees at the lowest possible rate consistent with sound financial practice and the maintenance of the quality of services including health care services. The fees may be adjusted only by the Board of Trustees of the Corporation. While the fees can be adjusted at any time, such action is most likely to occur at the beginning of the fiscal year (April 1) and is based on the annual operating budget adopted by the Board of Trustees. It is anticipated that the fees will be increased annually.

To date, RWC has not accepted reservation fees on unavailable cottage or apartment units. Reservation fees for cottages and apartments are being accepted only on units that are immediately available. These reservation fees are not being escrowed but are being maintained in a separate account at Chesapeake Bank, Kilmarnock, Virginia until the unit is occupied or the contract start date applies. The interest earnings on the deposited reservation fees are retained by RWC and deposited to the operating account of RWC.

Fees will be accepted on free-standing cottage units that are under construction and not immediately available. A reservation fee for free-standing cottages in excess of the One Thousand (\$1,000.00) dollars is placed in an escrow account with Chesapeake Bank. The escrowed funds will be maintained in an account separate and apart from RWC's business accounts. The funds deposited in the escrow account shall remain the property of the prospective resident until that resident moves to RWC. Upon receipt of a certificate of occupancy, the fees received from the resident shall be released from the escrow account to RWC. In the event of cancellation of the reservation agreement prior to move-in, the fees will be returned to the resident as soon as reasonable from the date of such cancellation. The earnings on the escrowed funds are payable to RWC and are deposited to the operating account of RWC.

In April of 1995, RWC developed a priority reservation program for those who would like to become residents of this community at some time in the future. This Future Residency Program allows the future resident to secure a priority to become a resident and offers a host of membership privileges while waiting to move in. The fee for the Future Residency Program is One Thousand (\$1,000.00) dollars. The fee will apply toward the fees which will be paid to RWC upon occupancy and is refundable should the agreement be terminated prior to occupancy.

Membership privileges in the Future Residency Program include meals in the dining areas, use of the common areas and amenities with prior arrangements, and participation in planned activities.

In April of 1993, RWC expanded the entrance fee option offerings with two refundable entrance fee options in addition to the full lifecare option. In November of 1995, RWC again expanded the entrance fee options by offering a new type titled "365-Day Deductible", that lowers the entrance fee for residents but increases the monthly fee for health care services received during the first 365 days, cumulative not consecutive, to the current per diem rate. After the 365-day deductible is met, the monthly fee reverts to the current monthly fee charged for the living unit that is, or had been, occupied by the resident.

The schedules that follow reflect the changes that have occurred in the Entrance Fee and the Monthly Fee and include the current fee schedule. The monthly fee schedule for independent living units applies to all four options.

Note: Throughout this Disclosure Statement and Residence Agreement the use of the terms Founder's Fee and Entrance Fee are synonymous.

Note: The inventory of cottages/apartments remains the same for this fiscal year. The fees differ because of the square footage of the living units.

Unit Type	#Persons	Option I	Option II	Option III	Option IV
<b>COTTAGES</b>					
Aster Studio	1	151,113	181,403	196,492	136,024
Aster Deluxe Studio	1	177,688	213,157	230,948	159,895
Birch 1 Bdrm	1	188,497	226,105	245,137	169,693
Birch Deluxe 1 Bdrm	1	241,532	289,839	314,050	217,436
Cedar 2Bdrm 1 Bath	1	245,024	294,006	318,441	220,476
Cedar Deluxe 2 Bdrm/1.5Ba	1	263,266	315,851	342,200	236,804
Dogwood 2 Bdrm/2 Ba	1	263,491	316,189	342,651	237,141
Dogwood Dlx 2 Bdrm/2 Ba	1	310,828	372,926	404,032	279,723
Laurel 2 bdrm/2 Ba	1	369,026	442,829	479,620	332,011
<b>APARTMENTS</b>					
Elm Studio	1	140,529	168,567	182,754	126,453
	2				
Franklinia 1 Bdrm	1	188,271	225,881	244,798	169,466
	2				
Gardenia 2 Bdrm/1 Ba	1	248,739	298,509	323,394	223,854
	2				
Hydrangea 2 Bdrm/2 Ba	1	260,788	313,149	339,159	224,374
	2				
Juniper 2 Bdrm/2 Ba	1	343,159	411,725	446,063	308,822
	2				
Ivy 2Bdrm/2Ba	1	382,850	459,552	497,794	344,609
	2				
<b>FREE-STANDING</b>					
Azalea 2 Bdrm/2 Ba	1	468,361	562,122	608,946	421,523
	2				
Boxwood 2Bdrm/2 Ba	1	521,094	625,224	677,288	468,985
	2				
Camellia 3 Bdrm/3 Ba	1	538,487	646,184	700,032	484,638
	2				
Linden 4 Bdrm/3.5 Ba	1	580,467	696,560	754,607	522,421
	2				
Willow 4 Bdrm/3 Ba	1	522,102	626,522	678,733	469,891
	2				
<b>2ND Person Fee</b>	1	54,629	65,555	71,019	49,166

Unit Type	#Persons	Option I	Option II	Option III	Option IV
<b>COTTAGES</b>					
Aster Studio	1	152,624	183,217	198,457	137,384
Aster Deluxe Studio	1	179,465	215,289	233,258	161,494
	2				
Birch 1 Bdrm	1	190,382	228,367	247,588	171,390
Birch Deluxe 1 Bdrm	1	243,948	292,738	317,191	219,611
	2				
Cedar 2Bdrm	1	247,474	296,946	321,625	222,681
1 Bath	2				
Cedar Deluxe 2 Bdrm/1.5Ba	1	265,898	319,009	345,622	239,172
2					
Dogwood 2 Bdrm/2 Ba	1	266,126	319,351	346,077	239,512
2					
Dogwood Dlx 2 Bdrm/2 Ba	1	313,936	376,655	408,072	282,520
2					
Laurel 2 bdrm/2 Ba	1	372,716	447,258	484,416	335,331
2					
<b>APARTMENTS</b>					
Elm Studio	1	141,934	170,253	184,581	127,717
	2				
Franklinia 1 Bdrm	1	190,154	228,140	247,246	171,161
2					
Gardenia 2 Bdrm/1 Ba	1	251,226	301,495	326,628	226,093
2					
Hydrangea 2 Bdrm/2 Ba	1	263,396	316,280	342,551	226,618
2					
Juniper 2 Bdrm/2 Ba	1	346,591	415,842	450,524	311,910
2					
Ivy 2Bdrm/2Ba	1	386,678	464,148	502,771	348,055
2					
<b>FREE-STANDING</b>					
Azalea 2 Bdrm/2 Ba	1	473,044	567,743	615,036	425,739
2					
Boxwood 2Bdrm/2 Ba	1	526,305	631,476	684,061	473,675
2					
Camellia 3 Bdrm/3 Ba	1	543,872	652,645	707,033	489,485
2					
Linden 4 Bdrm/3.5 Ba	1	586,272	703,526	762,153	527,648
2					
Willow 4 Bdrm/3 Ba	1	527,323	632,787	685,520	474,590
2					
<b>2ND Person Fee</b>	1	55,176	66,210	71,729	49,657

Unit Type	#Persons	Option I	Option II	Option III	Option IV
<b>COTTAGES</b>					
Aster Studio	1	154,150	185,049	200,442	138,758
Aster Deluxe Studio	1	181,260	217,442	235,591	163,109
Birch 1 Bdrm	1	192,286	230,651	250,064	173,104
Birch Deluxe 1 Bdrm	1	246,387	295,665	320,363	221,807
Cedar 2Bdrm 1 Bath	1	249,949	299,915	324,841	224,908
Cedar Deluxe 2 Bdrm/1.5Ba	1	268,557	322,199	349,078	241,564
Dogwood 2 Bdrm/2 Ba	1	268,787	322,545	349,538	241,907
Dogwood Dlx 2 Bdrm/2 Ba	1	317,075	380,422	412,153	285,345
Laurel 2 bdrm/2 Ba	1	376,443	451,731	489,260	338,684
<b>APARTMENTS</b>					
Elm Studio	1	143,353	171,956	186,427	128,994
	2				
Franklinia 1 Bdrm	1	192,056	230,421	249,718	172,873
	2				
Gardenia 2 Bdrm/1 Ba	1	253,738	304,510	329,894	228,354
	2				
Hydrangea 2 Bdrm/2 Ba	1	266,030	319,443	345,977	228,884
	2				
Juniper 2 Bdrm/2 Ba	1	350,057	420,000	455,029	315,029
	2				
Ivy 2Bdrm/2Ba	1	390,545	468,789	507,799	351,536
	2				
<b>FREE-STANDING</b>					
Azalea 2 Bdrm/2 Ba	1	477,774	573,420	621,186	429,996
	2				
Boxwood 2Bdrm/2 Ba	1	531,568	637,791	690,902	478,412
	2				
Camellia 3 Bdrm/3 Ba	1	549,311	659,171	714,103	494,380
	2				
Linden 4 Bdrm/3.5 Ba	1	592,135	710,561	769,775	532,924
	2				
Willow 4 Bdrm/3 Ba	1	532,596	639,115	692,375	479,336
	2				
<b>2ND Person Fee</b>	1	55,728	66,872	72,446	50,154

Unit Type	#Persons	Option I	Option II	Option III	Option IV
<b>COTTAGES</b>					
Aster Studio	1	160,316	192,451	208,459	144,308
Aster Deluxe Studio	1	188,510	226,140	245,014	169,633
	2				
Birch 1 Bdrm	1	199,977	239,877	260,066	180,028
Birch Deluxe 1 Bdrm	1	256,243	307,492	333,177	230,679
	2				
Cedar 2Bdrm	1	259,947	311,912	337,835	233,904
1 Bath	2				
Cedar Deluxe 2 Bdrm/1.5Ba	1	279,299	335,087	363,041	251,226
2					
Dogwood 2 Bdrm/2 Ba	1	279,539	335,446	363,519	251,583
2					
Dogwood Dlx 2 Bdrm/2 Ba	1	329,758	395,638	428,639	296,759
2					
Laurel 2 bdrm/2 Ba	1	391,501	469,800	508,831	352,232
2					
Magnolia	1	452,000	542,400	587,600	406,800
	2				
<b>APARTMENTS</b>					
Elm Studio	1	149,087	178,834	193,884	134,154
	2				
Franklinia 1 Bdrm	1	199,738	239,638	259,707	179,788
2					
Gardenia 2 Bdrm/1 Ba	1	263,888,	316,690	343,090	237,488
2					
Hydrangea 2 Bdrm/2 Ba	1	276,671	332,221	359,816	283,039
2					
Juniper 2 Bdrm/2 Ba	1	364,059	436,800	473,230	327,630
2					
Ivy 2Bdrm/2Ba	1	406,167	487,541	528,111	365,597
	2				
<b>FREE-STANDING</b>					
Azalea 2 Bdrm/2 Ba	1	496,885	596,357	646,034	447,196
2					
Boxwood 2Bdrm/2 Ba	1	552,831	663,302	718,538	497,548
2					
Camellia 3 Bdrm/3 Ba	1	571,283	685,538	742,667	514,155
2					
Linden 4 Bdrm/3.5 Ba	1	615,820	738,984	800,566	554,241
2					
Willow	1	553,900	664,679	720,070	498,509

4 Bdrm/3 Ba	2				
<b>2ND Person Fee</b>	1	57,957	69,547	75,344	52,160

Entrance Fee 04/01/2024

Unit Type		Option I	Option II	Option III	Option IV
<b>COTTAGES</b>	#Persons				
Aster Studio	1	166,729	200,150	216,798	150,081
Aster Deluxe Studio	1	196,051	235,186	254,815	176,419
	2				
Birch 1 Bdrm	1	207,977	249,472	270,470	187,230
Birch Deluxe 1 Bdrm	1	266,493	319,792	346,505	239,907
	2				
Cedar 2Bdrm 1 Bath	1	270,345	324,389	351,349	243,261
	2				
Cedar Deluxe 2 Bdrm/1.5Ba	1	290,472	348,491	377,564	261,276
	2				
Dogwood 2 Bdrm/2 Ba	1	290,721	348,865	378,061	261,647
	2				
Dogwood Dlx 2 Bdrm/2 Ba	1	342,949	411,464	445,785	308,630
	2				
Laurel 2 bdrm/2 Ba	1	407,161	488,592	529,184	366,321
	2				
Magnolia 2	1	470,080	564,096	611,104	423,072
	2				
<b>APARTMENTS</b>					
Elm Studio	1	155,051	185,988	201,640	139,520
	2				
Franklinia 1 Bdrm	1	207,728	249,224	270,095	186,980
	2				
Gardenia 2 Bdrm/1 Ba	1	274,444	329,359	356,814	246,988
	2				
Hydrangea 2 Bdrm/2 Ba	1	287,739	345,510	374,209	247,561
	2				
Juniper 2 Bdrm/2 Ba	1	378,622	454,272	492,160	340,736
	2				
Ivy 2Bdrm/2Ba 2	1	422,414	507,043	549,236	380,222
	2				
<b>FREE-STANDING</b>					
Azalea 2 Bdrm/2 Ba	1	516,761	620,212	671,876	465,085
	2				
Boxwood 2Bdrm/2 Ba	1	574,945	689,835	747,280	517,451
	2				
Camellia 3 Bdrm/3 Ba	1	594,135	712,960	772,375	534,722
	2				

Linden	1	640,453	768,544	832,589	576,412
4 Bdsm/3.5 Ba	2				
Willow	1	576,057	691,267	748,874	518,450
4 Bdsm/3 Ba	2				
<b>2ND Person Fee</b>	1	60,276	72,329	78,358	54,247

Monthly Fee

Unit Type	#Persons	4/1/2020	4/1/2021	4/1/2022	4/1/2023	4/1/2024
<b>COTTAGES</b>						
Aster Studio	1	3,455	3,550	3,728	3,988	4,168
	2					
Aster Deluxe Studio	1	3,758	3,862	4,055	4,399	4,535
	2					
Birch 1 Bdsm	1	4,058	4,170	4,379	4,685	4,896
	2					
Birch Deluxe 1 Bdsm	1	4,366	4,486	4,710	5,040	5,267
	2					
Cedar 2Bdrm 1 Bath	1	4,679	4,808	5,048	5,402	5,646
	2					
Cedar Deluxe 2 Bdrm/1.5Ba	1	4,768	4,899	5,144	5,504	5,752
	2					
Dogwood 2 Bdrm/2 Ba	1	4,941	5,077	5,331	5,704	5,961
	2					
Dogwood Dlx 2 Bdrm/2 Ba	1	5,027	5,166	5,424	5,804	6,066
	2					
Laurel 2 Bdrm/2 Ba	1	5,351	5,498	5,773	6,177	6,455
	2					
<b>APARTMENTS</b>						
Elm Studio	1	3,327	3,418	3,589	3,840	4,013
	2					
Franklinia 1 Bdsm	1	4,018	4,129	4,335	4,638	4,847
	2					
Gardenia 2 Bdrm/1 Ba	1	4,463	4,586	4,815	5,152	5,384
	2					
Hydrangea 2 Bdrm/2 Ba	1	4,697	4,826	5,067	5,422	5,666
	2					
Juniper 2 Bdrm/2 Ba	1	5,118	5,259	5,522	5,909	6,175
	2					
Ivy 2Bdrm/2Ba	1	5,207	5,350	5,618	6,011	6,282
	2					
<b>FREE-STANDING</b>						
Azalea 2 Bdsm/2 Ba	1	5,434	5,584	5,863	6,274	6,557
	2					
Boxwood 2 Bdsm/2 Ba	1	5,930	6,093	6,398	6,845	7,154
	2					
Camellia	1	6,258	6,430	6,752	7,224	7,550

3 Bdrm/3 Ba	2					
Linden	1	5,952	6,116	6,422	6,871	7,181
4 Bdrm/3.5 Ba	2					
Willow	1	5,464	5,614	5,895	6,307	6,591
4 Bdrm/3 Ba	2					
<b>2ND Person Fee</b>		1,647	1,692	1,777	1,901	1,987

The average dollar amount of increase in monthly fees from; 4/1/20 to 4/1/21 was \$132; 4/1/21 to 4/1/22 was \$247, 4/1/22 to 4/1/23 was \$364, and 4/1/23 to 4/1/24 was \$244.

Reference is made to the RWC Residence & Services Agreement which is a part of this Disclosure Statement as Attachment I. Additional information concerning the fee structure is found in this agreement. The Residence and Services Agreement also details the refund policies. Entrance Fee Option I is the original contract; the monthly fee will not increase when the resident moves from independent living to a higher level of care. If death or withdrawal occurs within the first 50 months of residence, the Entrance Fee is returned less an Administrative Fee equal to four percent (4%) of the Entrance Fee, which is non-refundable and recognized by RW-C upon execution of the Residence & Services Agreement. After deducting the Administrative Fee, which is four percent (4%) of the Entrance Fee, the remaining Entrance Fee shall be amortized by two percent (2%) for each month of residence; however, the refund of the Entrance Fee will not exceed ninety-six percent (96%) of the Entrance Fee paid.

Entrance Fee Option II guarantees a minimum refund of fifty percent (50%) of the entrance fee paid for a slightly higher entrance fee as compared to Entrance Fee Option I. If death or withdrawal occurs within the first 25 months of residence, the Entrance Fee is returned less an Administrative Fee equal to four percent (4%) of the Entrance Fee, which is non-refundable and recognized by RW-C upon execution of the Residence & Services Agreement. After deducting the Administrative Fee, which is four percent (4%) of the Entrance Fee, the remaining Entrance Fee shall be amortized by two percent (2%) for each month of residence. The Entrance Fee refund will be a guaranteed minimum of fifty percent (50%) of the Entrance Fee paid; however, will not exceed ninety-six percent (96%) of the Entrance Fee paid. The refund can be applied to cover the health care costs in the event the resident moves to a higher level of care on a temporary or permanent basis. When health services are needed, the resident is charged the per diem rate currently in effect for that level of care.

Entrance Fee Option III is identical to Option I in that the monthly fee will not increase when the resident moves from independent living to a higher level of care. If death or withdrawal occurs within the first 25 months of residence, the Entrance Fee is returned less an Administrative Fee equal to four percent (4%) of the Entrance Fee, which is non-refundable and recognized by RW-C upon execution of the Residence & Services Agreement. After deducting the Administrative Fee, which is four percent (4%) of the Entrance Fee, the remaining Entrance Fee shall be amortized by two percent (2%) for each month of residence. The Entrance Fee refund will be a guaranteed minimum of fifty percent (50%) of the Entrance Fee paid; however, will not exceed ninety-six percent (96%) of the Entrance Fee paid. There is a higher entrance fee associated with this option than the others.

Entrance Fee Option IV offers lifecare benefits for long term health care, but the resident assumes the short-term risk. This option is referred to as the 365-Day Deductible. With this option, the resident is charged the current per diem rate for any needed health care during the first 365-days (cumulative not consecutive). After the 365-Day Deductible is met, the rate reverts to the monthly

fee then in effect for the independent living unit that is, or had been, occupied by the resident. If death or withdrawal occurs within the first 50 months of residence, the Entrance Fee is returned less an Administrative Fee equal to four percent (4%) of the Entrance Fee, which is non-refundable and recognized by RW-C upon execution of the Residence & Services Agreement. After deducting the Administrative Fee, which is four percent (4%) of the Entrance Fee, the remaining Entrance Fee shall be amortized by two percent (2%) for each month of residence; however, the refund of the Entrance Fee will not exceed ninety-six percent (96%) of the Entrance Fee paid.

## **BOND REFINANCING**

On June 15, 1996, Rappahannock Westminster-Canterbury issued \$19,385,000 of Residential Care Facility Refunding Revenue Bonds (Series 1996) through the Lancaster County Industrial Development Authority.

The Board of Trustees of Rappahannock Westminster-Canterbury approved the refinancing plan as a means for improving the overall financial structure of RWC. The primary benefits of the refinancing were (1) reduction of interest rates, (2) increased flexibility under the terms and conditions of the refunding agreement and the indenture of trust, and (3) selection of a Bond Trustee in Virginia.

The proceeds of the Series 1996 Bonds along with available funds held to secure the Series 1989 Bonds, were used to (1) refund the Series 1989 and 1995 Bonds, (2) pay accrued interest on the Series 1996 Bonds from June 15, 1996 until the date of issuance, (3) create a Debt Service Reserve fund in an amount equal to the maximum annual debt service on the Series 1996 Bonds and (4) pay a portion of the costs of issuance of the Series 1996 Bonds.

In March 2002, Rappahannock Westminster-Canterbury issued \$21,810,000 of Residential Care Facility Mortgage Revenue Bonds (Series 2002) through the Industrial Development Authority of Lancaster County. The Board of Trustees approved the refinancing to refund a portion of the Series 1996 Bonds to (1) take advantage of lower interest rates, (2) provide funds for certain improvements, and (3) increase flexibility under the terms and conditions of the refunding agreement and indenture of trust.

In December 2012, Rappahannock Westminster-Canterbury issued \$17,105,000 of Residential Care Facility Mortgage Revenue Refunding Bonds through the Industrial Development Authority of Middlesex County. The bonds were issued pursuant to a Bond Purchase and Loan Agreement between the Industrial Development Authority, Rappahannock Westminster-Canterbury, Union First Market Bank (Series 2012A) and Chesapeake Bank (Series 2012B) in a private placement. The Board of Trustees approved the refinancing of the Series 2002 Bonds to reduce borrowing costs and therefore the costs of providing for the residence and care of senior adults on a not-for-profit basis. The Series 2002 Bonds were fully defeased on December 27, 2012, and redeemed on January 3, 2013.

In December 2023, Rappahannock Westminster-Canterbury retired Series 2012A bonds.

## **RESERVE FUNDING**

A debt reserve fund is not required for the 2012 Series B Bonds.

## **RWC FOUNDATION/FELLOWSHIP FUND**

The Rappahannock Westminster-Canterbury Foundation was formed in 1985 as a separate not-for-profit corporation, to operate exclusively for the benefit of RWC and to foster its operations and functions. The purpose of the Foundation is to solicit contributions and gifts to provide financial assistance to those individuals whose resources do not cover the full cost of their care at RWC.

## **CERTIFIED FINANCIAL STATEMENTS**

The certified financial statements for Fiscal Years 2024 and 2023 presenting the combined operations of the Corporation and Foundation are attached hereto as Attachment II and made a part of this Disclosure Statement.

## PRO FORMA INCOME STATEMENT

RAPPAHANNOCK WESTMINSTER-CANTERBURY, INC.  
 Pro Forma Statement of Revenues & Expenses  
 Period: April 1, 2024 – March 31, 2025

Revenue:

Monthly Fees Income	\$	\$11,109,210
Health Care Revenues (Net of Contractual Allowances)		5,045,880
Earned Founder's Fees		4,200,000
Other Income (Guest Meals, Catering, Pharmacy Medical Supplies, Home Care Serv, etc.)		3,009,510
Investment Income		<u>91,100</u>
Total Revenue		<u>\$23,455,700</u>

Operating Expenses:

Administrative (includes depreciation/amortization)	\$ 5,551,351
Home Services	1,882,311
Rehab Agency	242,426
Marketing	490,911
Resident Services	548,578
Home Solutions	112,727
Housekeeping	1,181,233
Laundry	111,635
Dining Services	3,156,396
Buildings & Maintenance	2,131,104
Grounds Maintenance	576,039
Waste Water Treatment Plant	186,890
Westbury Center	3,643,059
Resident Clinic	517,436
Westbury Court	2,361,959
Health Services Activities	213,346
Social Services	123,649
Health and Wellness	<u>173,737</u>
Total Operating Expenses (Before Interest Expense)	<u>\$23,204,787</u>

Revenue over Expense	\$ 250,913
Interest Expense	<u>\$ 189,412</u>
Surplus of Revenue Over Expense	<u>\$ 61,501</u>

The following assumptions relate to budgeted income:

## MAJOR ASSUMPTIONS RELATING TO PRO FORMA INCOME AND EXPENSE STATEMENT FOR FY 2024

Monthly Fees: Monthly fees income was forecasted assuming an average occupancy of 92% in independent living throughout the year resulting in a total of 148 units occupied as of March 31, 2025. The forecasted revenues include additional income from second person fees in the same unit as well as an allowance for meal credits.

Health Care Revenues: Health Care Revenues reflect anticipated income from private-paying community patients, life care contract patients who have taken permanent residence in the Westbury Center and Westbury Court, as well as Medicare and Medicaid covered stays in the Westbury Center net of contractual allowances. Total budgeted inpatient days for FY 2024 is 24,421 which is broken down into 19,170 temporary and permanent resident days and 5,251 private-paying community, Medicare, and Medicaid patient days.

Earned Founder's Fees: RWC's method of amortizing founder's fees complies with the American Institute of Certified Accountants Statement of Position 90-8. The requirement states that amortization of founder's fees should be calculated annually based on the actuarially determined remaining life expectancy of each resident. For FY 2025 RWC has projected that it will record as income from founder's fees \$ 4,200,000 using the individual life expectancy amortization method.

Ancillary Income: Ancillary income is comprised of income generated by private duty services, guest meals, guest lodging, catering services, application fees, barber and beauty services, pharmaceutical and medical supplies, laundry services, etc. It was calculated using prior year's statistics plus anticipated increases and decreases reflecting changing occupancy levels and usage by residents and guests.

Investment Income: Investment income reflects the anticipated interest and dividend earnings on all interest-bearing accounts within RWC's operating account.

Operating Expenses: Departmental operating expenses are calculated using historical costs in conjunction with anticipated inflationary factors, wage and salary adjustments, and program enhancements. The major operating departments are: Administration, RWC At Home, Marketing, Resident Life, Home Solutions, Housekeeping, Laundry, Dining Service, Building Maintenance, Grounds, Westbury Center, Resident Clinic and Health and Wellness.

Administrative Expense includes two major expense categories that are worthy of note.

- Depreciation Expense on all fixed assets and equipment is depreciated using the straight-line method and useful lives ranging from 3 to 35 years. Depreciation expense for FY 2025 is projected to be \$ 2,929,330.
- Amortization Expense reflects the charge over an accounting period of a portion of the refinancing costs. Amortization expense for FY 2025 is projected to be \$0.

### **Admission of New Residents**

Residents moving into a cottage or apartment living unit must be physically and mentally capable of living independently. The definition of independent living generally includes being able to

perform all normal activities of daily living, including responding appropriately to emergency situations. A resident entering Westbury Court may be assisted in the activities of daily living. However, that individual must not need what would generally be defined as nursing care.

RWC is open to anyone 65 years of age and older, except with a couple, in which case one may be under the age of 65. Neither religion, nor race, nor color, nor sex, nor national origin has any bearing upon a resident's acceptance or rejection for admission.

Additional information concerning the criteria for becoming or remaining a resident of RWC is contained in the Residence and Services Agreement which is made a part of this Disclosure Statement as Attachment I, especially Section II located on page 6.

### **Access to Facility by Nonresidents**

In general, the services of RWC are intended for the use of residents, not for nonresidents. RWC provides services to non-resident clients in their homes on a fee-for-service basis. These services include limited access to RWC facilities on a fee-for-service basis.

Residents are free to invite guests to their apartment or cottage for daily and overnight visits. Guest rooms are available at a reasonable rate for occasional overnight stays by residents' guests who may also purchase meals in the dining room at prevailing rates.

The RWC Westbury Center offers three levels of care to the residents of RWC. Those levels include skilled, intermediate, and assisted living care. To the extent that bed space is available, community residents are admitted directly to the Westbury Center. Community residents will pay a daily rate based on the services received, a rate established by the Board of Trustees. Additionally, the Board has adopted the following policy concerning access to RWC by nonresidents:

#### **Policy:**

RWC, a private institution whose mission is to serve its residents, may, as a community service, grant permission to outside groups for use of grounds, buildings, equipment or food service. Use by outside groups is not to interfere with comfort and well-being of residents nor unduly disrupt the daily activity of residents or staff. A charge may be made and will be communicated in advance based on an established fee schedule. Payment is expected upon delivery of the service unless prior arrangements have been made. Generally, all food and beverages served in RWC common areas must be provided by the Dining Services department. Room reservations and catering arrangements canceled without sufficient notice to adjust food orders and/or staff is subject to a cancellation charge. Anyone using RWC grounds, buildings, equipment, or food service is responsible for any damage.

The Resident Life Coordinator is responsible for ensuring global issues are considered and this policy enforced. The President has authority to grant permission for new groups to utilize RWC facilities and services. RWC reserves the right to accept advance reservations from outside groups with the understanding they may be subject to change if RWC's needs change. Reservations by outside groups are not usually accepted more than 12 months in advance.

## **Procedure By Which A Resident May File A Complaint Or Disclose A Concern**

### **Policy:**

Rappahannock Westminster-Canterbury will endeavor to make the life of each resident as safe, comfortable, and pleasant as possible. At any time, a resident has a concern, problem, or complaint, or if his or her responsible party has a concern, problem, or complaint, each is encouraged to make it known to the appropriate staff member for resolution.

The resident has the right to voice and/or file grievances with the facility and to make recommendations for changes in the policies and services of the facility.

The resident is free from any form of coercion, discrimination, threats, or reprisal for having voiced or filed such grievances.

### **Procedure:**

#### **Independent Living:**

1. Any resident or responsible party of a resident in the independent living units should direct his or her concern, problem, complaint, or suggestion to the Resident Life Coordinator.
2. If the problem is not resolved, it is referred to the President.
3. Any problem of sufficient magnitude that cannot be resolved by the steps outlined above may be brought to the attention of the Chairman of the Board of Trustees or his/her designee for resolution.
4. Residents are made aware that they may voice/file complaints with the Virginia Department of Social Services (Adult Care Residence section), or the Virginia Department of Health (Westbury Center). Telephone numbers are posted with "Resident Rights and Responsibilities".

#### **Westbury Center:**

1. Any resident or responsible party of a resident in the Westbury Center should direct his or her concern, problem, complaint, or suggestion to the Charge Nurse or the Director of Nursing or Resident Clinic Manager.
2. If the problem is not resolved, it will be referred to the Administrator.
3. If the problem is not resolved by the Administrator, it will be referred to the President.
4. Any problem of sufficient magnitude that cannot be resolved by the steps outlined above may be brought to the attention of the Chairman of the Board of Trustees or his/her designee for resolution.
5. Residents are made aware that they may voice/file complaints with the Virginia Department of Social Services (Adult Care Residence section), or the Virginia Department of Health (Westbury Center). Telephone numbers are posted with "Resident Rights and Responsibilities".

### ATTACHMENT III

During fiscal year 1996, RWC adopted the provisions of the Financial Accounting Standards Board (FASB) Statement No. 116, which required the net assets and operations of the RWC Foundation be included in the RWC audited financial statements.

For the fiscal year ending March 31, 1997, RWC adopted FASB Statement No. 124 which required that investments in equity securities with readily determinable fair market values, and all investments in debt securities be reflected at fair market value in the balance sheet.

In June 1999, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 136, Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others, which revised the method of presentation of financial statements of two financially interrelated organizations. RWC has adopted the provisions of SFAS No. 136 in its 2000 financial statements and reclassified certain prior year amounts to conform to the current year's presentation. The implementation of SFAS had no effect on working capital or net assets for the years ended March 31, 2000 and 1999.

Variance between Pro Forma (budgeted) Income and Expenses and Actual Income and Expenses for the year ended March 31, 2024 based on audited financial statements.

**Year needs to revise.**

#### REVENUES

1. Monthly Fees Income:

Budgeted	\$ 10,714,522
Actual	<u>10,249,770</u>
Difference	(\$ 464,752)

Actual monthly fees income is less than budgeted due to census mix and increases in the time to ready units for new residents; however, under FASB No. 116 rules there was \$ 147,000 of actual revenues from financial assistance given by the RWC Foundation which could not be recorded as income. For budgetary comparison purposes, Monthly Fee Income was under budget by \$ 317,752.

2. Health Care Revenues:

Budgeted	\$ 4,715,546
Actual	<u>5,127,785</u>
Difference	(\$ 412,239)

Actual Westbury Center revenues exceeded -budget due to higher occupancy rates than expected.

3. Earned Founders Fees:

Budgeted	\$ 4,150,000
Actual	<u>4,752,064</u>
Difference	\$ 602,064

The actual founder's fees revenue recognized was above budget due to higher than anticipated termination income.

Attachment III - Page 2

4. Investment Income:

Budgeted	\$ 86,000
Actual	<u>248,344</u>
Difference	\$ 162,344

The higher-than-expected investment income was due primarily to portfolio asset changes resulting in recognized gains.

5. Other Income:

Budgeted	\$ 2,837,800
Actual	<u>2,665,492</u>
Difference	(\$ 172,308)

Other income was under budget due to reductions in therapy and resident project income.

6. Nonoperating Income:

Budgeted	\$ 0
Actual	<u>1,800,701</u>
Difference	\$ 1,800,701

Increase in beneficial interest in net assets of RWC Foundation, unrealized gains and losses of RWC Foundation, and unrealized gains and losses of RWC. They are being reported with RWC's revenues according to FASB No. 116.

7. Net Assets Released from Restrictions:

Budgeted	\$ 0
Actual	<u>293,644</u>
Difference	\$ 293,644

Net Assets released from restrictions represent contributions to the Foundation for restricted purposes. With the adoption of FASB No. 116, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted assets are reclassified as unrestricted net assets and reported in the statement of operations as net assets released from restrictions. This release reflects a contribution toward the construction of the memory care house and other fund operating purposes.

## EXPENSES

1. Administration (including Depreciation and Amortization, Bad Debt):

Budgeted	\$ 5,566,064
Actual	<u>5,932,537</u>
Difference	\$ (366,473)

Actual Administration expenses were over budget in employment, supply costs and facility costs offset by lower than anticipated depreciation expenses and other costs.

Attachment III - Page 3

2. Marketing:

Budgeted	\$ 465,976
Actual	<u>460,082</u>
Difference	\$ 5,984

Marketing expenses were under budget in employment costs offset by higher than expected advertising costs.

3. Resident Services (including Home Solutions and Health & Wellness):

Budgeted	\$ 756,490
Actual	<u>741,048</u>
Difference	\$ 15,442

Actual Resident Services expenses were under budget in employment costs. All other expense types were essentially on budget.

4. Housekeeping and Laundry:

Budgeted	\$ 1,245,970
Actual	<u>1,213,085</u>
Difference	\$ 32,885

Actual expenses were under budget in employment costs offset slightly by increases in supplies and other costs.

5. Dining Services:

Budgeted	\$ 2,809,544
Actual	<u>3,002,082</u>
Difference	\$ (192,538)

Actual Dining Services expenses were over budget in food expenses offset slightly by lower than budgeted employment costs.

6. Building/Grounds (including Wastewater Treatment):

Budgeted	\$ 2,712,693
Actual	<u>2,939,817</u>
Difference	(\$ 227,124)

Actual expenses were slightly under budget in employment costs but over budget in supplies costs, facilities costs and utilities. Increases in service contracts and repairs made up most of the overage.

7. Westbury Center (including Westbury Court, Activities, Social Services & Rehab Agency):

Budgeted	\$ 6,283,954
Actual	<u>6,123,347</u>
Difference	\$ 160,607

Attachment III – Page 4

Actual Westbury Center expenses were under budget in employment costs.

8. Resident Clinic:

Budgeted	\$ 599,199
Actual	<u>535,811</u>
Difference	\$ 63,388

Actual Resident Clinic expenses were under budget in employment costs, supplies and other costs.

9. Home Services (including Rehabilitation services):

Budgeted	\$ 1,915,943
Actual	<u>2,072,640</u>
Difference	(\$ 156,697)

Actual Home Services expenses were over budget in employment costs and supplies and under budget in other costs.

10. Interest Expense:

Budgeted	\$ 298,292
Actual	<u>318,726</u>
Difference	\$ (20,434)

Interest expense was over budget due to a mid-year rate increase on the Note Payable.



**RESIDENCE AND SERVICES AGREEMENT**

**RAPPAHANNOCK WESTMINSTER-CANTERBURY  
IRVINGTON, VIRGINIA**

This Residence and Services Agreement (referred to as the "Agreement") is made this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, between Rappahannock Westminster-Canterbury, Inc. (referred to as "RW-C") and (referred to as "you" or "the Resident(s)").

WHEREAS, RW-C owns and operates a Life Care Retirement Community on a 165-acre campus and is located at 132 Lancaster Drive in Irvington, in the Northern Neck area of Virginia; and

WHEREAS, RW-C consists of independent living houses, cottages and residential apartments in a mid-rise building, a Life Enrichment Center with common areas and amenities, and an on-site Health Center providing skilled nursing care and assisted living care (referred to as the "Community"); and

WHEREAS, Resident desires to enter into this Agreement for an independent living residence in the Community;

NOW THEREFORE, Resident and RW-C agree as follows:

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I.	<b><u>RESIDENCE, COMMON AREAS AND AMENITIES, PROGRAMS AND SERVICES</u></b>	

**A. Residence.** You will have a personal, exclusive, non-transferable right to reside, use, and enjoy residence number \_\_\_\_\_ a \_\_\_\_\_ type of residence located within the Community (referred to as the ("Residence").

**B. Furnishings in the Residence.** RW-C will provide flooring, emergency alert equipment, refrigerator, stove, oven, hood vent, cable TV access, microwave, dishwasher, and basic telephone service. In free-standing homes and cottages, where space permits, washers and dryers are provided. All other furniture, furnishings, decorations, and other personal property will be provided by you.

**C. Maintenance and Repairs.** RW-C will maintain and keep in repair the Community's improvements, furnishings, and equipment.

**D. Groundskeeping.** RW-C will furnish basic groundskeeping service, including lawn, tree, and shrubbery care. You may plant and maintain certain areas designated for such purposes by RW-C.

**E. Meals.** RW-C will make available to Residents three (3) nutritionally well-balanced meals each day. The cost of one (1) meal each day will be included in the Monthly Fee.

RW-C will make optional meal plans available for you at rates then in effect. Guest meals and any meals taken by you beyond the meal plans will be paid for by you.

When you give notice that you are going to be away from the Community for more than seven (7) consecutive days, you may be credited for the missed meals, according to the schedule then in effect. Otherwise, credit will not be given for meals not taken.

**F. Special Diets and Tray Service.** Special diets and tray service to the Residence will be provided during temporary illness or upon request by you, upon approval of authorized RW-C staff, at rates then in effect.

**G. Common Areas and Amenities.** RW-C will provide common areas and amenities for the use and enjoyment by you and all Residents such as central dining area(s), multi-purpose room/auditorium, health and wellness facility, arts and crafts room, computer room, den/lounge, guest accommodations, lobbies, a living room, card room, library, exercise room, bank, chapel, indoor and heated swimming pool, fishing lake, gazebo, gardening plots, exercise trails, woodland paths, biking roads, bird sanctuary, covered walkways, beauty/barber shop, laundries, clinic,

and on-site Health Center with nursing care and assisted living care, and other common areas and amenities.

- H. **Parking**. RW-C will provide lighted and well-maintained parking areas for your personal vehicle and parking for guests.
- I. **Utilities**. RW-C will provide utilities including water, electricity, heating, air-conditioning, sewerage, trash removal, municipal services, basic telephone service, basic cable television service access, and high-speed internet access, to the extent such utilities are available to RW-C. If expansions or appliances which generate increased demand on energy are used by the Resident, there may be an additional charge. You are responsible for charges for long distance telephone service, upgraded cable television services, and propane or LP gas, where applicable.
- J. **Laundry**. RW-C will provide washers and dryers for Resident laundry needs. You provide your own linens. Laundry service is available for an additional charge.
- K. **Housekeeping**. RW-C will maintain the Residence by providing housekeeping services including vacuum cleaning, dusting, cleaning of baths and kitchens on a weekly basis. The cost of weekly housekeeping will be included in the monthly fee. Other services such as window cleaning and other heavier housekeeping services are provided on a scheduled basis. An additional charge may apply to special or non-routine services. You agree to keep your residence clean and orderly and to perform usual day-to-day housekeeping tasks.
- L. **Mail**. A mailbox for each Residence will be provided in a central location.
- M. **Guests, Access, and Use by Non-Resident**. You will be free to invite guests to your Residence for daily and overnight visits. Based on availability, guest accommodations will be offered by RW-C at a reasonable rate for occasional overnight stays by your guests. You may purchase meals for your guests at prevailing guest meal rates. RW-C reserves the right to make rules regarding visits and guest behavior and may limit or terminate a visit at any time for reasons it deems appropriate. In general, the services of RW-C are intended for the use of Residents, not for non-residents.
- N. **Security**. RW-C will use reasonable care in providing security on the premises for you and your property, but RW-C will not be responsible for loss or damage to personal property. You will have the responsibility of providing any insurance protection covering any such loss. You agree to insure against casualty, theft, cyber attack/breach and

loss of property located in your Residence and provide proof of such insurance upon request. RW-C will not be liable or responsible for any damage to or loss of any of your property by casualty, theft, or other causes.

- O. **Transportation.** RW-C will arrange local transportation for Residents on a regular, scheduled basis without additional charge. An additional charge may be made for transportation for out of area doctor and medical appointments and special, personal, or group trips.
- P. **Activities.** RW-C will provide planned and scheduled social, recreational, spiritual, educational, and cultural activities, arts and crafts, exercise and health programs, and other special activities designed to meet the needs of the Residents. Some activities may be at an additional charge.
- Q. **Health Care and Nursing Facilities and Services.** RW-C will provide the following health care and nursing facilities and services:
  - 1. **The Resident Health Clinic.** RW-C will provide a Resident Health Clinic on the premises where Residents may be examined and treated as outpatients. Residents will be charged for office visits with physicians, visits with other health professionals, and certain services at the Resident Health Clinic.
  - 2. **Temporary Care In Your Residence.** Upon the approval of RW-C's Medical Director or Administrator, RW-C's health care personnel will be available to you in your Residence for certain supportive services that do not warrant Health Center care and for emergencies at any time. RW-C may impose a charge for such services.
  - 3. **Therapies and Other Health Professionals.** RW-C may make available the services of a physical therapist, occupational therapist, speech therapist, podiatrist, or other health professionals on the premises by appointment, but you are free to engage the services of health professionals of your choice at the Community or elsewhere off the premises at your expense.
  - 4. **Nursing Care and Assisted Living Care.** RW-C will provide nursing care and assisted living care on a short-term or long-term basis in the Health Center. The Health Center has the accommodations, equipment, facilities, and staffing necessary for such levels of care under appropriate state licensing requirements.

5. **Medical Director and Administrator.** The overall coordination and supervision of the health care and nursing facilities and services are provided by a Medical Director who is a licensed physician selected by RW-C and by a licensed Administrator, who is a full-time employee of RW-C.

6. **Charges.** Charges for the use of health care and nursing facilities and services are set forth in Section II below.

7. **Personal Physician.** You may choose your own personal physician, nurse practitioner, or advanced practice provider. The Resident will be responsible for any physician, nurse practitioner, or advanced practice provider charges.

## **II. FINANCIAL ARRANGEMENTS**

A. **Entrance Fee Options.** You agree to pay to RW-C an Entrance Fee as a condition of becoming a Resident. The amount of the Entrance Fee varies in accordance with the health care benefits and amortization schedule for refunds chosen below and the amounts of the refunds which will be due upon termination as described in Section V of this Agreement. You shall choose one of the following options and amounts as to the Entrance Fee to be paid:

<u>Entrance Fee Option</u>	<u>Amount of Entrance Fee</u>
<input type="checkbox"/> I. Declining Refund Life Care Entrance Fee	\$ _____
<input type="checkbox"/> II. Refundable Continuing Care Entrance Fee	\$ _____
<input type="checkbox"/> III. 50% Refund Life Care	\$ _____
<input type="checkbox"/> IV. 365 Day Deductible Entrance Fee	\$ _____

Resident will acknowledge the preferred Entrance Fee Option by initialing the line to the left of the Entrance Fee Option above.

## **Terminology.**

The term "Life Care" generally means there is no increase in the Monthly Fee if and when the Resident is transferred to the Health Center for assisted living or nursing care, except for charges for the two (2) additional meals each day and ancillary costs. The Monthly Fee for "Life Care" is described in more detail in Section II E 1.

The term "365 Day Deductible" generally means that during the 365 Day Deductible period, the fee for the Resident in the Health Center will be increased to the then current published private pay per diem rate for the appropriate level of care. If such care is temporary, you are responsible for both the independent living unit Monthly Fee and the Per Diem Nursing or Assisted Living Care charges. The Monthly Fees are described in more detail in Section II E 3 below. After the Deductible Period is satisfied (of 365 cumulative but not necessarily consecutive days per Resident), there is no increase in the current Monthly Fee if and when the Resident is transferred to the Health Center for assisted living or nursing care, except for charges for the two (2) additional meals each day and ancillary costs.

The term "Continuing Care" generally means that the published per diem private pay rate is charged for assisted living and nursing care. If such care is temporary, you are responsible for both the independent living unit Monthly Fee as well as the per diem nursing or assisted living care charges.

The term "per diem" generally means the then current private pay daily rate in the Health Center, for either assisted living or nursing care.

The Entrance Fee is a lump sum payment and shall not be increased or changed during the duration of this Agreement, except for changes required by state or federal programs. It is expressly understood and agreed that the Entrance Fee does not include the cost of any customized modifications to the Residence as directed by the Resident.

**B. Terms of Payment of the Entrance Fee.** The terms of payment of the Entrance Fee shall be as follows:

1. Reservation Deposit. An initial Reservation Deposit of One Thousand Dollars (\$1,000.00) will have been paid upon execution of the Reservation Agreement.
2. Ten Percent (10%) Deposit. An amount equal to Ten Percent (10%) of the total Entrance Fee Option selected, less the One Thousand Dollar (\$1,000.00) Reservation Deposit or Future Residency Fee, \$ , is due and payable within ten (10) days upon your having received a letter of written notice of acceptance by the Admissions Committee and upon execution of this Agreement.
3. Ninety Percent (90%) Balance of the Entrance Fee. The balance of Ninety Percent (90%) of the total Entrance Fee for the Entrance Fee Option selected by you will be due and

payable at the earlier of the date of occupancy or within ninety (90) days of the date of the letter of written notice of acceptance by the Admission's Committee unless otherwise agreed to in writing by RW-C.

C. **Monthly Fee.** In addition to the Entrance Fee, you agree to pay a Monthly Fee during the term of this Agreement which shall be payable in advance on the first day of each month. As of the date of this Agreement, the Monthly Fee associated with the Residence is \$ \_\_\_\_\_ per month, and an additional \$ \_\_\_\_\_ per month if a second Resident occupies the Residence. The Monthly Fee may be adjusted by RW-C during the term of this Agreement as described. A monthly technology fee is also charged for each Independent Living residence and we all each Health Services bed.

You will be invoiced monthly for any services and supplies provided for you that RW-C is not obligated to provide, and those invoices are to be paid within thirty (30) days after receipt.

D. **Adjustments in the Monthly Fee.** The Monthly Fee provides for the facilities, programs, and services described in this Agreement and is intended to meet the cost of the expenses associated with the operation and management of the Community. RW-C shall have the authority to adjust the Monthly Fee during the term of this Agreement as RW-C in its discretion deems necessary in order to reflect changes in costs of providing the facilities, programs, and services, including health care services, described herein consistent with operating on a sound financial basis and maintaining the quality of services called for herein. While the fees can be adjusted at any time, such action is most likely to occur at the beginning of the fiscal year (April 1) and is based on the annual operating budget as approved by the Board of Trustees. It is anticipated that the fees will be increased annually. Any such increases in the Monthly Fee or other charges or any reductions in the scope of the services may be made by RW-C upon thirty (30) days written notice to the Resident. RW-C will make every effort to maintain fees at the lowest possible rate consistent with sound financial practice and the maintenance of the quality of services including health care services.

E. **Charges for Health Care and Nursing Facilities and Services.** The charges for the health care and nursing facilities and services vary according to the Entrance Fee Option selected and are described as follows:

- 1. Continuance of Monthly Fee for Residents Selecting Entrance Fee Options I or III.** Should a Resident who

has selected either the Declining Refund Life Care Entrance Fee, Option I, or the 50% Refund Life Care Entrance Fee, Option III, described in Section II A, need and qualify for either nursing care or assisted living care in the Health Center, the Resident will continue to be charged the amount equal to the current Monthly Fee in the Residence occupied by the Resident at the time of the transfer. In addition to the Monthly Fee, charges will be made for two (2) additional meals per day and other charges for ancillary services as more fully described in Section II E 4 below. The Monthly Fee is subject to periodic adjustments to reflect actual operating costs.

2. **Increase of the Monthly Fee for Residents Selecting Entrance Fee Option II.** Should the Resident who has selected the Refundable Continuing Care Entrance Fee Option II described in Section II A above need and qualify for either nursing care or assisted living care in the Health Center, the resident will be charged the then current published private pay rate for such care. If the Resident still has possession of the independent living unit while receiving such care, the Resident is also responsible for the then current Monthly Fee for that unit. In the case of double occupancy, if one resident resides in the independent living unit, that resident pays the single occupancy rate and the resident in nursing or assisted living care pays the full per diem charges. If both require care, both pay the per diem charges and if they still possess the independent living unit, they pay the single person Monthly Fee for it, less meal charges. If such health care is required, the Resident may choose to have payment of health care fees delayed and deducted from the Entrance Fee Refund. The Resident, however, is responsible for Health Care costs that exceed the Amount of the refund.
3. **Increase of the Monthly Fee for 365 Days for Residents Selecting Entrance Fee Option IV.** During the first 365 cumulative days (not necessarily consecutive days) in either nursing care or assisted living care in the Health Center for each Resident, the fee for the Resident in the Health Center will be increased to the then current published private-pay rate ("per diem") for such levels of care. During the 365 Day Deductible period, if one (1) Resident of a couple remains in the Residence, the Resident remaining in the Residence will pay the Monthly Fee for one (1) Resident. If both residents require care, they both pay the per diem rate and, if they still possess the Residence, they also pay the single person Monthly Fee, less meal charges, for the independent living unit. If a single

resident uses the Health Center or Assisted Living Center on a temporary basis, the resident is responsible for both the Residence Monthly Fee and the per diem health care charges.

After 365 cumulative days in the Nursing or Assisted Living Center, should the Resident who has selected the 365 Deductible Entrance Fee, Option IV, described in Section II A above, need and qualify for either nursing care or assisted living care, the Resident will be charged the amount equal to the current Monthly Fee in the Residence occupied at the time of the transfer, plus a charge for two (2) additional meals per day and other charges for ancillary services as more fully described in Section II E 4 below. The Monthly Fee is subject to periodic adjustments to reflect actual operating costs. In the case of double occupancy, the 365-day deductible applies to each person. If only one Resident has satisfied the deductible, there is no increase for use of the Health Center for that person who accumulated 365 days. If the other Resident needs use of the Health Center, he or she shall pay the then current per diem rate and the other person will pay the single person fee for the independent living unit.

**4. Additional Charges for Ancillary Health Care Services.**

Additional charges for health care services may be made by RW-C for ancillary services provided the Resident. Examples of such additional charges include but are not limited to the cost of prescription and non-prescription medications, physical therapist, occupational therapist, podiatrist, physician services, nurse practitioner charges, dental work, equipment rental or purchases, supplies, private room surcharges, memory care surcharges and other such health care services. Also, any professional services, health care related or otherwise, contracted by the Resident or on behalf of the Resident shall be billed directly to the Resident.

**5. Care in Another Facility.** Should the Resident need a level of care or health services beyond that licensed or provided by RW-C and requires transfer to another facility, all expenses which will result from such transfer, care, and services shall be borne entirely by the Resident.

**F. Subsidies and Benefits.** If the Resident qualifies for and is eligible to receive any subsidies, entitlements, or benefits from either government or private sources, the Resident agrees to apply for such and agrees to assign the benefits to RW-C.

G. **Long-Term Care Insurance.** If a Resident qualifies for and is eligible to receive any benefits from a private long-term insurance policy owned by the Resident, the Resident may receive such benefits or use such benefits to pay RW-C any fees or charges owed RW-C by the Resident.

H. **Financial Assistance.** RW-C does provide financial assistance to Residents who are in need of such assistance and under certain conditions and under certain policies and procedures established by the Board of Trustees to the extent funds are available for such assistance. Should financial assistance be needed by the Resident, the Resident will provide notice to RW-C. Any financial assistance provided to the Resident would be made under a separate Agreement.

### **III. TERMS OF RESIDENCY**

A. **Policies and Procedures.** You agree to abide by the reasonable policies and procedures of RW-C and the reasonable changes to those rules, which may be adopted later.

B. **Property Rights.** You understand and agree that this is an agreement primarily for services. Though you are granted a right of occupancy, this agreement is not a lease and you will have no title to any of the real or personal property of RW-C. Your rights under this Agreement are personal, and may not be assigned, transferred, inherited, or devised. Any rights, privileges, benefits, or interests created by or under this Agreement shall be subordinated to any mortgage, deed or trust, or other security interest created on any of the premises or interests in real estate of RW-C and to all amendments, modifications, replacements, or refunding thereof.

C. **Right of Entry.** Authorized employees shall be permitted into your Residence at all reasonable times for inspection, housekeeping, and maintenance, and at any time in case of emergencies.

D. **Changes in the Residence.** RW-C has the right to change the Residence to meet requirements of any applicable statutes, law, or regulation. The Residence may not be used in any manner in violation of any zoning ordinances or other governmental law or regulation.

E. **Financial Disclosure.** RW-C will require the Resident to disclose and furnish current financial information on a periodic basis. The updated information assists with identification of the potential need for fellowship.

**F. Medicare and Other Health Insurance Requirements.** The Resident shall maintain Medicare Part A, Medicare Part B, and one supplemental health insurance policy or equivalent insurance coverage acceptable to RW-C and shall furnish RW-C with evidence of such coverage upon request.

**G. Occupancy by Two (2) Residents.** In the event that two (2) Residents occupy a Residence under the terms of this Agreement, upon the permanent transfer to nursing care or assisted living care in the Health Center or upon the death of one (1) of such Residents, or in the event of the termination of this Agreement with respect to one (1) of such Residents, the Agreement shall continue in effect as to the remaining or surviving Resident. The remaining or surviving Resident will thereafter pay the Monthly Fee associated with one (1) Resident for the Residence occupied by the Resident.

**H. Marriage During Occupancy.** If you marry someone not then an RW-C resident, during occupancy, your new spouse shall apply for admission, shall meet all entrance requirements and execute a Residence and Services Agreement with RW-C upon such terms and conditions RW-C deems appropriate under the facts and circumstances. The Agreement will call for the payment of the then current Entrance Fee for a second Resident in the Residence and the then current Monthly Fee for a second Resident.

Should the new spouse be unable to meet all entrance requirements, the new spouse may not become a resident. You would then have the option of terminating this Agreement under the terms described in Section V.

**I. Representations Made by You in Connection With Application for Residency.** The application and the statements of your finances and health history filed with RW-C are incorporated into this agreement and all statements therein are deemed to be true as a basis for admission to RW-C. You agree to notify RW-C of any material changes in the information provided.

**J. Durable General Power of Attorney and Will.** The Resident agrees to execute and provide RW-C a copy of a durable general power of attorney, valid under Virginia law, designating some competent person or institution as attorney-in-fact. The Resident agrees to execute a will.

**K. Residents' Association.** All residents of RW-C are members of the Residents' Association. The administration of RW-C will confer regularly with representatives of the Association about matters of concern to residents.

#### **IV. TRANSFERS OR CHANGES IN LEVELS OF CARE**

**A. Transfer to Assisted Living Care or Nursing Care.** The Resident agrees that RW-C shall have authority to determine that the Resident should be transferred from the Residence to Assisted Living or Nursing Care in the Health Center, or from one level of care to another level of care. Such determination shall be based on the professional opinion of the Administrator or the Medical Director of RW-C and shall be made only after consultation to the extent practical with the Resident, a representative of the Resident's family, and the Resident's attending physician.

**B. Transfer to Hospital or Other Public or Private Facility.** If it is determined by RW-C that the Resident needs care beyond that which can be provided by RW-C, the Resident may be transferred to a hospital, center, or institution equipped to give such care. The cost of care will be borne by the Resident. Such transfer of the Resident will be made only after consultation to the extent possible with the Resident, or a representative of the Resident's family, and the Resident's attending physician. If such transfer is determined by RW-C to be permanent, RW-C may negate or rescind any contractual obligations pursuant to this agreement.

**C. Surrender of Residence.** If a determination is made by RW-C that any transfer described in this Section IV is not temporary in nature, the Resident agrees to surrender the Residence or any other accommodation in the Community occupied by the Resident prior to such transfer.

#### **V. TERMINATION AND REFUND PROVISIONS**

**A. Right of Rescission and Seven (7) Day Rescission Period.** This Agreement may be rescinded by the Resident by giving written notice of such Rescission to RW-C within seven (7) days following the date of execution of this Agreement by all parties. In the event of such Rescission, the Resident shall receive a full refund of the Entrance Fee or portion thereof paid by the Resident. Such refund shall be paid by RW-C within sixty (60) days following the receipt of written notification of such termination. The Resident shall not be required to take occupancy of the Residence prior to the expiration of the Seven (7) Day Rescission Period.

**B. Termination by Resident After the Rescission Period but Prior to Occupancy.** This Agreement may be terminated by the Resident for any reason after the Seven (7) Day Rescission Period but prior to occupancy by giving written notice to RW-C. If the Resident should die prior to occupancy or be

precluded through illness, injury or incapacity from occupancy, this Agreement is automatically rescinded. In the event of such termination, the Resident or their legal representative shall receive a full refund of the Entrance Fee or portion thereof paid by the Resident. Any such refund shall be paid by RW-C within sixty (60) days following receipt of written notification of such termination.

C. **Voluntary Termination After Occupancy By The Resident or Upon Death.** At any time after occupancy, the Resident may voluntarily terminate this Agreement by giving written notice of such termination. This Agreement will terminate upon death of the Resident. If two (2) Residents occupy the Residence, this Agreement shall terminate upon the death of both Residents. In no event will any resident receive a refund of the Monthly Fee paid to RW-C, and the Entrance Fee refund will not exceed ninety-six percent (96%) of the Entrance Fee paid.

If the Resident has selected the Declining Refund Life Care Entrance Fee (Option I), or The 365 Day Deductible Entrance Fee (Option IV), the Resident shall receive a refund in an amount equal to the Entrance Fee as described in Section II A, less an Administrative Fee equal to four percent (4%) of the Entrance Fee. The Administrative Fee is non-refundable and is recognized by RW-C upon execution of the Residence & Services Agreement. After deducting the Administrative Fee, which is four percent (4%) of the Entrance Fee, the remaining Entrance Fee shall be amortized by two percent (2%) for each full or partial month of occupancy; provided, however, in no event will the Entrance Fee refund exceed ninety-six percent (96%) of the Entrance Fee paid. No refund will be due after forty-nine (49) full or partial months of occupancy.

If the Resident has selected the Refundable Continuing Care Entrance Fee (Option II), or the 50% Refund Life Care Entrance Fee (Option III), the Resident shall receive a refund in the amount of the Entrance Fee described in Section II A, less an Administrative Fee equal to four percent (4%) of the Entrance Fee. The Administrative Fee is non-refundable and is recognized by RW-C upon execution of the Residence & Services Agreement. After deducting the Administrative Fee, which is four percent (4%) of the Entrance Fee, the remaining Entrance Fee shall be amortized by two percent (2%) for each month of occupancy or any portion of the month for up to twenty-five (25) months. The Entrance Fee refund will be a guaranteed minimum of fifty percent (50%) of the Entrance Fee paid, except in the case of Entrance Fee Option II if assisted living or nursing care has been charged against the refund. However, in no

event will the Entrance Fee refund exceed ninety-six percent (96%) of the Entrance Fee paid.

Any Entrance Fee refund due the Resident living in independent living at the time of termination will be made at such time as the Residence shall have been reserved by a substitute resident and such substitute resident shall have paid a full Entrance Fee, or within one (1) year from the date of termination, whichever first occurs.

Any Entrance Fee refund due the Resident living in Assisted Living or Health Center at the time of termination will be made within one (1) year from the date of termination.

**D. Termination by RW-C.** RW-C may terminate this Agreement at any time for good cause. Good cause is defined as: (i) proof that the resident is a danger to himself or others; (ii) nonpayment by the resident of a monthly or periodic fee; (iii) repeated conduct by the resident that interferes with other residents' quiet enjoyment of the facility; (iv) persistent refusal to comply with reasonable written rules and regulations of the facility; (v) a material misrepresentation made intentionally or recklessly by the resident in his application for residency, or related materials, regarding information which, if accurately provided, would have resulted in either a failure of the resident to qualify for residency or a material increase in the cost of providing to the resident the care and services provided under the contract; or (vi) material breach by the resident of the terms and conditions of the continuing care contract. In the event of termination of any of such causes, the refund of the Entrance Fee paid by the Resident shall be determined in the same manner described in Section V C above. RW-C shall give the Resident reasonable notice of the termination date in writing and a determination that the continued occupancy presents a threat to the safety of others or themselves shall be a factor in determining the reasonableness of that notice.

**E. Right of RW-C to Rescind Contract.** RW-C has the right to rescind this contract if a resident dies before occupying the facility, or is precluded through illness, injury or incapacity from becoming a resident under the terms of the continuing care contract, the contract is automatically rescinded and the resident or his legal representative shall receive a full refund of all money paid to the provider, except those costs specifically incurred by the provider at the request of the resident and set forth in writing in a separate addendum, signed by both parties to the contract.

**F. Condition of Residence.** At the effective date of termination of this Agreement, the Resident shall vacate

the Residence and shall leave it in good condition except for normal wear and tear. The Resident shall be liable to RW-C for any cost incurred in restoring the Residence to good condition except for normal wear and tear.

**G. Removal of Property.** The Resident agrees to the removal of any personal property from the Residence or room within ten (10) days after termination of the Agreement or permanent transfer. After ten (10) days, RW-C will have the right, if needed, to store such property at the expense of the Resident or Resident's estate.

## **VI. GENERAL**

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

**B. Management of RW-C.** The absolute rights of management are reserved by RW-C, its Board of Trustees, and its administrators as delegated by said Board of Trustees.

**C. Entire Agreement.** This Agreement has precedence over description of services in promotional materials or in presentations and constitutes the entire agreement between RW-C and the Resident. RW-C shall not be liable or bound in any manner by any statements, representations, or promises made by any person representing or assuming to represent RW-C, unless such statements, representations, or promises are set forth in this Agreement.

**D. Waiver.** In the event that RW-C does not, in any one or more instances, insist upon your strict performance, observance or compliance with any of the terms or provisions of this agreement, or if RW-C waives a breach by you of this agreement, it shall not be construed to be a waiver of our right to insist upon your strict compliance with all other terms and provisions of this agreement.

**E. Waiver of Liability.** You hereby release RW-C and its Trustees, officers, and employees from liability for your death, injury to your person or to your property caused by fire, theft, assault, cyber attack/breach or other cause beyond the control of RW-C, and from any liability resulting from the negligence or wrongful actions of other residents or their guests; and you hereby waive any claim that you or your estate may have against RW-C therefrom.

**F. Successors and Assigns.** Except as set forth herein, this Agreement shall bind and inure to the benefit of the

successors and assigns of RW-C and the heirs, executors, administrators, and assigns of the Resident.

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

H. **Affiliation with Religious Organizations.** RW-C is affiliated with the Episcopal Diocese of Virginia and the Mid-Atlantic Synod of the Presbyterian Church, USA; however, such organizations have no responsibility for any of the obligations of RW-C under this Agreement.

I. **Governing Law.** This Agreement shall be governed by the laws of the Commonwealth of Virginia.

## VII. EXCEPTIONS OR SPECIAL TERMS

IN WITNESS WHEREOF, RW-C and the Resident have executed this Agreement and the applicable Ten Percent (10%) Deposit has been paid as of the day and year first above written.

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Witness

---

Resident

---

Witness

---

Resident

---

Current Address (Number and Street)

---

City, State, Zip Code

---

Telephone

---

Date

RAPPAHANNOCK WESTMINSTER-CANTERBURY, INC.

---

Signature

**RAPPAHANNOCK WESTMINSTER  
CANTERBURY, INC.**

**FINANCIAL STATEMENTS**

**YEARS ENDED MARCH 31, 2024 AND 2023**



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**RAPPAHANNOCK WESTMINSTER CANTERBURY, INC.**  
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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Rappahannock Westminster Canterbury, Inc.  
Irvington, Virginia

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying balance sheets of Rappahannock Westminster Canterbury, Inc. as of March 31, 2024 and 2023, and the related statements of operations and changes in net assets (deficit) without donor restrictions, changes in net assets (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rappahannock Westminster Canterbury, Inc. as of March 31, 2024 and 2023, and the results of its operations, changes in net assets (deficit), and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Rappahannock Westminster Canterbury, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Rappahannock Westminster Canterbury, Inc.'s ability to continue as a going concern for one year after the date the financial statements are available to be issued.

***Auditors' Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Rappahannock Westminster Canterbury, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Rappahannock Westminster Canterbury, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Charlotte, North Carolina  
June 25, 2024

**RAPPAHANNOCK WESTMINSTER CANTERBURY, INC.**  
**BALANCE SHEETS**  
**MARCH 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 1,495,580	\$ 1,766,823
Investments	4,703,800	4,044,390
 Accounts Receivable	669,581	320,029
Less: Allowance for Credit Losses	(35,000)	(10,000)
 Accounts Receivable, Net	<u>634,581</u>	<u>310,029</u>
 Other Receivable	174,877	-
Due from Rappahannock Westminster-Canterbury		
Foundation	11,871	22,255
Inventory	-	258,319
Prepaid Expenses	29,558	86,470
 Total Current Assets	<u>7,050,267</u>	<u>6,488,286</u>
<b>ASSETS LIMITED AS TO USE</b>	293,191	200,639
<b>OTHER ASSETS</b>	199,586	162,691
<b>PROPERTY, PLANT, AND EQUIPMENT, NET</b>	24,837,719	26,066,169
<b>BENEFICIAL INTEREST IN NET ASSETS OF RAPPAHANNOCK</b>		
<b>WESTMINSTER-CANTERBURY FOUNDATION</b>	<u>11,065,005</u>	<u>9,707,721</u>
<b>Total Assets</b>	<u><u>\$ 43,445,768</u></u>	<u><u>\$ 42,625,506</u></u>

*See accompanying Notes to Financial Statements.*

**RAPPAHANNOCK WESTMINSTER CANTERBURY, INC.**  
**BALANCE SHEETS (CONTINUED)**  
**MARCH 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b>LIABILITIES AND NET ASSETS (DEFICIT)</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 523,546	\$ 376,237
Accrued Compensation and Employee Benefits	1,043,352	1,003,557
Interest Payable	17,091	18,887
Entrance Fee Refund Payable	240,977	158,084
Accrued Health Insurance Expense	51,923	67,249
Advance Fee Deposits	481,855	152,374
Current Portion of Long-Term Debt	586,765	577,668
Total Current Liabilities	<u>2,945,509</u>	<u>2,354,056</u>
<b>ADVANCE FEES</b>		
Refundable Advance Fee Liability	2,723,146	2,864,934
Deferred Revenue from Advance Fees	<u>30,223,675</u>	<u>31,077,921</u>
Total Advance Fees	<u>32,946,821</u>	<u>33,942,855</u>
<b>LONG-TERM DEBT, LESS CURRENT PORTION</b>	<u>5,683,923</u>	<u>6,244,754</u>
Total Liabilities	41,576,253	42,541,665
<b>NET ASSETS (DEFICIT)</b>		
Net Assets (Deficit) Without Donor Restrictions	32,892	(1,765,733)
Net Assets With Donor Restrictions	<u>1,836,623</u>	<u>1,849,574</u>
Total Net Assets	<u>1,869,515</u>	<u>83,841</u>
Total Liabilities and Net Assets	<u>\$ 43,445,768</u>	<u>\$ 42,625,506</u>

*See accompanying Notes to Financial Statements.*

**RAPPAHANNOCK WESTMINSTER CANTERBURY, INC.**  
**STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT)**  
**WITHOUT DONOR RESTRICTIONS**  
**YEARS ENDED MARCH 31, 2024 AND 2023**

	<b>2024</b>	<b>2023</b>
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>		
Residential Services, Including Amortization of Deferred Revenue from Advance Fees of \$4,752,064 in 2024 and \$4,939,389 in 2023	\$ 15,001,834	\$ 14,702,842
Health Care Services	5,127,785	4,697,886
Home Care Services	1,902,005	1,426,010
Other	763,487	960,632
Total Residential, Health Care, and Home Care Services Revenue	22,795,111	21,787,370
Investment Income	248,344	182,319
COVID-19 Relief Revenue	-	19,641
Total Revenues, Gains, and Other Support	23,043,455	21,989,330
<b>EXPENSES</b>		
Administrative	2,946,046	2,524,735
Marketing	460,082	472,719
Building and Grounds	2,939,817	2,797,207
Housekeeping and Laundry	1,213,085	1,134,580
Health Center	3,729,028	3,805,853
Home Services	2,072,640	1,908,265
Assisted Living	2,394,319	1,755,269
Resident Clinic	535,811	568,975
Resident Services	741,048	752,310
Food Services	3,002,082	2,876,244
Interest Expense	318,726	455,215
Depreciation	2,986,491	2,980,441
Total Expenses	23,339,175	22,031,813
<b>OPERATING LOSS</b>	(295,720)	(42,483)
<b>NONOPERATING INCOME (LOSS)</b>		
Increase in Beneficial Interest in Net Assets of Rappahannock Westminster-Canterbury Foundation	1,370,235	34,847
Unrealized Gains (Losses) on Investments	430,466	(750,559)
Total Nonoperating Income (Loss)	1,800,701	(715,712)
<b>EXCESS (DEFICIT) OF REVENUES, GAINS, AND OTHER SUPPORT OVER (UNDER) EXPENSES</b>	1,504,981	(758,195)
<b>OTHER CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
Net Assets Released and Transferred from Rappahannock Westminster-Canterbury Foundation for Purchases of Property and Equipment	293,644	1,000,000
<b>INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<u>\$ 1,798,625</u>	<u>\$ 241,805</u>

See accompanying Notes to Financial Statements.

**RAPPAHANNOCK WESTMINSTER CANTERBURY, INC.**  
**STATEMENTS OF CHANGES IN NET ASSETS (DEFICIT)**  
**YEARS ENDED MARCH 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
Increase in Net Assets Without Donor Restrictions	\$ 1,798,625	\$ 241,805
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>		
Decrease in Beneficial Interest in Net Assets of Rappahannock Westminster-Canterbury Foundation	<u>(12,951)</u>	<u>(1,116,402)</u>
<b>CHANGES IN NET ASSETS (DEFICIT)</b>	1,785,674	(874,597)
Net Assets (Deficit) - Beginning of Year	<u>83,841</u>	<u>958,438</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 1,869,515</u></u>	<u><u>\$ 83,841</u></u>

*See accompanying Notes to Financial Statements.*

**RAPPAHANNOCK WESTMINSTER CANTERBURY, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED MARCH 31, 2024 AND 2023**

	<b>2024</b>	<b>2023</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in Net Assets	\$ 1,785,674	\$ (874,597)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Amortization of Deferred Revenue from Advance Fees	(4,752,064)	(4,939,389)
Depreciation	2,986,491	2,980,441
Amortization of Bond Issuance Costs	14,383	68,037
Expected Credit Loss	2,066	12,237
Net Unrealized (Gains) Losses on Investments	(430,466)	750,559
Proceeds from Nonrefundable Advance Fees	4,252,152	5,150,185
Change in Advance Fees Deposits	329,481	(845)
(AIncrease) Decrease in Beneficial Interest in Net Assets of Rappahannock Westminster-Canterbury Foundation, Including Net Assets With Donor Restrictions	(1,357,284)	1,081,555
Loss on Sale of Property, Plant, and Equipment	11,723	2,400
Provision for Credit Losses	25,000	-
Changes in Operating Assets and Operating Liabilities:		
Accounts Receivable	(351,618)	112,131
Other Receivable	(174,877)	11,628
Inventory	258,319	(41,840)
Prepaid Assets	56,912	8,599
Other Assets	(36,895)	35,019
Receivable from Rappahannock Westminster-Canterbury Foundation	10,384	13,552
Accounts Payable and Accrued Expenses	108,427	(170,978)
Accrued Compensation and Employee Benefits	39,795	(65,141)
Health Insurance Payable	(15,326)	7,209
Interest Payable	(1,796)	(13,671)
Deferred Revenue - Provider Relief Funding	-	(19,641)
Net Cash Provided by Operating Activities	<u>2,760,481</u>	<u>4,107,450</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of Property, Plant, and Equipment, Net	(1,730,882)	(1,860,273)
Sales of Investments	4,116,094	6,167,402
Purchases of Investments	<u>(4,345,038)</u>	<u>(4,345,038)</u>
Net Cash Used by Investing Activities	<u>(1,959,826)</u>	<u>(37,909)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Refunds from Advance Fees	(413,229)	(480,679)
Principal Payments of Long-Term Debt	(566,117)	(862,615)
Early Redemption of Long-Term Debt	-	(5,166,587)
Decrease in Bond Issuance Costs	-	(29,586)
Net Cash Used by Financing Activities	<u>(979,346)</u>	<u>(6,539,467)</u>
<b>NET DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>		
	(178,691)	(2,469,926)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	<u>1,967,462</u>	<u>4,437,388</u>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR</b>	<u><u>\$ 1,788,771</u></u>	<u><u>\$ 1,967,462</u></u>

See accompanying Notes to Financial Statements.

**RAPPAHANNOCK WESTMINSTER CANTERBURY, INC.**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**YEARS ENDED MARCH 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
Cash and Cash Equivalents	\$ 1,495,580	\$ 1,766,823
Assets Limited to Use	<u>293,191</u>	<u>200,639</u>
Total Cash, Cash Equivalents, and Restricted Cash	<u>\$ 1,788,771</u>	<u>\$ 1,967,462</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash Paid for Interest, Net of Amounts Capitalized	<u>\$ 306,139</u>	<u>\$ 400,849</u>
Fixed Asset Additions Included in Accounts Payable	<u>\$ 58,096</u>	<u>\$ 19,214</u>

*See accompanying Notes to Financial Statements.*

**RAPPAHANNOCK WESTMINSTER CANTERBURY, INC.  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2024 AND 2023**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Rappahannock Westminster Canterbury, Inc. (RW-C) was organized as a nonprofit corporation under the direction of Virginia Diocesan Homes, Inc., of the Protestant Episcopal Church of the Diocese of Virginia and Westminster Presbyterian Homes, Incorporated, of the Synod of the Mid-Atlantic of the Presbyterian Church in the United States for the purpose of establishing, operating, and managing a 159-unit residential life care facility, a 42-bed nursing care facility, and a 38-unit assisted living facility for the aged in Lancaster County, Virginia. During the year ended March 31, 2023, RW-C opened its memory care unit, which added an additional eight licensed beds to its assisted living facility.

RW-C operates under a concept in which residents enter into a residency agreement which requires payment of a one-time advance fee and monthly maintenance fees. These payments entitle residents to the use and privileges of RW-C for life, including the right to occupy designated residential units and to receive certain health care services. The residency agreement does not entitle the residents to an interest in the real estate or other property owned by RW-C.

Rappahannock Westminster-Canterbury Foundation (the Foundation) operates exclusively for the benefit of RW-C and to foster its operations and functions. The Foundation raises funds through solicitation and various fundraising events to provide financial assistance to qualified residents at RW-C.

**Mission Statement**

The mission of RW-C is to operate a church-related, continuing care retirement community committed to providing the highest quality living experience for senior adults.

**Use of Estimates**

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

**Cash Equivalents**

RW-C considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**Accounts Receivable and Allowance for Credit Losses**

RW-C provides an allowance for credit losses using management's judgment. Residents are not required to provide collateral for services rendered. Payment for services is required upon receipt of invoice or claim submitted. Accounts past due are individually analyzed for collectability. In addition, an allowance is estimated for other accounts based on any changes in circumstance that would impact collectability, adjusted for management's expectation about current and future economic conditions. Amounts for which no payments are expected after collection efforts have been exhausted are written off. At March 31, 2024 and 2023, the allowance for credit losses was \$35,000 and \$10,000, respectively.

**RAPPAHANNOCK WESTMINSTER CANTERBURY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2024 AND 2023**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Assets Limited as to Use**

Assets limited as to use include resources restricted under residency agreements. Assets limited as to use are carried at fair market value.

**Inventories**

Inventories are valued at the net realizable value. During the year ended March 31, 2024, RWC reviewed the nature of its inventory items and determined the items are mostly consumed or used during the year. These items were expensed during the year ended March 31, 2024.

**Investments**

Investments, including funds held by the trustee, are carried at fair value. The fair value of marketable equity securities, bonds, and other investments is based on quoted market prices, if available, or estimated using quoted market prices for similar securities. Realized gains and losses on the sale of investments are determined based on the cost of the specific investment sold and are reported as unrestricted gains or losses. RW-C classifies its investments as trading securities and accordingly has included unrealized gains and losses on investments as nonoperating income within the excess of revenues, gains, and other support over expenses.

**Property, Plant, and Equipment**

Property, plant, and equipment are stated on the basis of cost. Donated assets are recorded at fair market value at the date of contribution. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 20 to 40 years for buildings and improvements and 3 to 20 years for furniture, machinery, equipment, and vehicles. Capital expenditures greater than \$750 are capitalized and depreciated over the life of the asset. The cost of maintenance and repairs is charged against operations when incurred, whereas significant renewals or betterments are capitalized.

**Deferred Financing Costs**

Financing costs incurred in connection with the issuance of long-term debt are deferred and amortized using the effective interest method over the term of the related indebtedness.

**Advance Fees**

Deferred revenue from advance fees represents the nonrefundable fees received at the time a resident is admitted to the community. The fees are amortized using the straight-line method over the estimated life expectancy of each resident or couple, adjusted annually. No amortization is recorded on the refundable portion of advance fees.

**Advertising Costs**

Advertising costs are charged to operations as incurred. Advertising costs were approximately \$259,000 and \$265,000 during 2024 and 2023, respectively.

**RAPPAHANNOCK WESTMINSTER CANTERBURY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2024 AND 2023**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Obligation to Provide Future Services**

RW-C annually calculates the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from advance fees. If the present value of the net cost of future services and the use of facilities exceeds the deferred revenue from advance fees, a liability is recorded with the corresponding charge to income (obligation to provide future services). The obligation is discounted at a rate between 2% and 5%, based on the expected long-term rate of return on government obligations. At March 31, 2024 and 2023, there was no outstanding obligation to provide future services.

**Net Assets**

RW-C classifies its funds for accounting and reporting purposes using the following two classes: without donor restrictions and with donor restrictions. Net assets without donor restrictions include resources of RW-C that are not restricted by donors as to use or purpose, and amounts generated from operations. Net assets with donor restrictions that are purpose restricted are those held by the Foundation whose use has been limited by donors to a specific time period or purpose. Net assets with donor restrictions that are perpetual in nature are those held by the Foundation that carry donor-imposed restrictions that stipulate that donated assets be maintained in perpetuity, but permit the Foundation to use or expend the income derived from the donated assets.

**Fellowship Assistance**

RW-C has a fellowship assistance policy to identify current and prospective residents who are unable to pay and uses certain funds designated for benevolent assistance to subsidize the charges for entrance fees and/or monthly fees provided to those residents. Such residents are identified based on financial information obtained from the resident and subsequent review and analysis. Since RW-C does not charge the residents for services provided, estimated charges for benevolent assistance are not included in revenue.

RW-C has estimated its direct and indirect costs of providing benevolent assistance under its fellowship assistance policy. In order to estimate the cost of providing such care, management compares total operating costs to total operating revenues. This ratio is then applied to charges forgone related to benevolent care provided to estimate the costs of providing benevolent care for RW-C. Using this methodology, RW-C has estimated the costs for services under RW-C's benevolent assistance policy to be approximately \$147,000 and \$168,000 for the years ended March 31, 2024 and 2023, respectively.

The Foundation received approximately \$216,000 and \$182,000 to subsidize the costs of providing fellowship assistance under its fellowship assistance policy for the years ended March 31, 2024 and 2023, respectively.

**RAPPAHANNOCK WESTMINSTER CANTERBURY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2024 AND 2023**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Residential, Health Care and Home Care Services Revenue**

RW-C has agreements with third-party payors that provide for payments at amounts different from its established rates. Residential, health care, and home care services revenue are reported at the amount expected to be entitled to from residents, third-party payors, and others for services rendered.

**Contribution Revenue**

Contributions received are recorded as net assets with or without donor restrictions depending on the existence and/or nature of any donor restriction. Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, which is then treated as cost. The gifts are reported as either purpose or perpetually restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of operations and changes in net assets (deficit) without donor restrictions as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as contributions without donor restrictions in the accompanying financial statements.

**Operating Indicator**

RW-C's operations include all revenue, gains, expenses, and losses without donor restrictions for the reporting period related to RW-C's mission except for contributions for the acquisition of plant, property, and equipment, which are reported as other changes in net assets without donor restrictions.

Other activities not related to RW-C's mission are considered to be nonoperating. Nonoperating income (loss) includes unrealized gains and losses on investments and changes in the beneficial interest in the net assets of Rappahannock Westminster-Canterbury Foundation.

**Income Taxes**

RW-C is a tax-exempt organization as defined in Section 501(c)(3) of the Internal Revenue Code.

RW-C's income tax returns are subject to review and examination by federal and state authorities. RW-C is not aware of any activities that would jeopardize its tax-exempt status or any activities that are subject to tax on unrelated business income, excise, or other taxes.

RW-C follows the income tax standard for uncertain tax positions. This standard clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. This standard prescribes recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized. This standard had no impact on RW-C's financial statements for the years ended March 31, 2024 and 2023.

**RAPPAHANNOCK WESTMINSTER CANTERBURY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2024 AND 2023**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Professional Liability Insurance**

RW-C's professional liability insurance coverage is on the claims-made basis.

**Fair Value of Financial Instruments**

Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. RW-C emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

*Level 1* – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that RW-C has the ability to access.

*Level 2* – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

*Level 3* – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions. Securities valued using Level 1 inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets. RW-C did not have any assets or liabilities that are valued using Level 2 inputs. Assets valued using Level 3 inputs includes RW-C's beneficial interest in the net assets of the Foundation.

**RAPPAHANNOCK WESTMINSTER CANTERBURY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2024 AND 2023**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Fair Value of Financial Instruments (Continued)**

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. RW-C adopted the policy to value certain financial instruments at fair value; however, RW-C has not elected to measure any existing financial instruments at fair value. RW-C may elect to measure newly acquired financial instruments at fair value in the future.

**Adoption of New Accounting Standards**

RW-C has adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses. RW-C adopted this new guidance utilizing the modified retrospective transition method. The adoption of this standard did not have a material impact on RW-C's financial statements but did change how the allowance for credit losses is determined.

**Subsequent Events**

In preparing these financial statements, RW-C has evaluated events and transactions for potential recognition or disclosure through June 25, 2024, the date the financial statements were available to be issued.

**NOTE 2 ASSETS LIMITED AS TO USE**

Assets limited as to use at March 31 are summarized as follows:

	2024	2023
Externally Restricted under Residency Agreements		
Cash and Cash Equivalents	<u>\$ 293,191</u>	<u>\$ 200,639</u>

**NOTE 3 INVESTMENTS**

Investments at March 31 are summarized as follows:

	2024		2023	
	Fair Value	Cost	Fair Value	Cost
Securities:				
U.S. Government Bonds	\$ 2,278,362	\$ 2,439,181	\$ 2,414,119	\$ 2,597,630
Common Stock	2,425,438	1,831,205	1,630,271	1,466,651
Total Investments	<u>\$ 4,703,800</u>	<u>\$ 4,270,386</u>	<u>\$ 4,044,390</u>	<u>\$ 4,064,281</u>

**RAPPAHANNOCK WESTMINSTER CANTERBURY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2024 AND 2023**

**NOTE 3 INVESTMENTS (CONTINUED)**

Investment income for assets limited as to use and investments are comprised of the following for the years ended March 31:

	<u>2024</u>	<u>2023</u>
Investment Income:		
Interest	\$ 102,225	\$ 93,999
Dividends	47,999	65,090
Realized Gains	98,120	23,230
Total Investment Income	<u>\$ 248,344</u>	<u>\$ 182,319</u>
Nonoperating Income (Loss):		
Unrealized Gains (Losses) on Investments	\$ 430,466	\$ (750,559)
Total Nonoperating Income (Loss)	<u>\$ 430,466</u>	<u>\$ (750,559)</u>

**NOTE 4 PROPERTY, PLANT, AND EQUIPMENT**

Property, plant, and equipment consists of the following at March 31:

	<u>2024</u>	<u>2023</u>
Land	\$ 731,431	\$ 731,431
Land Improvements	7,164,603	7,433,069
Buildings and Fixtures	65,375,745	65,854,211
Machinery and Equipment	10,450,516	10,493,812
Furniture and Equipment	1,449,941	1,467,078
Vehicles	385,250	325,289
Total	85,557,486	86,304,890
Less: Accumulated Depreciation	(61,167,866)	(60,293,421)
Total	24,389,620	26,011,469
Construction in Progress	448,099	54,700
Property and Equipment, Net	<u>\$ 24,837,719</u>	<u>\$ 26,066,169</u>

Depreciation expense was approximately \$2,986,000 and \$2,980,000 for the years ended March 31, 2024 and 2023, respectively.

Construction in progress at March 31, 2024 and 2023 related to the central services and generator projects and general renovations to several cottages and apartments. RW-C has no amounts outstanding on construction project commitments at March 31, 2024 and 2023. Interest amounts of approximately \$12,000 and \$7,000 were capitalized during the years ended March 31, 2024 and 2023, respectively.

**RAPPAHANNOCK WESTMINSTER CANTERBURY, INC.**  
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**NOTE 5 LONG-TERM DEBT**

Long-term debt consists of the following at March 31:

<u>Description</u>	<u>2024</u>	<u>2023</u>
Series 2012 Residential Care Facility Mortgage Revenue Refunding Bonds:		
2012B Series, due in graduated monthly installments ranging from \$21,000 in February 2013 to \$52,765 in April 2032. Interest was paid monthly at a fixed rate of 3.45% through December 2022. Interest is paid monthly at a fixed rate of 4.38% beginning in 2023. Collateralized by substantially all assets of RW-C and guaranteed by the Foundation.	\$ 4,536,634	\$ 5,013,345
Construction loan entered into May 2016 with a maximum draw of \$2.5 million. Interest payments at an interest rate of 4% were due during the draw period which ended May 1, 2017. In May 2017, the loan was converted to a traditional loan with monthly payments of interest and principal of \$14,544 for 12 years.		
Collateralized by all assets owned by RW-C.	<u>1,795,659</u>	<u>1,885,065</u>
Total	6,332,293	6,898,410
Less: Unamortized Deferred Financing Costs	(61,605)	(75,988)
Less: Current Portion	<u>(586,765)</u>	<u>(577,668)</u>
Total Long-Term Debt	<u><u>\$ 5,683,923</u></u>	<u><u>\$ 6,244,754</u></u>

Annual principal payments due on the long-term debt are as follows:

<u>Year Ending March 31.</u>	<u>Amount</u>
2025	\$ 586,765
2026	610,074
2027	634,323
2028	659,369
2029	685,898
Thereafter	<u>3,155,864</u>
Total	<u><u>\$ 6,332,293</u></u>

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**NOTE 5 LONG-TERM DEBT (CONTINUED)**

The loan agreements relating to the Series 2012 Bonds contain certain covenants including a requirement that net revenue available for long-term debt service (as defined) be not less than 120% of maximum annual debt service (as defined) and that day's cash on hand (as defined) be not less than 120 days. At March 31, 2024, management is not aware of any instances of non-compliance with the covenant requirements under its bond agreements. During 2024 and 2023, RW-C paid approximately \$306,000 and \$401,000, respectively, for interest, net of amounts capitalized.

On December 2, 2022, RW-C entered into a line of credit with Chesapeake Bank. The agreement provides for a maximum borrowing limit of \$2,200,000 bearing an interest rate of Wall Street Journal Prime minus 0.5%, never to be less than 4.5% with principal and all accrued interest maturing on December 2, 2027. Interest is due monthly with payments commencing on January 2, 2023. The line of credit did not have an outstanding balance as of March 31, 2024 and 2023.

**NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are held by the Foundation and are restricted for the following purposes or periods as of March 31:

	<u>2024</u>	<u>2023</u>
Subject to Expenditure for Specific Purpose:		
Construction of Health/Wellness Center	\$ 29,532	\$ 32,637
Memory Support	-	124,846
Unspent Endowment Earnings		
Restricted for Building Repairs	740,341	664,192
Small House Project	-	25,884
Scholarships	172,381	120,094
Other	<u>62,526</u>	<u>50,078</u>
Total	<u>1,004,780</u>	<u>1,017,731</u>
Subject to the Organization's Spending Policy and Appropriation:		
Endowment Funds	831,843	831,843
Total Net Assets With Donor Restrictions	<u>\$ 1,836,623</u>	<u>\$ 1,849,574</u>

**RAPPAHANNOCK WESTMINSTER CANTERBURY, INC.**  
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**NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**

During the years ended March 31, 2024 and 2023, net assets were released by the Foundation from donor restrictions by incurring expenses satisfying the restricted purposes at RW-C as follows:

	<b>2024</b>	<b>2023</b>
Construction of Health/Wellness Center	\$ 4,738	\$ 7,383
Memory Support	125,658	500,000
Scholarships	7,479	21,382
Building Repairs	200,000	63,048
Small House Project	26,027	546,885
Other	23,171	4,271
<b>Total</b>	<b>\$ 387,073</b>	<b>\$ 1,142,969</b>

**Endowment Funds**

All endowment funds are held by the Foundation. At March 31, 2024 and 2023, the Foundation had approximately \$832,000 in perpetually restricted endowments. The Foundation had no board-designated endowment funds for the years ended March 31, 2024 and 2023.

**Interpretation of Relevant Law**

The Commonwealth of Virginia adopted the Virginia Prudent Management of Institutional Funds Act (the Act). The board of trustees of the Foundation has interpreted the Act as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as perpetually restricted net assets (1) the original value of gifts donated to the permanent endowment and (2) the original value of subsequent gifts to the permanent endowment.

The remaining portion of the donor-restricted Endowment Fund that is not classified in perpetually restricted net assets is classified as purpose restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed in the Act. In accordance with the Act, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted Endowment Fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policy of the Foundation

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**NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**

**Funds with Deficiencies**

It is the Foundation's policy to maintain the corpus amounts of each individual donor-restricted Endowment Fund received. If the fair value of assets associated with Individual donor-restricted Endowment Funds were to fall below the level that the donor or the Act requires the Foundation to retain as a fund of perpetual duration, in accordance with GAAP, deficiencies of this nature are reported in net assets without donor restrictions.

**Return Objectives and Risk Parameters**

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to preserve and grow capital, strive for consistent absolute returns, preserve purchasing power by striving for long-term returns which either match or exceed the set payout, fees and inflation without putting the principal value at imprudent risk, and diversify investments consistent with commonly accepted industry standard to minimize the risk of large losses.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Management targets a diversified asset allocation that meets the Foundation's long-term rate of return objectives while avoiding undue risk from imprudent concentration in any single asset class or investment vehicle.

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

The Foundation's spending policy is consistent with its objective of preservation of the fair value of the original gift of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts.

The following is the change in endowment net assets for the years ended March 31:

	2024			
	Without Donor Restrictions	Purpose Restricted	Perpetual in Nature	Total
Endowment Net Assets - Beginning of Year	\$ 761,697	\$ 664,192	\$ 831,843	\$ 2,257,732
Realized Gains and Change in Net Unrealized Gains on Investments	-	276,149	-	276,149
Total Investment Return	761,697	940,341	831,843	2,533,881
Releases from Restrictions	200,000	(200,000)	-	-
Endowment Net Assets - End of Year	<u>\$ 961,697</u>	<u>\$ 740,341</u>	<u>\$ 831,843</u>	<u>\$ 2,533,881</u>

**RAPPAHANNOCK WESTMINSTER CANTERBURY, INC.**  
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**NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**

**Spending Policy and How the Investment Objectives Relate to Spending Policy (Continued)**

	2023			
	Without Donor Restrictions	Purpose Restricted	Perpetual in Nature	Total
Endowment Net Assets - Beginning of Year	\$ 698,649	\$ 794,035	\$ 831,843	\$ 2,324,527
Realized Gains and Change in Net Unrealized Losses on Investments	-	(66,795)	-	(66,795)
Total Investment Return	698,649	727,240	831,843	2,257,732
Releases from Restrictions	63,048	(63,048)	-	-
Endowment Net Assets - End of Year	<u>\$ 761,697</u>	<u>\$ 664,192</u>	<u>\$ 831,843</u>	<u>\$ 2,257,732</u>

**NOTE 7 ADVANCE FEES AND DEPOSITS**

Under the residency agreement, a reservation fee of 10% of the advance fee is required with each reservation. The reservation fee is refundable in full if, before the occupancy date, (i) a written request is received from the applicant, (ii) the applicant is not admitted, or (iii) the applicant dies before the date of closing. Upon occupancy, reservation fees are reclassified as deferred revenue from advance fees.

The Residence and Services Agreement provides for partial refunds of the advance fee under the circumstances outlined below. Residents must make an election for one of the following four options:

1. Declining Refund Total Life Care – After the occupancy date, if the Residency Agreement is terminated for reasons other than death, all fees are refundable less the 4% administrative fee and an amount equal to 2% of such fees per month of occupancy.
2. Refundable Continuing Care – Advance fees are treated the same as 50% Refund Total Life Care; however, the residents are required to pay for any health care services.
3. 50% Refund Total Life Care – After the occupancy date, if at any time for any reason the Residency Agreement is terminated, at least 50% of the advance fee is refundable. For the first 25 months of residence, the refund deducts the 4% administrative fee and then declines at the rate of 2% per month.
4. 365-Day Deductible – Advance fees are treated the same as Declining Refund Total Life Care; however, the resident must pay for the first 365 days of health care services after which no additional fees are required.

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**NOTE 7 ADVANCE FEES AND DEPOSITS (CONTINUED)**

At March 31, 2024 and 2023, the portion of such fees subject to refund provisions amounted to approximately \$11,450,000 and \$12,187,000, respectively. Amounts expected to be refunded to current residents at March 31, 2024 and 2023, based on RW-C's experience, total approximately \$2,723,000 and \$2,865,000, respectively.

**NOTE 8 RESIDENTIAL, HEALTH CARE, AND HOME CARE SERVICES REVENUE**

Residential, health care, and home care services revenue are reported at the amount that reflects the consideration to which RW-C expects to be entitled in exchange for providing resident and patient care. These amounts are due from residents and patients. Monthly service fees paid by residents for maintenance, meals, and other services are assessed monthly and are recognized as revenue in the period services are rendered. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by RW-C. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. RW-C believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents living at RW-C receiving independent living, health care, and home care services. RW-C considers daily services provided to residents of the health center, and monthly rent charged to residents living in independent living, as a separate performance obligation measured on a monthly basis or upon move-out within the month, whichever is shorter. Nonrefundable entrance fees are considered to contain a material right associated with access to future services, which is the related performance obligation. Revenue from nonrefundable entrance fees is recognized ratably in future periods covering a resident's life expectancy using a time-based measurement similar to the output method. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to our residents and customers in a retail setting (for example, meals or guest rooms) and RW-C does not believe it is required to provide additional goods or services related to that sale.

RW-C determines the transaction price based on standard charges for goods and services provided, assistance provided to residents in accordance with RW-C's policy, and/or implicit price concessions provided to residents. RW-C determines its estimate of implicit price concessions based on its historical collection experience adjusted for management's expectations on current and future economic conditions.

**RAPPAHANNOCK WESTMINSTER CANTERBURY, INC.  
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**NOTE 8 RESIDENTIAL, HEALTH CARE, AND HOME CARE SERVICES REVENUE (CONTINUED)**

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

**Medicare**

RW-C's licensed nursing facility participates in the Medicare program. This federal program is administered by the Centers for Medicare and Medicaid Services (CMS). The nursing facility was paid under the Medicare Prospective Payment System (PPS) for residents who were Medicare Part A eligible and met the coverage guidelines for skilled nursing facility services. The PPS was a per diem price-based system. On October 1, 2019, CMS finalized the Patient Driven Payment Model (PDPM) to replace PPS. Under PDPM, therapy minutes were removed as the primary basis for payment and instead the underlying complexity and clinical needs of a patient are used as the basis for reimbursement. In addition, PDPM introduced variable adjustment factors that change reimbursement rates during the resident's length of stay. Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor; however, they do not contain a cost settlement.

Nursing facilities licensed for participation in the Medicare and Medical Assistance programs are subject to annual licensure renewal. If it is determined that a nursing facility is not in substantial compliance with the requirements of participation, CMS may impose sanctions and penalties during the period of noncompliance. Such a payment ban would have a negative impact on the revenues of the licensed nursing facility.

**Medicaid**

RW-C's licensed nursing facility participates in the Medicaid program which is administered by Virginia's Department of Medical Assistance Services (DMAS). Effective October 1, 2019, new PDPM HIPPS codes replaced RUG scores listed on each claim for determining reimbursement amounts. Annual Medicaid cost reports are required by the state of Virginia; however, they are not used to settle the costs of claims. Instead, the cost reports are used in the development of price-based rates and to monitor the adequacy of the reimbursement methodology.

**Other**

Payment agreements with certain insurance carriers provide for payment using prospectively determined daily rates.

**RAPPAHANNOCK WESTMINSTER CANTERBURY, INC.**  
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**NOTE 8 RESIDENTIAL, HEALTH CARE, AND HOME CARE SERVICES REVENUE (CONTINUED)**

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and RW-C's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in an implicit price concession impacting transaction price, were not significant in 2024 or 2023.

Generally, residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. RW-C estimates the transaction price for residents with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to resident service revenue in the period of the change. Additional revenue recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments were not considered material for the years ended March 31, 2024 and 2023. Subsequent changes that are determined to be the result of an adverse change in the resident's ability to pay are recorded as expected credit loss.

RW-C has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: payor, service line, method of payment, and timing of when revenue is recognized.

The composition of residential, health care, and home care services revenue by primary payor for the years ended March 31 are as follows:

	<b>2024</b>	<b>2023</b>
Medicare	\$ 349,228	\$ 211,952
Medicaid	19,886	270,205
Private	22,425,997	21,305,213
<b>Total</b>	<b><u>\$ 22,795,111</u></b>	<b><u>\$ 21,787,370</u></b>

Revenue from resident's deductibles and coinsurance are included in the categories presented above based on the primary payor.

**RAPPAHANNOCK WESTMINSTER CANTERBURY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 8 RESIDENTIAL, HEALTH CARE, AND HOME CARE SERVICES REVENUE (CONTINUED)**

The composition of residential, health care, and home care services revenue based on the RW-C's lines of business, method of reimbursement, and timing of revenue recognition for the years ended March 31 are as follows:

Service Lines:	2024	2023
Independent Living	\$ 10,277,503	\$ 9,791,278
Health Care	5,262,669	4,850,846
Home Care	1,916,638	1,437,520
Ancillary Income	586,237	768,337
Amortization of Advance Fees	<u>4,752,064</u>	<u>4,939,389</u>
<b>Total</b>	<b><u>\$ 22,795,111</u></b>	<b><u>\$ 21,787,370</u></b>

  

Method of Reimbursement:	2024	2023
Monthly Service Fees	\$ 13,569,657	\$ 13,041,778
Fee for Service	4,473,390	3,806,203
Amortization of Advance Fees	<u>4,752,064</u>	<u>4,939,389</u>
<b>Total</b>	<b><u>\$ 22,795,111</u></b>	<b><u>\$ 21,787,370</u></b>

The opening and closing contract balances were as follows:

	Accounts Receivable	Deferred Revenue from Advance Fees
Balance as of April 1, 2022	\$ 434,397	\$ 31,228,943
Balance as of March 31, 2023	310,029	31,077,921
<b>Balance as of March 31, 2024</b>	<b>634,581</b>	<b>30,223,675</b>

**NOTE 9 EMPLOYEE BENEFIT PLANS**

**Retirement Plan**

RW-C sponsors a contributory, defined contribution retirement plan (the Plan). For those employees who elect to participate, RW-C will provide a matching contribution equal to 50% of the voluntary contributions of each employee up to a maximum of 4%. In addition, for all employees eligible to participate, RW-C may, at its discretion, contribute an amount, determined each plan year by the Plan committee, based on the total compensation of all participants eligible to receive an allocation. Total expenses related to the Plan for the years ended March 31, 2024 and 2023 were approximately \$166,000 and \$150,000, respectively.

**Health Insurance Plan**

RW-C is self-insured for its employee health insurance plan administered by a third-party. RW-C purchases specific stop-loss protection for all claims over \$50,000 and aggregate stop-loss protection for total claims which exceed \$1,000,000. RW-C records an estimate for claims incurred but unpaid at year-end. At March 31, 2024 and 2023, the estimated health insurance liability for these claims was approximately \$52,000 and \$67,000, respectively, and is included in the accompanying balance sheets as a current liability. Claims in excess of the stop-loss are funded by insurance coverage.

**RAPPAHANNOCK WESTMINSTER CANTERBURY, INC.**  
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**NOTE 10 RAPPAHANNOCK WESTMINSTER-CANTERBURY FOUNDATION**

The Foundation and RW-C are considered financially interrelated organizations. As a result, RW-C recognizes its 100% interest in the net assets of the Foundation in the accompanying financial statements. Summarized financial information for the Foundation as of and for the years ended March 31 is set forth below:

	<u>2024</u>	<u>2023</u>
<b>Assets:</b>		
Cash and Cash Equivalents	\$ 1,019,645	\$ 1,465,726
Investments	10,057,231	8,226,944
Pledge Receivable	-	37,304
Total Assets	<u>\$ 11,076,876</u>	<u>\$ 9,729,974</u>
<b>Liabilities and Net Assets:</b>		
Payable to RW-C	\$ 11,871	\$ 22,255
Net Assets	11,065,005	9,707,719
Total Liabilities and Net Assets	<u>\$ 11,076,876</u>	<u>\$ 9,729,974</u>

Investments of the Foundation at March 31 are summarized as follows:

	2024		2023	
	Fair Value	Cost	Fair Value	Cost
Cash and Cash Equivalents	\$ 23,532	\$ 23,532	\$ 106,893	\$ 106,893
Marketable Equity				
Securities	5,366,680	2,992,395	4,338,603	2,892,559
Mutual Funds	2,322,899	2,092,762	1,871,005	1,851,238
U.S. Government				
Securities	666,149	688,218	461,888	473,934
Corporate Bonds	1,677,971	1,786,665	1,448,555	1,560,989
Total Investments	<u>\$ 10,057,231</u>	<u>\$ 7,583,572</u>	<u>\$ 8,226,944</u>	<u>\$ 6,885,613</u>

Transactions between the Foundation and RW-C consist primarily of financial assistance payments. The Foundation provides fellowships in the form of assistance with advance fees and/or monthly fees to qualifying RW-C residents. Financial assistance provided to RW-C residents for the years ended March 31, 2024 and 2023 totaled approximately \$147,000 and \$168,000, respectively. Approximately \$294,000 and \$1,000,000 was transferred from the Foundation to RW-C in the fiscal year ended March 31, 2024 and 2023, respectively, to offset costs associated with the Small House and Memory Care Support projects.

Other transactions between the Foundation and RW-C include reimbursement of administrative expenses paid by RW-C on behalf of the Foundation. RW-C provides all administrative and accounting services to the Foundation.

**RAPPAHANNOCK WESTMINSTER CANTERBURY, INC.**  
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**NOTE 11 LIQUIDITY**

RW-C invests cash in excess of short-term requirements in short-term investments. As of March 31, 2024 and 2023, RW-C had working capital of \$4,168,994 and \$4,134,230, respectively. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2024	2023
Cash and Cash Equivalents	\$ 1,495,580	\$ 1,766,823
U.S. Government Bonds	2,278,362	2,414,119
Common Stock	2,425,438	1,630,271
<b>Total</b>	<b>6,199,380</b>	<b>5,811,213</b>
Accounts Receivable, Net	634,581	310,029
Other Receivable	174,877	-
<b>Total</b>	<b>809,458</b>	<b>310,029</b>
<b>Total Financial Assets Available to Meet Liquidity Needs</b>	<b>\$ 7,008,838</b>	<b>\$ 6,121,242</b>

**NOTE 12 FAIR VALUE MEASUREMENTS**

RW-C uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how RW-C measures fair value refer to Note 1 – Organization and Summary of Significant Accounting Policies. The following tables present the fair value hierarchy for the balances of the assets of RW-C measured at fair value on a recurring basis as of March 31:

	2024			
	Level 1	Level 2	Level 3	Total
U.S. Government Bonds	\$ 2,278,362	\$ -	\$ -	\$ 2,278,362
Common Stock	2,425,438	-	-	2,425,438
Beneficial Interest in Assets of RW-C Foundation	-	-	11,065,005	11,065,005
<b>Total Assets Measured at Fair Value</b>	<b>\$ 4,703,800</b>	<b>\$ -</b>	<b>\$ 11,065,005</b>	<b>\$ 15,768,805</b>
	2023			
	Level 1	Level 2	Level 3	Total
U.S. Government Bonds	\$ 2,414,119	\$ -	\$ -	\$ 2,414,119
Common Stock	1,630,271	-	-	1,630,271
Beneficial Interest in Assets of RW-C Foundation	-	-	9,707,721	9,707,721
<b>Total Assets Measured at Fair Value</b>	<b>\$ 4,044,390</b>	<b>\$ -</b>	<b>\$ 9,707,721</b>	<b>\$ 13,752,111</b>

**RAPPAHANNOCK WESTMINSTER CANTERBURY, INC.**  
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**NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)**

The following table summarizes the valuation techniques and unobservable inputs of assets valued at Level 3:

Instrument	Fair Value		Principal Valuation Technique	Unobservable Inputs
	2024	2023		
Beneficial Interest in Net Assets of Rappahannock Westminster-Canterbury Foundation	\$ 11,065,005	\$ 9,707,721	FMV of Foundation Net Assets	Timing of Transfers

**NOTE 13 CARES ACT FUNDING**

**Provider Relief Funding**

Due to the Coronavirus pandemic, the U.S. Department of Health and Human Services (HHS) made available emergency relief grant funds to health care providers through the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) Provider Relief Funds (PRF). As of March 31, 2021, RW-C received approximately \$417,000 in PRF. No additional amounts of PRF were received during the years ended March 31, 2024 and 2023. No amounts were recognized as revenue during the year ended March 31, 2024. As of March 31, 2023, RW-C recognized approximately \$20,000 as COVID-19 Relief Revenue in the statement of operations and changes in net assets. Management believes the amounts have been recognized appropriately as of March 31, 2024 and 2023.

**NOTE 14 RELATED PARTY TRANSACTIONS**

RW-C has various deposit and investment accounts with Chesapeake Bank. During 2023, a member of the board of trustees of RW-C also served as CFO of Chesapeake Bank. At March 31, 2023, total deposits and investments held with Chesapeake Bank were approximately \$10,608,000. The individual was no longer a member of the board of trustees at March 31, 2024.

RW-C uses NWP Energy as a propane and fuel provider. During 2023, a member of the board of trustees of RW-C also served as president of NWP Energy. At March 31, 2023, total expenses with NWP Energy were approximately \$224,000. The individual was no longer a member of the board of trustees at March 31, 2024.

**RAPPAHANNOCK WESTMINSTER CANTERBURY, INC.**  
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**NOTE 15 CONCENTRATIONS OF CREDIT RISK**

RW-C places its temporary cash and investments with high credit quality financial institutions. At times, such cash and investments may be in excess of Federal Deposit Insurance Corporation (FDIC) limits. Management believes these financial institutions have strong credit ratings and that credit risk related to those deposits is minimal.

RW-C grants credit without collateral to its patients and residents or their families, some of whom are local residents and who are insured under third-party payor agreements. The mix of receivables from patients and other third-party payors was as follows:

	<b>2024</b>	<b>2023</b>
Medicare	43 %	37 %
Medicaid	-	5
Private and Other	57	58
<b>Total</b>	<b>100 %</b>	<b>100 %</b>

**NOTE 16 COMMITMENTS AND CONTINGENCIES**

RW-C is subject to legal proceedings and claims which arise in the course of providing health care services. RW-C maintains liability insurance coverage for claims made during the policy year. In management's opinion, adequate provision has been made for amounts expected to be paid under the policy's deductible limits for unasserted claims not covered by the policy and any other uninsured liability.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes RW-C is in compliance with all laws and regulations.

**RAPPAHANNOCK WESTMINSTER CANTERBURY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 17 FUNCTIONAL EXPENSES**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses are allocated based on number of meals served, pounds of laundry, number of residents served, square footage or time allocation assessments by department hours spent on each program.

Program, management and general, and fundraising expenses for the years ended March 31 are summarized as follows.

	2024						
	Program Services				Total Program Services	Management and General	Total
	Independent Living	Assisted Living	Health Center	At Home with RWC			
Salaries and Wages	\$ 2,925,204	\$ 2,973,926	\$ 3,189,031	\$ 1,577,976	\$ 10,666,137	\$ 1,397,352	\$ 12,063,489
Employee Benefits	234,383	234,046	245,877	106,491	820,797	102,951	923,748
Payroll Taxes	214,370	215,709	232,159	115,115	777,353	97,027	874,380
Utilities	682,716	90,332	51,064	178	824,290	282,507	1,106,797
Professional Services	62,227	48,434	148,350	-	259,011	95,252	354,263
Advertising and Promotion	-	-	-	-	-	259,066	259,066
Operating Supplies	796,241	468,723	578,613	641	1,844,218	48,383	1,892,601
Repairs and Maintenance	639,281	88,166	59,853	-	787,300	117,530	904,830
Travel	10,027	271	134	14,882	25,314	-	25,314
Insurance	-	-	-	-	-	405,002	405,002
Interest	218,477	28,634	15,993	-	263,104	55,622	318,726
Bank and Investment Fees	-	-	-	-	-	40,679	40,679
Depreciation	2,143,896	280,982	156,935	-	2,581,813	404,679	2,986,492
Other	421,616	92,646	115,653	19,082	648,997	534,791	1,183,788
 Total Functional Expenses	 \$ 8,348,438	 \$ 4,521,869	 \$ 4,793,662	 \$ 1,834,365	 \$ 19,498,334	 \$ 3,840,841	 \$ 23,339,175

**RAPPAHANNOCK WESTMINSTER CANTERBURY, INC.**  
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**NOTE 17 FUNCTIONAL EXPENSES (CONTINUED)**

	2023						
	Program Services				Total Program Services	Management and General	Total
	Independent Living	Assisted Living	Health Center	At Home with RWC			
Salaries and Wages	\$ 2,900,501	\$ 2,103,632	\$ 3,187,819	\$ 1,451,211	\$ 9,643,163	\$ 1,320,671	\$ 10,963,834
Employee Benefits	354,808	256,428	385,570	176,335	1,173,141	140,793	1,313,934
Payroll Taxes	212,552	153,381	233,739	108,282	707,954	90,664	798,618
Utilities	637,022	84,166	47,728	187	769,103	270,824	1,039,927
Professional Services	68,020	54,258	162,050	-	284,328	108,913	393,241
Advertising and Promotion	-	-	-	-	-	265,392	265,392
Operating Supplies	798,078	281,974	555,559	3,441	1,639,052	34,170	1,673,222
Repairs and Maintenance	531,534	72,894	54,034	-	658,462	96,490	754,952
Travel	633	240	318	21,060	22,251	26,514	48,765
Insurance	-	-	-	-	-	382,648	382,648
Interest	277,941	36,427	20,346	-	334,714	120,501	455,215
Bank and Investment Fees	-	-	-	-	-	32,725	32,725
Depreciation	2,139,553	280,412	156,617	-	2,576,582	403,859	2,980,441
Other	270,679	52,502	75,078	10,946	409,205	519,694	928,899
 Total Functional Expenses	 <u>\$ 8,191,321</u>	 <u>\$ 3,376,314</u>	 <u>\$ 4,878,858</u>	 <u>\$ 1,771,462</u>	 <u>\$ 18,217,955</u>	 <u>\$ 3,813,858</u>	 <u>\$ 22,031,813</u>



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