



2000 Cambridge Avenue, Wyomissing, PA 19610-2714
(610) 775-2300

DISCLOSURE STATEMENT

As of
June 30, 2018

Filed October 31, 2018

The Highlands at Wyomissing, a Continuing Care Retirement Community (CCRC), is owned and operated by The Highlands at Wyomissing, a Pennsylvania not-for-profit corporation

THE ISSUANCE OF A CERTIFICATE OF AUTHORITY BY THE INSURANCE DEPARTMENT OF PENNSYLVANIA DOES NOT CONSTITUTE THAT DEPARTMENT'S APPROVAL, RECOMMENDATION, OR ENDORSEMENT OF THE HIGHLANDS AT WYOMISSING, NOR IS IT EVIDENCE OF, NOR DOES IT ATTEST TO, THE ACCURACY OR COMPLETENESS OF THE INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT.

NOTICE

This Statement is provided in accordance with the provisions of The Pennsylvania Continuing Care Provider Regulation and Disclosure Act 40 P.S. Paragraph 3201 et seq. and was filed with the office of the Insurance Commissioner, Commonwealth of Pennsylvania, Office of Regulation of Companies, 1345 Strawberry Square, Harrisburg, Pennsylvania 17120 on October 31, 2018, as the annual update of the original statement filed on August 26, 1987.

TABLE OF CONTENTS

I.	Mission Statement, Vision Statement, Core Values Statement.....	1
II.	Summary of Information.....	4
III.	Directors and Officers.....	8
IV.	Facility and Services Provided.....	14
V.	Reserve Funds.....	25
VI.	Pro-Forma Statements of Operations.....	26
VII.	Notice of Right to Rescind.....	28
VIII.	Exhibits	
	A. Biographical Affidavits	
	B. Residence and Care Agreements	
	C. Report of Independent Auditors on Financial Statements	

THE HIGHLANDS AT WYOMISSING

MISSION STATEMENT

The mission of The Highlands at Wyomissing is to enrich the lives of senior adults through sponsorship of a high quality, not-for-profit continuing care retirement community.

VISION STATEMENT

Our community sets the standard of excellence in retirement living by providing exceptional quality of life, security, and value.

CORE VALUES STATEMENT

The Highlands is distinguished by the quality of life experienced by its residents. This reputation is premised on a set of values that guides the governing body and the staff in carrying out their responsibilities and is reflected in our commitment to the four tenets of the Customer Service Philosophy:

1. Safety
2. Kindness
3. Show!
4. Efficiency

The philosophy or reasoning behind our tenets is each tenet represents a discrete behavioral guideline captured in one word. The tenets are arranged in rank of order, in order of priority. The main focus is a concern of Safety for residents, employees and visitors. When staff is faced with two conflicting demands, understanding these priorities will help determine which concern takes precedence. The goal is to eliminate confusion on what should have priority when dealing with any situation that may occur.

1. Safety

- *Definition:* The state of being safe, the condition of being protected against physical, social, spiritual, financial, political, emotional, occupational, psychological, educational or other types or consequences of failure, damage, error, accidents, harm or any other event which could be considered non-desirable to residents.
- The main priority of all staff is to ensure that all Residents, staff and visitors live, work and visit an organization that places safety first and to ensure an accident-free environment. That all facilities are attractive, safe, well maintained.

- All employees work in a manner that promotes safety for both themselves and the resident by following the policies and procedures that were developed by the organization. Some of the applicable policies deal with equipment safety in all areas, universal precautions, resident care, resident transfers, safe food handling.
- Prevent slips, trips and falls – clean up spills promptly. Be prepared for emergencies and know the appropriate actions to take. Correct or report safety concerns promptly and completely. Use protective clothing, equipment and procedures as appropriate. Understand and practice safety policies and procedures.

2. Kindness

- The quality of being friendly, generous and considerate
- Kindness is more important than efficiency.
- Kindness drives resident and other customer (family, visitor, staff) satisfaction and loyalty
- Each employee is expected to smile, be polite and be engaging and should have interactions before, during and after all that we do for our customers.
- Employees are expected to acknowledge residents, guests and fellow employees with a pleasant greeting as they pass and interact with them throughout their workday.
- Properly welcome our residents and guests in a friendly manner. Being respectful starts with a smile and introducing yourself. Listen to what other people have to say. Use “Please” and “Thank You” in all conversations. Listen to concerns in ways that show you care.

3. Show!

- *Definition:* Be or Allow or Cause to be visible.
- Show is all about the 5 (five) senses – how does THAW look, smell and feel? How well does the food taste and how do things sound throughout the building?
- The appearance of our work environment and community is a direct reflection of the attitude, competence and compassion that characterize our organization. We take pride in our community and do our part to maintain a safe and pleasant environment.
- All facilities should be ready to be on display in pristine condition at any given time. All equipment maintained on a regular basis and all areas maintained by regular and specific cleaning schedules. Everyone should take pride in our community and do our part to maintain a pleasant and clean environment by picking up litter and disposing of it properly and returning equipment to its proper place.
- All employees are to follow the dress code of the organization and, if applicable, their specific department with regards to proper attire, footwear, jewelry, etc. Be neat, clean and professional in appearance. “If you don’t look good, we don’t look good.”

- Supervisors and managers are expected to ensure that their staff are following the established dress code policies.

4. Efficiency

- The ability to accomplish something with the least waste of time and effort.
- Staff members will be held accountable for accomplishing assignments and meeting established goals. Staff members are expected to consult with their supervisor when unclear about how to complete an assignment, meet a goal or handle a situation. Efficiency should not take precedence over Safety, Kindness or Show!

SUMMARY OF INFORMATION

1. The facility name and address:

The Highlands at Wyomissing
2000 Cambridge Avenue
Wyomissing, PA 19610-2714

2. The name and address of the licensed provider is the same as above.

3. The name, location, and telephone number of the person to be contacted to discuss admissions is:

Residential – Jodi A. Gibble, Director of Marketing
Healthcare – Sheila V. Prizer, RN, Health Services Liaison
The Highlands at Wyomissing
2000 Cambridge Avenue
Wyomissing, PA 19610-2714
(610) 775-2300

4. The Highlands at Wyomissing is located on approximately 113 acres on the eastern side of Cambridge Avenue in the southernmost section of the Borough of Wyomissing in Berks County, Pennsylvania. Access is from Cambridge Avenue directly opposite Logan Avenue.

The property is southwest of the city of Reading in a suburban area close to U.S. Route 222 and PA Route 724, adjoining Spring Township, Cumru Township, and Shillington Borough.

Adjoining the immediate parcel on which The Highlands at Wyomissing is built is open property, which is part of the Borough of Wyomissing's parklands.

The Highlands at Wyomissing consists of 239 residential living apartments (ranging from studio to two-bedroom deluxe), 28 two- and three-bedroom duplex villas, 15 three-bedroom with den single family homes (including the Farmstead), central activity, dining, and meeting spaces, the Fitness Center, as well as an 80-bed Medicare-certified nursing care facility (which includes 18 cognitive-care beds), and a 66-apartment personal care center. The residential living apartments and personal care residences are in two and three-floor elevator-serviced buildings. Commons and the nursing care facility are in one-story buildings. All are interconnected.

5. The Highlands at Wyomissing provides housing and continuing care services for individuals age sixty-two (62) and older. In double occupancy situations, services will be provided where one occupant is age sixty-two (62) or older and the other occupant is at least age fifty-five (55). The Highlands at Wyomissing will provide up to three (3) accommodations for contract residents who wish to have a dependent child under the age of sixty-two (62) live in their residence. A “dependent child” is an adult child, forty (40) to sixty-one (61) years of age, who requires parental support and supervision to live in a residential setting. A dependent child who qualifies is dependent due to a disability.

6. The Highlands at Wyomissing is a not-for-profit Pennsylvania corporation qualified as an organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Highlands was formed as a joint venture of **Tower Health** (formerly known as the Reading Health System, and The Lutheran Home at Topton ("**The Lutheran Home**"). Under that joint venture, both Tower Health and The Lutheran Home obtained rights to control the appointment and removal of the Board of Directors of The Highlands. The Lutheran Home ultimately became controlled by Diakon Lutheran Social Ministries ("**Diakon**"), and on July 15, 2009, Diakon relinquished all of its rights to control a portion of the Board of Directors of The Highlands. Tower Health, which provided direct debt financing and services to The Highlands, retained the sole right, pursuant to The Highlands' Articles of Incorporation and The Highlands' Bylaws, to control the appointment and removal of the members of the Board of Directors of The Highlands.

In January, 2017, The Highlands requested that Tower Health consider a transaction whereby The Highlands would be permitted to separate from and become independent of Tower Health in order to allow each organization to focus upon its respective mission and strategy. The Highlands proposed the payment of certain consideration to Tower Health (as described more fully below, the "**Purchase Price**"), to which Tower Health agreed. As a result, The Highlands made certain payments to Tower Health and has engaged in certain other related transactions (collectively, the "**Transaction**"), all as provided in the Agreement of Sale and Purchase of Controlling Interest dated June 19, 2017 (the "**Agreement**"), made by and between The Highlands and Tower Health.

The Transaction

Pursuant to the Agreement, on the Closing Date of September 29, 2017, The Highlands separated from and become independent of Tower Health, in exchange for which The Highlands paid the total Purchase Price of Seventy Million Two Hundred Sixty- Nine Thousand Three Hundred Eighty-Three and 86/100 Dollars (\$70,269,383.86), subject to adjustment pursuant to the Agreement. The Purchase Price was paid in two installments in order to comply with certain federal tax law restrictions, the first having been paid on September 29, 2017 and second paid on April 10, 2018.

In addition, as part of this Transaction, Series 2017 A and B and Series 2018 Healthcare Facilities Revenue Bonds have been issued, with proceeds loaned to The Highlands, pursuant to the Pennsylvania Economic Development Financing Law, 73 P.S. Section 371 et seq., as amended (the "**Act**") and a Trust Indenture, dated as of September 1, 2017 (the "**Bond Indenture**"), by and between the Authority and Fulton Bank, National Association, as bond trustee (the "**Bond Trustee**"). The proceeds of the Series 2017 Bonds have been loaned to The Highlands (as the "**Borrower**"), pursuant to a Loan Agreement dated as of September 1, 2017 (the "**Loan Agreement**"), by and between the Borrower and the Authority.

Purpose of the Series 2017 and Series 2018 Bonds

The Highlands has used the proceeds from the sale of the Series 2017A Bonds to (i) refinance a portion of certain outstanding indebtedness evidenced by a Promissory Note payable by The Highlands to Tower Health, dated July 15, 2009 (the "**2009 Note**"), (ii) finance a portion of the acquisition of control of the assets of The Highlands from Tower Health, (iii) fund the debt service reserve fund for the benefit of the Series 2017A Bonds, and (iv) pay the costs relating to the issuance of the Series 2017A Bonds, all as permitted by the Act.

The Highlands has used the proceeds from the sale of the Series 2017B Bonds, together with other available funds, to (i) finance a portion of the acquisition of control of the assets of The Highlands from Tower Health; (ii) fund the debt service reserve fund for the benefit of the Series 2017B Bonds; and (iii) pay the costs relating to the issuance of the Series 2017B Bonds, all as permitted by the Act.

The Highlands has used the proceeds from the sale of the Series 2018 Bonds to (i) finance the final portion of the acquisition of control of the assets of The Highlands from Tower Health; (ii) fund the debt service reserve fund for the benefit of the Series 2018 Bond; and (iii) pay the costs relating to the issuance of the Series 2018 Bonds, all as permitted by the Act.

By the terms and subject to the conditions of the Agreement, and upon Closing of the Transaction and payment of the Purchase Price, Tower Health has relinquished, terminated, assigned, transferred and conveyed to The Highlands, and The Highlands has acquired and accepted from Tower Health, any and all of the rights, title and interest of Tower Health in and to the control of The Highlands, whether by way of the appointment and removal of the members of the Board of Directors of The Highlands or otherwise and, in furtherance thereof, Tower Health has, at the Closing, fulfilled the following requirements:

- a) **The Highlands Bylaws.** Tower Health delivered a Consent and Agreement consenting to the amendment and restatement of the existing Bylaws of The Highlands in the form of The Highlands Bylaws.
- b) **The Highlands Articles of Incorporation.** Tower Health delivered a Consent and Agreement consenting to the amendment and restatement of the existing Articles of Incorporation of The Highlands in the form of The Highlands Articles of Incorporation.
- c) **Resignations.** Tower Health caused to be delivered to The Highlands the respective resignations of the directors of The Highlands' Board of Directors who also served as officers or directors of Tower Health (the "**Resignations**"). Going forward, The Highlands' Board of Directors will be self-perpetuating. The vacant director positions will thereafter be filled according to the policies and practices of The Highlands' Board of Directors.

As part of the Transaction, the Bylaws of The Highlands have been amended and restated to accomplish the changes described below in Directors and Officers. The Articles of Incorporation of The Highlands also have been amended and restated at the time of the Closing of the Transaction to eliminate any reference to Tower Health as the designated recipient of any distribution from the proceeds of any dissolution, liquidation or winding up of The Highlands.

Further, on August 16, 2017, The Highlands received a decree from the Orphans' Court Division of the Berks County, Pennsylvania Court of Common Pleas that the Transaction does not constitute or result in a diversion of assets from charitable purposes and authorizing the consummation of the Transaction. Such decree was issued following approval from the Attorney General of the Commonwealth of Pennsylvania, who issued a "no-objection" letter relating to the Transaction.

The Highlands believes that this Transaction serves the best interests of The Highlands and its residents, Tower Health and the greater Berks County community. The Transaction enables The Highlands and Tower Health to focus on and achieve their long term goals and missions, allowing each to more effectively and efficiently provide their services and carry out their charitable missions. This will benefit both The Highlands and Tower Health in the short and long term, as well as the greater Berks County community as a whole.

In December, 2017 the Series 2017C Revenue Bonds were issued and the proceeds will be used to by The Highlands to (i) fund the payment of certain costs of design and construction of renovations, improvements and additions to the facilities and the acquisition and installation of related equipment and furnishings for new memory care facilities, (ii) fund the debt service reserve fund for the benefit of the Series 2017C Bonds, and (iii) pay the costs relating to the issuance of the Series 2017C Bonds.

7. As of June 30, 2018, The Highlands at Wyomissing had a resident population as follows:

Location	Residents
Residential Living	338
Personal Care	54
Nursing Care	72

8. A sample of the current fees charged to residents, with a Comprehensive Contract (Type A), for occupancy of a one-bedroom residential living apartment is as follows:

Fee Type	Single	Double
Entrance Fee	\$140,900	\$186,900
Monthly Service Fee	\$ 3,080	\$ 4,660

This summary is necessarily brief. Please read the full Disclosure Statement and the attached Residence and Care Agreements for additional details.

9. The "Average Annual Cost of Providing Care and Services, Per Resident" is \$63,884.

DIRECTORS AND OFFICERS

The former Bylaws of The Highlands (pre-Closing) provided that the Board of Directors shall conduct, manage and direct the business and affairs of The Highlands. The Bylaws further provided that the Board of Directors (the "**Board**") shall consist of 13 directors as follows: The President of Tower Health or his/her designee, the CFO of Tower Health or his/her designee, and the President of The Highlands shall be ex-officio members of the Board of Directors. The remaining ten (10) Directors (the "**Elected Directors**") shall be approved for nomination by Tower Health and elected by the Directors. Two of the Elected Directors shall be residents of The Highlands at Wyomissing. (There is no compensation for members of the Board.)

Pursuant to the Bylaws of The Highlands, the Executive Committee exercises all of the powers and authority of the Board in the management of the business and affairs of The Highlands. The Executive Committee consists of the Chairman, Vice Chairman, Secretary, Treasurer, President of The Highlands, and the President of Tower Health or his/her designee. In addition, the Board has established a Finance & Audit Committee, a Marketing Committee, a Strategy & Policy Committee and a Performance Review Committee.

As part of the Transaction and effective with the Closing of the Transaction, the Bylaws of The Highlands have been amended and restated to accomplish the following:¹

1. Eliminate any right on the part of Tower Health to appoint any of the directors comprising the Board;
2. Eliminate any right on the part of Tower Health to remove or assess the effectiveness of any of the directors comprising the Board;
3. Provide for the nomination of directors comprising the Board by the Strategy and Policy Committee of the Board;
4. Provide for the election of directors so nominated by the Board;
5. Eliminate ex-officio membership of any Tower Health representatives on the Board and its committees; and
6. Eliminate any reference to Tower Health as the designated recipient of any distribution from the proceeds of any dissolution, liquidation or winding up of The Highlands.

¹ Excepting the changes described in this Section, the Bylaws of the Highlands remain unchanged.

The current members of the Board and their principal occupations are described below.²

Elected Board Members

<u>Name</u>	<u>Residence</u>	<u>Occupation</u>	<u>Committee Assignments</u>	<u>Service Since</u>
Timothy G. Dietrich, Esq., Chairman	Reading, PA	Partner at Barley Snyder, LLP	Executive Committee (Chair); Performance Review Committee (Chair); Strategy, Policy and Governance Committee; Finance Committee	2014
Edward C. Barrett, Vice Chairman	Wyomissing, PA	Former Executive Vice President/CFO of VIST Financial Corp/VIST Bank, a Tompkins Community Bank	Executive Committee; Performance Review Committee; Finance Committee (Chair)	2014
John W. Gruber, M.D., Secretary	Wyomissing, PA	Retired from the practice of Cardiology Associates of West Reading; Resident of The Highlands at Wyomissing	Executive Committee; Performance Review Committee; Strategy, Policy and Governance Committee	2015
Gerald P. Malick, M.D., Assistant Secretary	Wyomissing, PA	Retired Vice President and Chief Medical Officer of Reading Hospital; Resident of The Highlands at Wyomissing	Executive Committee; Performance Review Committee; Audit and Risk Committee	2011
Barbara J. Kline	Wyomissing, PA	Community Leader, Resident of The Highlands at Wyomissing	Facilities Committee (Chair)	2016

² See Biographical Affidavits, attached as Exhibit C for new board members.

<u>Name</u>	<u>Residence</u>	<u>Occupation</u>	<u>Committee Assignments</u>	<u>Service Since</u>
Richard J. Mable	Wyomissing, PA	Retired Healthcare Executive of Tower Health	Audit and Risk Committee; Strategy, Policy and Governance Committee (Chair)	2017
June T. Maier	Reading, PA	Owner of Brookfield Design	Facilities Committee	2016
Michael J. Rowley, CPA, Treasurer	Reading, PA	Chief Operating Officer and Partner at Herbein + Co., Inc.	Executive Committee; Audit and Risk Committee (Chair); Performance Review Committee	2017
Sharon S. Sanger	Sinking Spring, PA	Senior Vice President of Marketing for Penske Truck Leasing	Marketing Committee	2013
Deidra Hill, Ed.D.	Wyomissing, PA	Vice President, Marketing and Communications, Alvernia University	Marketing Committee (Chair)	2017
Daniel J. Winkler	Mertztown, PA	Senior Project Engineer & Manager for East Penn Manufacturing Co., Inc.	Facilities Committee	2017

Ex-Officio Board Members

<u>Name</u>	<u>Residence</u>	<u>Occupation</u>	<u>Committee Assignment</u>	<u>Service Since</u>
Kevin P. DeAcosta, President & CEO	Leesport, PA	President & CEO of The Highlands	Finance Committee; Audit and Risk Committee; Marketing Committee; Strategy, Policy and Governance Committee; Facilities Committee	2012

June Maier of Brookfield Design was utilized as a consultant during fiscal year 2018 as the interior designer for a project at The Highlands at Wyomissing in our Residential area with a total of \$3,525 paid for design services.

Timothy G. Dietrich, Esq. is a Partner at Barley Snyder, LLP. Barley Snyder, LLP which was retained as transaction and bond counsel by The Highlands at Wyomissing in connection with the authorization, sale and issuance of the Berks County Industrial Development Authority Healthcare Facilities Revenue Bonds, Series 2017A, Series 2017B, Series 2017C and Series 2018. Barley Snyder, LLP also provides general legal services to The Highlands. Total fees paid to this firm were \$495,000.

No other director, officer, or executive listed above has a 10% or greater equity interest in or of The Highlands at Wyomissing or beneficial interest by providing goods, leases, or services to the facility of a value of \$500 or more, nor have any been convicted of a felony or pleaded nolo contendere to a felony charge.

No Board of Directors members or officers have affiliated contracts, or criminal/injunctive actions.

There are no corporate trustees.

The Highlands at Wyomissing is a self-managed corporation.

The Highlands at Wyomissing is a non-stock corporation with no shareholders.

Executive Staff of The Highlands

The day-to-day operations of The Highlands are managed by on-site personnel. Brief resumes of the key members of the executive staff of The Highlands are included below.

Kevin P. DeAcosta, President and CEO, joined The Highlands in September 2000, and was promoted to the position of CFO in January 2004, served as Interim President and CFO from January 2012 through March 2013, and was appointed President and CEO effective March 2013. Mr. DeAcosta received a Bachelor's degree in Accounting at Alvernia University in Reading, Pennsylvania. Prior to coming to The Highlands, Mr. DeAcosta spent ten years in the banking and public accounting industries. At The Highlands, Mr. DeAcosta plans, directs and manages all operations of The Highlands. He develops and maintains effective business and professional relations with members of the Board of Directors, residents, clients, industry organizations, hospitals and churches. Additionally, he works in cooperation with the Board in developing the strategic vision for the organization.

Marianne Pessognelli, Chief Financial Officer, joined The Highlands in July 2013. Ms. Pessognelli brings 30 years of experience in health care financial management. Ms. Pessognelli was previously employed by Barclay Friends, a Kendal affiliate, as Director of Finance. She holds a Bachelor's degree in Accounting from the University of Delaware in Newark, Delaware and a Master's degree in Business Administration from West Chester University, in West Chester, Pennsylvania. Ms. Pessognelli oversees resident and medical billing, accounts receivable and payable, preparation of the financial statements, risk management, budget preparation, cash and investment management, external reporting and analysis of strategic initiatives.

Heather Hetrick, Personal Care Administrator, joined The Highlands in January 2016 and has been a Pennsylvania Personal Care Administrator since August 2008. Ms. Hetrick obtained her Bachelor's degree in Long Term Care Administration from York College of Pennsylvania. After working for a small, family-owned, nonprofit personal care home, she began working for Sunrise Senior Living in 2006, where she held several positions over her almost 10 years with them. She specialized in dementia support for residents and their families and provided on-going guidance and training to her staff in several leadership positions. Ms. Hetrick is certified by the Validation Institute as a Validation Teacher, which is an approach to serving and communicating with senior adults with dementia. In Ms. Hetrick's current position, she is responsible for the regulatory and day-to-day operations and care of the residents and staff in the Personal Care Center.

Jodi Gible, Director of Marketing, joined The Highlands in 2009. From 2004 to 2009, Mrs. Gible served as the VP of Marketing & Community Relations for Luthercare in Lititz, Pennsylvania overseeing the sales and marketing efforts of three retirement communities and five childcare programs. Mrs. Gible was previously employed as the Regional Marketing Director of Newton Senior Living from 2002 to 2004 and the Regional Director of Marketing for Genesis Elder Care from 2000 to 2002 developing and facilitating marketing and sales strategies for assisted living communities. She also served in an operational role as an Executive Director of Mifflin Court (Genesis Eldercare), Shillington, Pennsylvania from 1997 to 2000. Mrs. Gible holds a Bachelor's of Social Work degree from Bloomsburg University, Bloomsburg, Pennsylvania.

Stephen Murray, Director of Dining Services, joined The Highlands in March 2006, holds an Associate Degree in Hotel Restaurant Management, and is certified by the State of Pennsylvania for Food Service Supervisor in Long Term Care Facilities. Mr. Murray began his career as an Assistant Food and Beverage Manager at the Sheraton Berkshire Inn, Reading, Pennsylvania, managing two restaurants from 1979 to 1981. He worked as an Assistant Manager at the Hanover Restaurant in Reading, Pennsylvania from 1981 to 1983 and was promoted to Opening Team Member for restaurants in New Jersey and Philadelphia, finally being promoted to General Manager. From 1983 to 1985, Mr. Murray was the General Manager of Bakers Garden Restaurant in Willow Grove, Pennsylvania. After this term, he worked as the Food Service Director for The Wood Company at the Lutheran Home at Topton from 1985 to 1990. In 1990, Mr. Murray was promoted to Senior District Manager for The Wood Company, being assigned to work at The Highlands at Wyomissing, and during that time developed and implemented marketing programs targeted for retirement communities. Mr. Murray also mentored and developed food service directors into district manager positions. From 1997 to 2005, he developed and grew Cura Hospitality from just under \$1 million of revenues with three accounts to over \$50 million in revenues with 62 accounts in managed volume in all areas of operations and clinical services. Mr. Murray's success included achieving the Pennsylvania Department of Health deficiency free ratings in over 95% of unit surveys.

Lorena Lazarchick, Director of Community Life and Engagement, joined The Highlands in November of 1987. Mrs. Lazarchick provides leadership, oversight, management and development for the day-to-day operations of the following departments/areas: Residential Living Programming, Security, Fitness Center, Pastoral Care, and Social Services. She also serves as the liaison between the Board of Directors and management.

Kristen Santangelo, Nursing Home Administrator, joined The Highlands in 2017. Ms. Santangelos' responsibilities include overseeing and administering the daily operation of the community's Nursing Care. Ms. Santangelo holds a Bachelor of Science in Psychology from Kutztown University, Kutztown, PA. Ms. Santangelo became a licensed Nursing Home Administrator in 2005 and spent the eleven years prior to joining The Highlands as the Vice President of Operations with Genesis Health Care.

FACILITY AND SERVICES PROVIDED

The Highlands at Wyomissing is a Continuing Care Retirement Community (CCRC) offering a full range of residential, lifestyle, and health care services.

Residential living consists of 6 studio (includes the model and guest one-bedroom apartments), 47 one-bedroom, 1 one-bedroom grand, 68 one-bedroom w/den, 1 one-bedroom w/den grand, 54 two-bedroom, 6 two-bedroom combo, 3 two-bedroom plus, 12 two-bedroom extended, 16 two-bedroom special, 4 two-bedroom w/den consolidated, 17 two-bedroom w/den, and 4 two-bedroom deluxe apartments; and various community and activity rooms, storage areas, and laundry facilities. Residential living also includes 13 two-bedroom duplex villas, 15 three- bedroom duplex villas, and 15 three-bedroom w/den single-family homes (including the Farmstead).

The residential living apartment Monthly Service Fee includes:

- Onsite Parking Accommodations
- Bi-Weekly Housekeeping (heavy cleaning service once per year)
- Cable Television
- Centrally Located Laundry Facilities
- Indoor/Outdoor Maintenance
- Basic Grounds Care, Including Lawn Services and Snow Removal
- Linen for Bed and Bath Furnished and Laundered Weekly
- Long-Term Care
- Onsite Security 24 Hours Per Day
- Semi-Private Room in Nursing Care or a Studio in Personal Care
- Recreational and Social Events and Programming
- One Meal Per Day
- Medical appointment transportation
- Utilities, Including Electricity, Heat, Air Conditioning, Water , Sewer, Basic Cable TV
- Property Taxes
- 24-hour Emergency Medical Response
- Meal Delivery Service for Ill Residents
- Away Allowance (if away for at least 14 consecutive days)

Services available for an additional charge include:

- Beauty, Barber, Salon and Spa Services
- Cafe
- Communication services
- Gift Shop
- Guest Apartment
- Guest Meals
- Homecare and Companion services
- Maintenance (non-routine)
- Meals (additional)
- Medical Supplies (in Nursing Care and Personal Care)
- Pharmacy (in Nursing Care and Personal Care)
- Room Service (unless medically necessary)

- Storage Lockers (additional)
- Therapies
- Transportation (non-scheduled/non-medical)
- Personal Laundry Service (in Nursing Care and Personal Care)
- Telephone Service

Note: The Monthly Service Fee for villa, Farmstead, and Gaelsong residents includes all services and amenities that are available to residential living apartment residents, with the following exceptions:

- Linens are not furnished or laundered for villa, Farmstead, and Gaelsong residents.
- Villa, Farmstead, and Gaelsong residents receive ten (10) meals per month.
- Villa, Farmstead, and Gaelsong residents pay their own electric/gas bills.

An 80-bed Medicare-certified nursing care facility (which includes 18 cognitive-care beds) and a 66-apartment personal care center provide health care, which, together with the residential living apartments, villas, and Farmstead and Gaelsong single-family homes completes the continuum of care in an atmosphere of security and comfort.

A one-time Entrance Fee is charged upon admission (see Schedule of Entrance Fees).

All services provided, plus benefits and conditions imposed, are set forth in the Residence and Care Agreements (see Exhibit D).

**The Highlands at Wyomissing
Schedule of Entrance Fees
Comprehensive Contract (Type A)**

Residential Living Type	07/01/2013 ¹	07/01/2014 ¹	07/01/2015 ¹
	Single ²	Single ²	Single ²
Studio	\$105,900	\$105,900	\$105,900
One Bedroom	\$137,900	\$137,900	\$137,900
One Bedroom w/Den	\$178,900	\$178,900	\$178,900
One Bedroom Grand	\$183,900	\$183,900	\$183,900
One Bedroom w/Den Grand	\$190,900	\$190,900	\$190,900
Two Bedroom	\$190,900	\$190,900	\$190,900
Two Bedroom Combination	N/A	\$213,900	\$213,900
Two Bedroom Plus	\$213,900	\$213,900	\$213,900
Two Bedroom Extended/Special	\$244,900	\$244,900	\$244,900
Two Bedroom w/Den Consolidated (#137, #237, & #337)	\$254,900	\$254,900	\$254,900
Two Bedroom w/Den	\$275,900	\$275,900	\$275,900
Two Bedroom Deluxe (#102)	\$304,900	\$304,900	\$304,900
Two Bedroom Deluxe (#273 & #274)	\$308,900	\$308,900	\$308,900
Two Bedroom Villa	\$301,900	\$301,900	\$301,900
Three Bedroom Villa	\$338,900	\$338,900	\$338,900
Farmstead	\$484,900	\$484,900	\$484,900
Gaelsong	\$500,900	\$500,900	\$500,900
Residential Living Type	07/01/2016 ¹	07/01/2017 ¹	07/01/2018 ¹
	Single ²	Single ²	Single ²
Studio	\$105,900	\$107,900	\$107,900
One Bedroom	\$137,900	\$140,900	\$140,900
One Bedroom w/Den	\$178,900	\$182,900	\$182,900
One Bedroom Grand	\$183,900	\$187,900	\$187,900
One Bedroom w/Den Grand	\$190,900	\$194,900	\$194,900
Two Bedroom	\$190,900	\$194,900	\$194,900
Two Bedroom Combination	\$213,900	\$217,900	\$217,900
Two Bedroom Plus	\$213,900	\$217,900	\$217,900
Two Bedroom Extended/Special	\$244,900	\$249,900	\$249,900
Two Bedroom w/Den Consolidated (#137, #237, & #337)	\$254,900	\$259,900	\$259,900
Two Bedroom w/Den	\$275,900	\$281,900	\$281,900
Two Bedroom Deluxe (#102)	\$304,900	\$310,900	\$310,900
Two Bedroom Deluxe (#273 & #274)	\$308,900	\$314,900	\$314,900
Two Bedroom Villa	\$301,900	\$307,900	\$307,900
Three Bedroom Villa	\$338,900	\$345,900	\$345,900
Farmstead	\$484,900	\$494,900	\$494,900
Gaelsong	\$500,900	\$510,900	\$510,900

¹Add \$45,000 (through 06/30/2017) and \$46,000 (starting 07/01/2017) to the single Entrance Fee for the double Entrance Fee. Studio is single only.

²Single Entrance Fee, with no refund after 50 months of occupancy.

Beginning 01/01/2010, a Modified Contract (Type B) is offered for Apartments only. Effective 07/01/2015, a Modified Contract (Type B) is also offered for Villas, Farmstead, and Gaelsong. The double Modified Contract (Type B) Entrance Fee is \$30,000 more than the single Modified Contract (Type B) Entrance fee until 07/01/2011, then it increased to \$33,000. As of 07/01/2017, the double Modified Contract (Type B) increased to \$34,000.

**The Highlands at Wyomissing
Schedule of Monthly Service Fees
Comprehensive Contract (Type A)**

Residential Living Type	07/01/2013		07/01/2014		07/01/2015	
	Single	Double	Single	Double	Single	Double
Studio	\$2,090	N/A	\$2,210	N/A	\$2,275	N/A
One Bedroom	\$2,575	\$3,890	\$2,725	\$4,120	\$2,805	\$4,240
One Bedroom w/Den	\$2,765	\$4,080	\$2,930	\$4,320	\$3,015	\$4,445
One Bedroom Grand	\$2,870	\$4,230	\$3,040	\$4,480	\$3,130	\$4,610
One Bedroom w/Den Grand	\$3,020	\$4,365	\$3,200	\$4,620	\$3,295	\$4,755
Two Bedroom	\$2,950	\$4,275	\$3,125	\$4,530	\$3,215	\$4,660
Two Bedroom Combination	N/A	N/A	\$3,125	\$4,530	\$3,215	\$4,660
Two Bedroom Plus	\$3,205	\$4,515	\$3,395	\$4,780	\$3,495	\$4,920
Two Bedroom Extended/Special	\$3,285	\$4,595	\$3,480	\$4,865	\$3,580	\$5,005
Two Bedroom w/Den Consolidated (#137, #237, & #337)	\$3,670	\$5,005	\$3,885	\$5,300	\$4,000	\$5,455
Two Bedroom w/Den	\$3,670	\$5,005	\$3,885	\$5,300	\$4,000	\$5,455
Two Bedroom Deluxe (#102)	\$3,750	\$5,070	\$3,970	\$5,365	\$4,085	\$5,520
Two Bedroom Deluxe (#273 & #274)	\$3,750	\$5,070	\$3,970	\$5,365	\$4,085	\$5,520
Two Bedroom Villa	\$3,550	\$4,840	\$3,760	\$5,125	\$3,870	\$5,275
Three Bedroom Villa	\$4,130	\$5,415	\$4,375	\$5,730	\$4,500	\$5,895
Farmstead	\$4,355	\$5,440	\$4,610	\$5,760	\$4,745	\$5,925
Gaelsong	\$5,655	\$5,655	\$5,820	\$5,990	\$4,985	\$6,165

Residential Living Type	07/01/2016		07/01/2017		07/01/2018	
	Single	Double	Single	Double	Single	Double
Studio	\$2,355	N/A	\$2,425	N/A	\$2,500	N/A
One Bedroom	\$2,905	\$4,390	\$2,990	\$4,520	\$3,080	\$4,660
One Bedroom w/Den	\$3,120	\$4,600	\$3,215	\$4,740	\$3,310	\$4,890
One Bedroom Grand	\$3,240	\$4,770	\$3,335	\$4,915	\$3,440	\$5,070
One Bedroom w/Den Grand	\$3,410	\$4,920	\$3,510	\$5,070	\$3,620	\$5,230
Two Bedroom	\$3,330	\$4,825	\$3,430	\$4,970	\$3,540	\$5,130
Two Bedroom Combination	\$3,330	\$4,825	\$3,430	\$4,970	\$3,540	\$5,130
Two Bedroom Plus	\$3,615	\$5,090	\$3,725	\$5,245	\$3,840	\$5,410
Two Bedroom Extended/Special	\$3,705	\$5,180	\$3,815	\$5,335	\$3,930	\$5,500
Two Bedroom w/Den Consolidated (#137, #237, & #337)	\$4,140	\$5,645	\$4,265	\$5,815	\$4,400	\$6,000
Two Bedroom w/Den	\$4,140	\$5,645	\$4,265	\$5,815	\$4,400	\$6,000
Two Bedroom Deluxe (#102)	\$4,230	\$5,715	\$4,355	\$5,885	\$4,490	\$6,070
Two Bedroom Deluxe (#273 & #274)	\$4,230	\$5,715	\$4,355	\$5,885	\$4,490	\$6,070
Two Bedroom Villa	\$4,005	\$5,460	\$4,125	\$5,625	\$4,250	\$5,800
Three Bedroom Villa	\$4,660	\$6,100	\$4,800	\$6,285	\$4,950	\$6,480
Farmstead	\$4,910	\$6,130	\$5,055	\$6,315	\$5,210	\$6,520
Gaelsong	\$5,160	\$6,380	\$5,315	\$6,570	\$5,480	\$6,780

- Fees may be adjusted periodically, normally not more frequently than annually.
- Residents will receive a 30-day written notice of fee adjustments.
- Studio is single only.

Beginning 01/01/2010, a Modified Contract (Type B) is offered for Apartments only. Effective 07/01/2015, a Modified Contract (Type B) is also offered for Villas, Farmstead, and Gaelsong. The Monthly Service Fees for Modified Contract (Type B) contracts average 18% less than the Monthly Service Fees for the Comprehensive Contract (Type A) contracts, shown above.

The Highlands at Wyomissing
Rate Schedule for Miscellaneous Fees
Effective: July 1, 2018

Description	Amount	Frequency
<u>Homecare:</u>		
15-Minute Check-in Visit	\$12.50	Per visit
Up to 45-Minute Visit (Packages)	\$19.50	Per visit
Companionship:		
< 2 Hours	\$23.50	Per hour
2 - 8 Hours	\$22.50	Per hour
8+ Hours	\$21.50	Per hour
Personal Care Support:		
< 2 Hours	\$25.00	Per hour
2 - 8 Hours	\$24.00	Per hour
8+ Hours	\$23.00	Per hour
Cancellation Fees:		
≤ 4 Hours advance notice	Entire scheduled shift	Per hour
> 4 Hours & < 24 hours advance notice:		
Shifts < 4 hours in duration	One hour at scheduled rate	Per hour
Shifts ≥ 4 hours in duration	Four hours at scheduled rate	Per hour
Medication Services:		
Med Set-up	\$30.00	Per Week
Pre-filled MediPlanner Delivery	\$15.00	Each
Wellness Support:		
Brief visit (less than 10 minutes)	\$12.50	Each
Up to 15 minutes per visit	\$16.00	Each
Up to 30 minutes per visit	\$30.00	Each
Up to 60 minutes per visit	\$60.00	Each
Medication Administration and Vital Signs:		
Between 8 a.m. and 8 p.m.	\$7.00	Each
Medical Supplies	Prevailing rates	
Mileage	IRS pub. Rates	Per mile

The Highlands at Wyomissing
Rate Schedule for Miscellaneous Fees, continued
Effective: July 1, 2018

Description	Amount	Frequency
<u>Dining Service:</u>		
Additional Resident Meals – Residential Living Bistro	\$17.00 A' La Carte	Per meal
Holiday Guest Meal (Applicable to all Dining rooms, including Personal Care and Nursing Care): Easter, Mother's Day, Father's Day, Memorial Day, 4th of July, Labor Day, Thanksgiving, Christmas Day, New Years Day (Makeup meals may not be used for a Holiday Guest Meal)	\$20.00	Per meal
Guest Meals:		
Residential	\$17.00	Per meal
Healthcare:		
Personal Care & Nursing Care		
Breakfast	\$6.00	Per meal
Noon	\$12.00	Per meal
Evening	\$12.00	Per meal
Healthcare Meals (Contract residents - all additional meals over the one meal per day and, if applicable, after depletion of the health fund)		
Apartment residents	\$13.00	Per day
Villa residents	\$22.00	Per day
Room Service – Non-Medical Reasons	\$10.00	Per meal

The Highlands at Wyomissing
Rate Schedule for Miscellaneous Fees, continued
Effective: July 1, 2018

Description	Amount	Frequency
<u>Other Fees - Residential Living:</u>		
Away Allowance only applied if away from community for 14 days or longer:		
Days 1 through 14	\$6.50	Per day
Days 15 through 89	\$12.00	Per day
Over 90 Days	15%	Monthly Service Fee
Memorial Service Fee (Community charge)	\$250.00	Weekday
Memorial Service Fee (Community charge)	\$300.00	Weekend
Extended Guest Fee (in your apartment/villa and more than 8 days)	\$85.00	Per night
Guest Suite	\$100.00	Per night
Storage Locker Rental	\$300.00	Per year
Re-Key - additional storage locker	\$100.00	Per extra locker
Wireless Internet Access	\$31.99	Per month
Personal Training Fees:		
One Person - half hour private instruction (Fitness Center)	\$25.00	Per session
One Person - five (5) half hour private instruction (Fitness Center)	\$100.00	5 Sessions
One Person - half hour private instruction (In Home)	\$30.00	Per session
One Person - five (5) half hour private instruction (In Home)	\$125.00	5 Sessions
Two Person - half hour private instruction (Fitness Center)	\$40.00	Per session
Two Person - half hour private instruction (In Home)	\$45.00	Per session
SPECIAL: Two (2) half hour private instruction (Fitness Center) for referrals by Therapy Department after Inpatient Rehab Stay	\$15.00	2 Sessions only

The Highlands at Wyomissing
Rate Schedule for Miscellaneous Fees, continued
Effective: July 1, 2018

Description	Amount	Frequency
<u>Other Fees - Residential Living (continued):</u>		
Housekeeping Fees:		
Bed-Making Fees	\$7.50	Per service
Carpet cleaning (billable in 1/2 hour increments)	\$28.00	Per hour/per staff
Disposal: Furniture, Mattress or Other		Per Trash Service fee schedule
Light housekeeping (billable in 1/2 hour increments)	\$26.00	Per hour/per staff
Rental: (1) card table and (4) chairs	\$15.00	Per day
Rental: (1) rollaway bed		
With linen	\$10.00	Per day
Without linen	\$5.00	Per day
Rug Cleaning - Fine wool or Non-silk rugs	\$5.00	Per square foot
Rug Rotation	\$25.00	Per rug
Sheet Sets (additional)	\$5.00	Per set
Towel Pack (additional)	\$5.00	Per pack
Maintenance Fees:		
Regular maintenance (billable in 1/2 hour increments)	\$32.00	Per hour/per staff
Grounds maintenance (billable in 1/2 hour increments)	\$32.00	Per hour/per staff
Cordmate, including installation	\$255.00	One time charge
Key charges:		
Apartment/Villa door	\$30.00	Per key
Patio door	\$30.00	Per key
Mailbox	\$30.00	Per key
Outside door key	\$150.00	Per key
Key Fob - main building	\$15.00	Per Fob
Key Fob - villa security system	\$100.00	Per Fob
Key Fob - villa emergency system	\$100.00	Per Fob
Re-Key - additional storage locker	\$100.00	Per extra locker
Re-Keying charge	\$300.00	Per instance

The Highlands at Wyomissing
Rate Schedule for Miscellaneous Fees, continued
Effective: July 1, 2018

Description	Amount	Frequency
<u>Other Fees:</u>		
Healthcare (Personal Care & Nursing Care):		
Ambulance Services	Prevailing rates	
Durable Medical Equipment	Prevailing rates	
Labeling - Personal Laundry	\$15.00	100 Labels
Long Term Care Claim Processing Fee	\$15.00	Per month
Medical Records - production fee	Per PA Department of Health fee schedule	
Medical Supplies	Prevailing rates	
Oxygen (Nursing Care only)	Prevailing rates	
Nutritional Supplements	Prevailing rates	
Personal Laundry Services	\$40.00	Per month
Rehabilitative Supplies	Prevailing rates	
Telephone:		
Local service	\$19.99	Per month
Long distance	Prevailing rates	Per minute
Therapy Services	Prevailing rates	
Toiletry Items	Prevailing rates	

The Highlands at Wyomissing
Rate Schedule for Miscellaneous Fees, continued
Effective: July 1, 2018

Description	Amount	Frequency
<u>Transportation Department:</u>		
Involves utilization of THAW Vehicles		
All transportation requests require advance notice of three business days.		
A \$20.00 fee will be charged for less than three days notice.		
Bus Trips Involving a Charge (within a 10-mile radius):	\$6.00	Per round trip
Medical Appointments (Standard passenger vehicle):		
Type A Contracts: Within a 10-mile radius during normally scheduled business hours	No charge	
Type B Contracts: Within a 10-mile radius during normally scheduled business hours (limit 12 per year)	No charge	
Type B Contracts: Within a 10-mile radius during normally scheduled business hours (> 12/year)	\$30.00	Per round trip
Per Diem Residents: Within a 10-mile radius during normally scheduled business hours	\$30.00	Per round trip
Type B and Per Diem Residents:	\$15.00	One Way trip
Medical Appointments (Wheelchair van):		
Type A Contracts: Within a 10-mile radius during normally scheduled business hours	No charge	
Type B Contracts: Within a 10-mile radius during normally scheduled business hours (limit 12 per year)	No charge	
Type B Contracts: Within a 10-mile radius during normally scheduled business hours (> 12/year)	\$40.00	Per round trip
Per Diem Residents: Within a 10-mile radius during normally scheduled business hours	\$40.00	Per round trip
Type B and Per Diem Residents:	\$20.00	One Way trip

The Highlands at Wyomissing
Rate Schedule for Miscellaneous Fees, continued
Effective: July 1, 2018

Description	Amount	Frequency
<u>Transportation Department (continued):</u>		
Valet (within a 10-mile radius, including pickups from hospital):		
Standard passenger vehicle	\$35.00	Per trip
Standard passenger vehicle	\$17.50	One Way trip
Wheelchair van	\$40.00	Per trip
Wheelchair van	\$20.00	One Way trip
Medical & Valet (outside a 10-mile radius during normally scheduled business hours - 1 hour minimum):		
Add \$10/hour for Evenings (after 5 pm) and weekends.		
Standard passenger vehicle	\$35.00	Per hour
Plus mileage	IRS pub. rates	Per mile
Wheelchair van	\$40.00	Per hour
Plus mileage	IRS pub. rates	Per mile
Bus services:		
First 6 (Six) Hours:		
During normally scheduled business hours	\$125.00 + mileage	Per round trip
Evenings (after 5 p.m.) and weekends	\$150.00 + mileage	Per round trip
Each additional hour	\$15.00	Per hour
Plus mileage	IRS pub. rates	Per mile

RESERVE FUNDS

Reserves have been established to ensure the performance of The Highlands at Wyomissing's contractual obligations under the provisions of the Continuing Care Provider Registration and Disclosure Act. These reserves were in excess of \$3,963,000 on June 30, 2018, which are calculated as follows:

THE GREATER OF...

1. Total Debt Service (i.e., Principal and Interest) Payments for the Next 12 Months:

	FY 2018-19		
Debt Description	Principal	Interest	Debt Service
Bond Series 2017A,B&C and Series 2018	\$ 1,320,000	\$ 2,643,000	\$ 3,963,000
Total Debt Service	\$ 1,320,000	\$ 2,643,000	\$ 3,963,000

OR...

2. 10% of Annual Operating Expenses (Less Depreciation/Amortization) for the Next 12 Months:

	FY 2018-19
Annual Operating Expenses	\$ 31,857,000
Less: Depreciation/Amortization	(5,026,000)
Adjusted Annual Operating Expenses	\$ 26,831,000
Times: 10%	10%
10% of Annual Operating Expenses (Less Depreciation/Amortization) for the Next 12 Months	\$ 2,643,000

THE HIGHLANDS AT WYOMISSING
PRO-FORMA STATEMENTS OF OPERATIONS
FOR FISCAL YEARS ENDED JUNE 30, 2018 AND JUNE 30, 2019

	Budget FY 2017-18	Actual FY 2017-18	Variance FY 2017-18	Variance % FY 2017-18
Operating Revenue:				
Residential Revenue	\$ 19,537,991	\$ 20,178,214	\$ 640,223	3.28%
Personal Care Revenue	3,902,735	3,930,694	27,959	0.72%
Nursing Care Revenue	12,113,423	13,293,379	1,179,956	9.74%
Other Operating Revenue	<u>1,520,463</u>	<u>1,737,187</u>	<u>216,724</u>	<u>14.25%</u>
Gross Operating Revenue	37,074,612	39,139,474	2,064,862	5.57%
Contractual Allowances	<u>(7,842,606)</u>	<u>(7,738,130)</u>	<u>104,476</u>	<u>-1.33%</u>
Net Operating Revenue	<u>29,232,006</u>	<u>31,401,344</u>	<u>2,169,338</u>	<u>7.42%</u>
Operating Expenses:				
Salaries and Wages	9,829,544	9,787,165	42,379	0.43%
Depreciation	4,749,789	4,723,540	26,249	0.55%
Contract Service	2,239,577	3,075,033	(835,456)	-37.30%
Interest	2,244,850	2,262,825	(17,975)	-0.80%
Other	3,076,730	2,800,132	276,598	8.99%
Health Benefits	1,748,505	2,432,315	(683,810)	-39.11%
Other Employee Benefits	1,440,022	1,254,855	185,167	12.86%
Real Estate Taxes	1,561,185	1,451,692	109,493	7.01%
Food	1,300,685	1,350,506	(49,821)	-3.83%
Utilities	870,557	886,839	(16,282)	-1.87%
Maintenance and Repair	225,000	227,710	(2,710)	-1.20%
Insurance	<u>214,186</u>	<u>220,132</u>	<u>(5,946)</u>	<u>-2.78%</u>
Total Operating Expenses	<u>29,500,630</u>	<u>30,472,744</u>	<u>(972,114)</u>	<u>-3.30%</u>
Net Income from Operations	<u>(268,624)</u>	<u>928,600</u>	<u>1,197,224</u>	<u>-445.69%</u>
Non-Operating Revenue:				
Investment Return	1,069,353	4,645,996	3,576,643	334.47%
Contribution Revenue	95,000	21,951	(73,049)	-76.89%
Gain from Sale of Assets & Other	<u>7,500</u>	<u>6,390</u>	<u>(1,110)</u>	<u>-14.80%</u>
Total Non-Operating Revenue	<u>1,171,853</u>	<u>4,674,337</u>	<u>3,502,484</u>	<u>298.88%</u>
Net Income	903,229	5,602,937	4,699,708	520.32%
Contribution Recognized from Purchase of Controlling Interest	-	1,098,303	1,098,303	--
Change in Unrealized Gains on Investments	<u>969,539</u>	<u>(762,794)</u>	<u>(1,732,333)</u>	<u>-178.68%</u>
Change in Unrestricted Net Assets	<u>\$ 1,872,768</u>	<u>\$ 5,938,446</u>	<u>\$ 4,065,678</u>	<u>217.09%</u>

THE HIGHLANDS AT WYOMISSING
PRO-FORMA STATEMENTS OF OPERATIONS
FOR FISCAL YEARS ENDED JUNE 30, 2018 AND JUNE 30, 2019
(continued)

	Budget FY 2018-19
Operating Revenue:	
Residential Revenue	\$ 20,910,604
Personal Care Revenue	3,714,560
Nursing Care Revenue	14,185,185
Other Operating Revenue	<u>1,689,070</u>
Gross Operating Revenue	40,499,419
Contractual Allowances	<u>(8,204,151)</u>
Net Operating Revenue	<u>32,295,268</u>
Operating Expenses:	
Salaries and Wages	10,251,688
Depreciation	5,026,317
Contract Service	3,323,437
Interest	2,643,283
Other	2,447,374
Health Benefits	2,214,000
Other Employee Benefits	1,528,987
Real Estate Taxes	1,583,755
Food	1,442,000
Utilities	928,224
Maintenance and Repair	227,770
Insurance	<u>239,900</u>
Total Operating Expenses	<u>31,856,735</u>
Net Income from Operations	<u>438,533</u>
Non-Operating Revenue:	
Investment Return	1,635,376
Contribution Revenue	75,000
Gain from Sale of Assets & Other	<u>7,500</u>
Total Non-Operating Revenue	<u>1,717,876</u>
Net Income	2,156,409
Change in Unrealized Gains on Investments	<u>786,370</u>
Change in Unrestricted Net Assets	<u><u>\$ 2,942,779</u></u>

Notes to Pro-Forma Statements of Operations³

Gross Operating Revenues for Fiscal Year 2017-18 exceeded the budget by \$2,064,862 or 5.57%. The positive variance was due to an increase in Occupancy in residential apartments and villas that was higher than anticipated. Residential revenues had a positive variance of \$640,223 or 3.3%. In addition, Medicare B revenues showed increased growth in Fiscal Year 2017-18 along with increased private pay and Medicare A census which all contributed to Nursing Care Revenue of \$1,179,956 or 9.74% increase over budget.

Contractual Allowances for Fiscal Year 2017-18 were lower than budget by \$104,476 or 1.33%.

Overall, Net Operating Revenues were higher than budget by 7.42% or \$2,169,338.

Total Operating Expenses were \$972,114, or 3.30% higher than budget as The Highlands had higher than anticipated costs related to Employee Benefits along with an increase in Contract Services for our therapy provider.

Overall, The Highlands at Wyomissing had an Operating Margin of \$928,600, or 3.0%, for the Fiscal Year 2017-18, which represents a positive variance of 1,197,224 over the Budget.

³ See Report of Independent Auditors on Financial Statements attached as Exhibit E.

NOTICE OF RIGHT TO RESCIND

The Continuing Care Provider Registration and Disclosure Act states that a prospective resident shall have the right to rescind the Residence and Care Agreement, as follows:

Prospective Resident(s) Name(s) _____

Date rescission period begins _____

You may rescind and terminate your Residence and Care Agreement, without penalty or forfeiture, within seven (7) days of the above date. You are not required to move into the continuing care facility before the expiration of this seven-day period. No other agreement or statement you sign shall constitute a waiver of your right to rescind your agreement within the seven (7) day period.

To rescind your Residence and Care Agreement, mail or deliver a signed and dated copy of this notice, or any other dated written notice, letter, or telegram, stating your desire to rescind to: The Highlands at Wyomissing, 2000 Cambridge Avenue, Wyomissing, PA, 19610-2714, not later than midnight of _____
_____ (the last day for rescission).

Pursuant to this notice, I hereby cancel my Residence and Care Agreement.

Prospective Resident's Signature

Prospective Resident's Signature
(If more than one Prospective Resident)

_____ Date

The "Notice of Right to Rescind" form is also attached to and made a part of the Residence and Care Agreement.