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State Corporation Commission
Bureau of Insurance
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Commissioner of Insurance
BY: Nataliya I. Kaplun

Disclosure Statement

for

Culpeper Baptist Retirement Community, Inc., dba The Culpeper 12425 Village Loop Culpeper, VA 22701 540-825-2411

A Subsidiary of Virginia Baptist Homes, Inc., dba LifeSpire of Virginia

The filing of this disclosure with the State Corporation Commission does not constitute approval, recommendation, or endorsement of the facility by the State Corporation Commission.

4/27/2018

NAME OF PROVIDER:

VIRGINIA BAPTIST HOMES, INC., DBA LIFESPIRE OF VIRGINIA

BUSINESS ADDRESS OF PROVIDER:

3961 STILLMAN PARKWAY
GLEN ALLEN, VA 23060

NAME OF FACILITY:

CULPEPER BAPTIST RETIREMENT COMMUNITY, INC., DBA THE CULPEPER

BUSINESS ADDRESS OF FACILITY:

P.O.BOX 191
CULPEPER, VA 22701

LOCATION OF FACILITY:

12425 VILLAGE LOOP
CULPEPER, VA 22701

LEGAL ENTITY:

Virginia Baptist Homes, Inc., dba LifeSpire of Virginia ("LifeSpire" or LSV") was incorporated on March 25, 1946, as a not-for-profit, non-stock corporation. Its subsidiary corporations Lakewood Manor Baptist Retirement Community, Inc., ("Lakewood"); Culpeper Baptist Retirement Community, Inc., dba The Culpeper ("The Culpeper"); Newport News Baptist Retirement Community, Inc., dba The Chesapeake ("The Chesapeake"); and The Glebe, Inc. were incorporated on January 23, 1984; January 24, 1984; January 23, 1984; and October 14, 1998 respectively. All corporations were incorporated in the Commonwealth of Virginia and are currently certified by the State Corporation Commission Clerk's Office to be in good standing.

OFFICERS OF LIFESPIRE

The Officers of LifeSpire also serve as the Officers of Lakewood; The Chesapeake; The Culpeper; and The Glebe, Inc. The Officers as of December 31, 2017 were:

Mr. Jonathan R. Cook LifeSpire 3961 Stillman Parkway Glen Allen, VA 23060	President & Chief Executive Officer
Mr. D. Raymond Fisher LifeSpire 3961 Stillman Parkway Glen Allen, VA 23060	Executive Vice President & Chief Operating Officer
Mr. Joseph P. Kelley LifeSpire 3961 Stillman Parkway Glen Allen, VA 23060	Senior Vice President for Finance, Chief Financial Officer & Treasurer
Mr. J. Peter Robinson LifeSpire 3961 Stillman Parkway Glen Allen, VA 23060	Vice President of Marketing & Public Relations & Assistant Secretary
Mr. J. Robert Yeaman, III 10328 Walker Drive Culpeper, VA 22701	Secretary
Mr. David R. Browning LifeSpire 3961 Stillman Parkway Glen Allen, VA 23060	Assistant Treasurer

OFFICERS OF THE BOARD OF TRUSTEES

The Officers of the Board of Trustees of LifeSpire also serve as the Officers of the Board of Trustees of Lakewood; The Chesapeake; The Culpeper; and The Glebe, Inc. The Officers as of December 31, 2017 were:

Mrs. Susan C. Rucker 12420 Southbridge Drive Midlothian, VA 23113	Chair President, Prospective Insights
Mr. R. Scott Cave 4005 Harcourt Lane Richmond, VA 23233	Vice Chair Retired, Compensation Director Anthem Blue Cross Blue Shield

MEMBERS OF THE BOARD OF TRUSTEES

The Members of the Board of Trustees of LifeSpire also serve as the Members of the Board of Trustees of Lakewood; The Culpeper; The Chesapeake; and The Glebe, Inc. The Members of the Board of Trustees as of March 6, 2018 were:

BUSINESS EXPERIENCE OF THE PROVIDER, TRUSTEES, CORPORATE OFFICERS AND MANAGEMENT OF FACILITY:

The Provider – LifeSpire

LifeSpire has been operating continuing care retirement communities since August 2, 1948. Since the beginning, LifeSpire has responded to continuing growth demands for its services. The original community, The Culpeper, has a capacity of 141 residences. The Chesapeake opened in 1969 and has 376 residences. Lakewood (located in Henrico County) opened in 1977 and has a capacity of 433 residences. The Glebe in Daleville, Virginia, which opened in 2005, currently has a capacity of 218 residences.

Management Company

The Culpeper is managed by LifeSpire, which provides operational, human resources, accounting, IT, purchasing, project management, and other services. This community and LifeSpire will, from time to time, utilize third party services and consulting from various industry professionals to complement their internal management capabilities.

Trustees

The Trustees of LifeSpire and its subsidiary corporations represent a cross section of business experience. Their selection to the Board is based primarily on their contribution potential to the total organization. This may be for their ability to elicit support from denominational leadership or for their technical expertise in some facet of the business community. Listed above is information relating to the specific occupation and business experience of each Trustee.

Corporate Officers

Listed below are the credentials of the corporate officers of LifeSpire, and its subsidiary corporations, as of December 31, 2017.

President: Mr. Jonathan R. Cook

Mr. Cook has over 20 years of experience within the senior living/elder care field. He assumed the position of President and CEO of LifeSpire in December 2014. In this position, he serves as the Chief Executive Officer of LifeSpire and all its subsidiaries. He oversees four LSV communities in Virginia, the Virginia Baptist Homes Foundation and corporate office.

Prior to his employment with LifeSpire, Mr. Cook served with Lutheran Homes of South Carolina as well as Life Care Services, LLC. Within these organizations he served in several capacities including Administrator, Executive Director, and Regional Director of Operations overseeing a portfolio of 12 communities.

Additionally, Mr. Cook has always attempted to advocate and advance the industry through mentoring numerous Administrators-in-training, serving on the Alzheimer's Association board and exchange club, as well as assuming leadership roles in Leading Age of Indiana and South Carolina. Mr. Cook has presented at numerous industry conferences on topics including hospitality, campus repositioning, operations, and professional development programs.

Mr. Cook is a graduate of the Richard Stockton College of New Jersey and is a licensed Nursing Home Administrator in North Carolina, South Carolina and Virginia.

Executive Vice President & Chief Operating Officer: Mr. D. Raymond Fisher

Ray Fisher has been involved in senior living since 2001 and has held positions as CFO, CEO, and advisor. He has more than 25 years' experience at the executive level within the context of large for-profit firms and senior living organizations. He has been part of many senior living expansion projects, the most recent involving the creation of a nationally recognized short-term recovery and rehab center. As CEO, he led the turnaround of a mid-size CCRC and the successful creation and operation of a nationally recognized 48-bed rehab and wellness center.

Mr. Fisher is a graduate of Washington & Jefferson College, and he earned an MS Finance degree from the University of Baltimore. He has instructed at VCU, UVA's Darden School and the University of Baltimore. He is a member of the American Institute of Certified Public Accountants as well as the Virginia Society of CPAs.

Senior Vice President for Finance, Chief Financial Officer & Treasurer: Mr. Joseph P. Kelley

Mr. Kelley joined LifeSpire in January 2009 and has served as Operations Controller and Corporate Director of Finance. He assumed the responsibilities of his current position in September 2013. Mr. Kelley has more than 30 years' experience in the health care and senior living fields, and during that time has held a variety of accounting, third party reimbursement, contractual compliance, and asset management positions requiring collaborative problem analysis and resolution. For the six years before joining LifeSpire, Mr. Kelley was Vice President of Asset Management for Sunrise Senior Living, a large for-profit multi-facility senior living company for which he also served on the boards of two joint ventures with not-for-profit health systems.

Mr. Kelley is a graduate of Indiana University, with a Bachelor of Science in Accounting. He is also a Certified Public Accountant (inactive) and a U.S. Air Force veteran.

Vice President of Marketing & Public Relations & Assistant Secretary: Mr. J. Peter Robinson

Mr. Robinson joined LifeSpire in January 2009. Mr. Robinson has demonstrated an ability to increase census in buildings he manages by practicing sound sales strategies and constantly striving for results.

Before coming to LifeSpire he worked with Sunrise Senior Living. Mr. Robinson started with Sunrise as the Director of Sales for a community and was able to increase the census of his first property by 31%. Mr. Robinson then served as the Director of Sales and Marketing for a new development in Oakton, Virginia. After this project he was promoted to manage the 11 communities in Virginia. After successfully managing these communities he was promoted to the sales and marketing leadership role for Sunrise's CCRC portfolio in the Mid-Atlantic region. While managing the CCRC portfolio he was able to raise overall revenue by 11% using a combination of incentives and other innovative sales strategies.

Mr. Robinson is a graduate of James Madison University with a Bachelor of Arts in History and also is a graduate of George Mason University with a Master of Science in Health Systems Management.

Secretary: Mr. J. Robert Yeaman, III

J. Robert Yeaman was elected as a member of the Board of Trustees in 2015 and was subsequently elected as Secretary in December 2016.

Mr. Yeaman serves as the President of Button, Yeaman & Associates.

Assistant Treasurer: Mr. David R. Browning

Mr. Browning joined LifeSpire in February 2014 as Corporate Controller. He has a varied background of more than 30 years in health care and senior living accounting and finance, including seven years' experience as CFO of a large non-profit CCRC. Mr. Browning graduated from Virginia Tech with a double major in Accounting and Finance; he is a Certified Management Accountant and Licensed Nursing Home Administrator in the State of Virginia.

Management Personnel of Facility

Executive Director: Mr. James F. Jacobsen

Mr. Jacobsen was named Executive Director of The Culpeper in September 2015. His employment with LifeSpire began August 1991 when he initially was hired and served as Director of Dining Services at The Culpeper, before transferring to Lakewood in 1995. Over the next 20 years, Mr. Jacobsen was instrumental in coordinating and facilitating a number of initiatives at Lakewood. He has played key roles during various organizational transitions while serving at LSV. He was often described as the face of "Customer Service" while serving as Administrator of Resident Life at Lakewood for many years.

Mr. Jacobsen is a licensed Nursing Home Administrator in Virginia, and he holds an Associate degree of Applied Science with a major in Business Management. He has completed the Certified Dietary Managers Program from the University of Florida and maintains his certification through the Association of Nutrition and Food Service Professionals. He is an active member of the International Facility Managers Association and long term member and past Chairman within LeadingAge Virginia.

ACQUISITION OF GOODS AND SERVICES

LifeSpire will be providing, or arranging for and overseeing the provision of, the actual services contracted for under the Fee for Service Residency Agreement through its own organization and staff. The Provider has no subsidiary companies, agencies, and/or arrangements with vendors and suppliers of service from which it will be purchasing supplies or services. The procurement of supplies and services will be made with established vendors and qualified professionals and will be based, among other things, on professional credentials, availability, proximity, reputation, quality of merchandise and/or service, continuity of supply and/or service, competitive prices, etc. Negotiation for best rates will be made when deemed appropriate. Bids may be called for in specific situations, but the decision will not be governed exclusively by the lowest bidder.

BENEFICIAL AND/OR EQUITY INTERESTS OF TRUSTEES, CORPORATE OFFICERS AND MANAGEMENT

No Officer or Member of the Board of Trustees, or member of the management of LifeSpire, or its subsidiary corporations has any beneficial or equity interest in LifeSpire or its subsidiary corporations. The following five Corporate Officers are employed by LifeSpire, and serve in their respective position by Board appointment:

Mr. Jonathan R. Cook	President & Chief Executive Officer
Mr. D. Raymond Fisher	Executive Vice President & Chief Operating Officer
Mr. Joseph P. Kelley	Senior Vice President for Finance, Chief Financial Officer & Treasurer
Mr. J. Peter Robinson	Vice President of Marketing & Public Relations and Assistant Secretary
Mr. David R. Browning	Assistant Treasurer

Members of the Board of Trustees of LifeSpire and its subsidiaries receive no compensation. They serve voluntarily on a rotating basis for a period of four years. Each member of the Board of Trustees completes a disclosure statement attesting to any potential areas of conflict of interest and to the extent of any business dealings they may have with the corporation. These disclosure statements are kept on file in the Corporate Office of LifeSpire and are updated periodically, as needed.

CRIMINAL, CIVIL AND REGULATORY PROCEEDINGS AGAINST PROVIDER, TRUSTEES, CORPORATE OFFICERS, AND MANAGEMENT

Neither LifeSpire nor its corporate subsidiaries, its Officers, Trustees, or Management:

1. Has been convicted of a felony or pleaded nolo contendere to a criminal charge, or been held liable or enjoined in a civil action by final judgment, if the crime or civil action involved fraud, embezzlement, fraudulent conversion, misappropriation of property or moral turpitude; 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 related 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.

OWNERSHIP OF REAL PROPERTY

The land on which The Culpeper is located, is fully owned by LifeSpire, as are all improvements, such as buildings, driveways, walkways, landscaping, etc. There is a deed of trust on The Culpeper property to support existing debt.

LOCATION AND DESCRIPTION OF REAL PROPERTY

The Culpeper is situated on 99 acres on Route 15, just south of the town limits of Culpeper. The grounds are a showplace of mature trees and shrubbery. The Community is built on a knoll and presides over one of the loveliest views in the foothills of the Blue Ridge Mountains. The Community is less than an hour's commute from Northern Virginia, 45 minutes from Charlottesville, and 35 minutes from Fredericksburg.

The facilities can accommodate approximately 187 residents in private two bedroom houses, efficiency apartments, and resident rooms for single occupancy. The facility is of Colonial style architectural design, blending in beautifully with the rural setting. The main building was constructed in 1950, with expansions constructed in 1953, 1955, 1961, and 1964. The two bedroom houses on the grounds were started in 1964. In 1993 the infrastructure was put in place to build five duplex cottages all of which have been built. The Health Care facility which was renovated in 1983 is licensed by the State Department of Health to provide nursing home care for 47 patients.

The five colonial style structures, which are all connected with enclosed sun parlors, house the majority of the residents and all administrative and support services. Space is provided for residents' recreational activity functions. Departments providing food service (offering meals three times daily), housekeeping and laundry services, maintenance services, and two hair styling salons are also located within the facility.

DESCRIPTION OF CONSTRUCTION PROJECT

On the land described in the section titled "Location and Description of Real Property", The Culpeper is currently constructing a new health care services building, consisting of 54 residential living units, 32 assisted living memory support units, and 47 skilled nursing beds, including a specialized rehabilitation area with 16 beds. Construction of the new building began in May 2017, with first occupancy of the building anticipated to occur in January 2019. Upon completion of the new construction, residents from the existing building will be transferred to the new building. The project will be financed with bank debt, and it has received a Certificate of Public Need for the nursing home construction.

AFFILIATIONS WITH RELIGIOUS, CHARITABLE, OR OTHER NON-PROFIT ORGANIZATIONS

Baptist General Association of Virginia

LifeSpire is affiliated with its sponsoring agency, the Baptist General Association of Virginia (BGAV). This affiliation stems from the BGAV's original concern that there should be facilities in Virginia to provide benevolent care for the aged in a Christian environment. Historically, the Association has supported the benevolent ministry of LifeSpire through contributions received from state-wide Southern Baptist churches. The support, however, is not binding and could be reduced and/or curtailed. The support, which is presently being received, is limited to the benevolent care of residents at The Culpeper and The Chesapeake retirement communities. When Lakewood was being proposed, the BGAV went on record, stating that its sanction and/or endorsement of Lakewood would in no way obligate the BGAV for any financial support for the construction and ongoing operational expenses of that community. Hence, Lakewood receives no allocation of funds from the BGAV. At its annual convention in November 1998, the BGAV took a similar stand with regard to The Glebe. During 2018, LifeSpire is scheduled to receive $1,000.

In addition to the funds received from the BGAV, some churches occasionally make financial contributions directly to LifeSpire in order to help subsidize LifeSpire's benevolent ministry. This is over and above the allocations from the BGAV, and is being done with the knowledge and full sanction of the BGAV.

LeadingAge

LifeSpire and its subsidiaries are members of LeadingAge and LeadingAge Virginia. These organizations are composed of similar continuing care communities that have joined together for the purpose of continuing education, facility management, the professional exchange of ideas, to affect stronger purchasing power, etc. This affiliation is voluntary and is limited to the continued payment of annual dues.

TAX STATUS OF PROVIDER

LifeSpire and its subsidiary corporations are nonprofit and have been determined to be exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code.

SERVICES PROVIDED UNDER FEE FOR SERVICE RESIDENCY AGREEMENTS

LifeSpire shall furnish, at no additional cost to the Resident, the following services under the Fee for Service Residency Agreement at the Main Building of The Culpeper:

1. Residents may bring their own furniture. Blinds and drapery rods are included in some accommodations. Some accommodations are carpeted.

   Note: Should the Resident demonstrate his/her inability to use any appliance in his/her room safely (as, for example, by repeated ignition of fire or by damage to or misuse of such equipment) the management of the Community has the right to turn off power to or remove such appliance(s). Use of appliances in the Resident's room is specifically prohibited without the approval of the Executive Director.

2. Emergency Medical Care in the Resident's living unit by the Community's 24-hour nursing personnel and on-call medical staff. A special emergency response system is provided in each living unit to signal for assistance.

3. Three nutritionally well-balanced meals are served daily. Special diets will be provided at no extra cost when requested by the Resident's physician. If Resident is a patient in the Health Care Center, three meals per day will also be provided.

4. Utilities, including electricity, heat, water, air conditioning, sewer services, trash removal, telephone and television cable hookups.

5. Insurance of the Community against all reasonable losses and liabilities, other than personal liability and personal property owned by the Resident.

6. Personnel on duty 24-hours per day to protect the property and interests of the Resident and of the Community.

7. Lighted off-street parking for all Residents and guests.

8. Maintenance of living units, public spaces, and all Community-owned items. This also includes upkeep of the grounds and other custodial functions.

9. Transportation in Community-owned vehicles to local grocery stores and shopping centers, as well as to nearby cultural and social events, on a scheduled basis.

10. Cleaning of the living unit by the Community's housekeeping staff on a weekly basis.

11. Washers and dryers are located in the residence building for the convenience of the Resident to care for his/her personal laundry needs.

12. Use and enjoyment of all Community and common areas, plus participation in all Community-planned religious and social activities and events, as desired. Craft and hobby opportunities, library facilities, and other leisurely activities are scheduled.

ADDITIONAL AVAILABLE SERVICES (Requiring Extra Charges)

Additional services are available to the Resident which are not covered in the Fee for Service Residency Agreement which require a separate and additional charge. These include, but are not limited to, the following:

1. On-site Health Care Center – This nursing care facility is fully staffed 24 hours per day with competent professionals who are ready to attend to the nursing care needs of all residents of the Community. Care in this facility is available, at the prevailing cost, to the Resident deemed needing its services by the Community's staff physician. In addition to medical and nursing care, patients in the Health Care Center will receive three full meals daily. This on-site nursing facility allows for the Resident being cared for by familiar persons in familiar surroundings close to friends.

2. Health Care Services – Generally all medically related services will be the financial responsibility of the Resident. Included, but not limited to, are the following:

    a. All hospital care (done on either an in-patient or on an out-patient basis). Facility will only provide access for such care, when needed. Only hospitals accredited by the Joint Commission on Accreditation of Hospitals will be utilized.

    b. Private duty nursing service or personal sitters (at the hospital and in the facility's Health Care Center).

    c. All physician services needed by Resident, except for those specifically covered in the Fee for Service Residency Agreement. (Section II:H: 1-5)

    d. All dental treatment and care of the Resident's teeth, including purchase and/or repairs to dentures (partial and complete).

    e. Opthalmological care, including routine eye examinations.

f. Prosthetic devices and limbs (including repair and replacement thereof), hearing aids, wheelchairs, walkers, canes, etc.

g. Pharmacy services and medications (including prescription and non-prescription drugs).

3. Meals for guests of the Resident.

4. Expendable supplies in arts and crafts.

5. Hair care services available in the Community-operated salons.

FEES REQUIRED OF RESIDENTS

The fee structure for Residents entering The Culpeper with a Fee for Service Residency Agreement includes an initial Entrance Fee along with a Monthly Fee. The Entrance Fee varies with the size and type of accommodation selected and whether for single or double occupancy. No advance deposits are required for consideration for admission to the Community.

If not already enrolled, Resident must apply for and secure, before execution of the contract, coverage under Medicare, parts A and B, and/or any other public hospital or medical insurance benefit programs which may be enacted as successor or supplement to Medicare. In addition, Resident shall also carry acceptable supplemental medical insurance coverage from a private carrier. Resident shall provide the Community with evidence of such coverages or of acceptable substitute insurance plan(s) and shall pay all premiums for same. The Community does not participate in Medicare Advantage, and it is not an acceptable coverage as described in this section.

Listed below are the **current Entrance Fees and Monthly Charges effective January 1, 2018,** required of Residents entering The Culpeper under the Fee for Service Agreement:

Keswick I – (Two Bedroom House without Basement)		
Single Occupancy	$200,000	$2,185
Double Occupancy	230,000	3,431
Keswick I-A – (Same as Keswick I with 2nd Bath)		
Single Occupancy	205,000	2,447
Double Occupancy	235,000	3,693
Keswick II – (Two Bedroom House with Basement)		
Single Occupancy	217,000	2,579
Double Occupancy	246,000	3,825
Keswick II-A – (Two Bedroom House with Basement & 2nd Bath)		
Single Occupancy	255,000	2,709
Double Occupancy	284,000	3,955
Keswick III – (Same as Keswick I with 2nd Bath and Deck)		
Single Occupancy	233,000	2,709
Double Occupancy	263,000	3,955
Keswick IV – (Same as Keswick III with screened porch and large bedroom)		
Single Occupancy	260,000	2,819

Double Occupancy	290,000	4,065
Waverly – (Two Bedroom Duplex)		
Single Occupancy	270,000	2,873
Double Occupancy	300,000	4,119
Current Daily Charges for Health Care:		
Semi-private - $260.90		
Private - $271.30		

Note: With a Fee for Service Residency Agreement at the time of temporary or permanent transfer to Assisted Living or the Health Care Center the Resident will pay for their current Daily Fee less Ten Percent (10%). (See V: A. and C. of Fee for Service Residency Agreement for specific conditions relating thereto.) This per diem charge applies for each Resident regardless of whether the Resident requires such services on a temporary or permanent basis or whether they have been paying for Residential Care on a couples' rate. The rate for the spouse remaining under Residential Care will be billed at the single occupancy rate for Residential Care for type of accommodation occupied.

Rate Schedule of Two Bedroom Cottages

In addition to the aforementioned accommodations in the main building complex at The Culpeper, there are seventeen (17) freestanding Keswick cottages and ten (10) Waverly duplexes on the campus. These dwellings are centrally air-conditioned and equipped with major appliances (including washer and dryer). The residents are responsible for all utilities except water and sewer and trash collection. The higher monthly fees for Assisted Living and Health Care and charges for other services covered under the Fee for Service Residency Agreement apply when the Resident moves into Assisted Living or into the Health Care Center. Included in the fees are 20 meals per Resident per month.

Adjustment of Entrance Fees

Entrance Fees will be subject to adjustment if the type of accommodation or level of service initially contracted for by the Resident is changed at the request of the Resident. There will be no refund of Entrance Fee should the Resident voluntarily elect to move to a smaller or less expensive accommodation. Any such adjustments will be controlled by the then in force Entrance Fees. (See Section IV: L. of the Fee for Service Residency Agreement for specific references to situations affecting a change or an increase in the Entrance Fee.)

Adjustment of Monthly Fees

Monthly Fees are payable in advance. Adjustment of the monthly fee may be made by the Community upon a thirty (30) day written notice to the Resident, or as required by state or federal assistance programs. Adjustments will be controlled by changes in the costs of operations and/or changes by the Resident to a different accommodation (Section III: C. through F.).

Listed below are the last five years of rate increases experienced by The Culpeper. These fees cover all increases in fees during the past five years.

	2018	2017	2016	2015	2014
Independent Living	4.50%	4.50%	3.50%	3.50%	3.95%
2nd Person	4.50%	4.50%	3.50%	3.50%	3.95%
Assisted Living	4.50%	4.50%	3.50%	4.25%	6.00%
Skilled Nursing Facility	4.50%	4.50%	3.50%	4.25%	6.00%

RESERVE FUNDING

Historical Perspective

LifeSpire was established originally as a benevolent ministry to the aged Baptists of Virginia. As a benevolent ministry, the original residents were generally persons with limited financial resources. The procedure, in early years, was to transfer what limited resources the resident possessed, along with what income he/she was receiving, to the corporation in exchange for life care. These funds were not escrowed on behalf of specific residents, but were used as needed to cover current expenses, to expand the then existing facilities, and to construct new facilities. The total concern in that day was to provide, as funds were available, care for the largest number of residents in need of benevolence as possible. Baptist churches throughout Virginia viewed this as a ministry and were generous in the raising of funds for specific financial needs as they occurred. Funds not needed on an immediate basis were invested in the manner deemed best by management of the corporation. Any indebtedness was kept as low as possible.

As residents with greater resources entered the communities, their funds were used to a great extent for construction costs and to retire capital improvement debts. In January 2003, LifeSpire issued bonds in the amount of $100,585,000 to refund its outstanding Series 2000 Bonds and to fund the construction and equipping of a new 81-unit apartment building, the renovation of existing apartments and the construction and equipping of 10 new cottages at The Chesapeake.

The Series 2003 Bonds were collateralized by a deed of trust of certain communities of the Obligated Group (LifeSpire, The Culpeper, The Chesapeake and Lakewood) as well as a security interest in inventory, accounts, documents, instruments, other moneys, chattel paper and general intangibles.

In December 2003, The Glebe issued bonds in the amount of $55,540,000 to fund the acquisition, construction, equipping and furnishing of The Glebe, a new continuing care retirement community in Botetourt County. The Glebe Series 2003 Bonds were replaced as described below, during 2012.

In January 2006, LifeSpire issued $32,275,000 in Economic Development Authority Bonds to finance the cost of an expansion at Lakewood. This expansion was comprised of 14 cottages, 3 villa buildings that contain a total of 30 apartments and a new Heath Services Center that includes 96 private nursing beds (to replace the existing 110 bed Health Care Center) and 32 additional Assisted Living beds and the conversion of 14 existing Assisted Living units to dementia care. The previous Health Care Center was then used for resident services and offices. These bonds were subsequently replaced, as described below.

In May 2006, the Obligated Group did a partial refunding (Series 2006C) of the Series 2003 debt. The purpose of this transaction was to lower the interest cost over the length of the original debt. The total amount of the 2006C debt was $81,545,000. The amount of debt refunded was $70,380,000. These bonds were subsequently replaced, as described below.

In September 2012, The Glebe issued two new series of bonds totaling $57,034,691, The Glebe Series 2012A and 2012B. These bonds were exchanged for the outstanding Glebe Series 2003 Bonds, which were consequently cancelled and extinguished. The Glebe Series 2012A and 2012B bonds were collateralized by a deed of trust of certain facilities of The Glebe as well as a security interest in certain other assets and property, and were replaced in 2014, as described below.

In July 2014, The Glebe issued two new series of bonds totaling $41,155,000, The Glebe Series 2014A and 2014B bonds. These bonds were used to refund the outstanding Series 2012A bonds and, along with a partial forgiveness in accordance with their provisions, the 2012B bonds in full. At that time, The Glebe Series 2012A and 2012B bonds were cancelled and extinguished, and were no longer considered outstanding. In conjunction with this transaction, The Glebe recognized a net gain on extinguishment of $18,468,511. The Series 2014A and 2014B bonds are collateralized by a deed of trust of certain facilities of The Obligated Group as well as a security interest in certain other assets and property.

In October 2016, the Obligated Group issued a new series of bonds totaling $85,505,000, the LifeSpire Series 2016 bonds. These bonds were used to refund all remaining outstanding Series 2003 and 2006 bonds, as well as a bank line of credit that was obtained in 2015 in order to fund capital expenditures. The Series 2016 bonds are collateralized by a deed of trust of the Obligated Group's facilities as well as a security interest in certain other assets and property.

In July 2017, the Obligated Group issued notes to two banks, related to EDA of Culpeper County, Virginia, Series 2017A and 2017B bonds, for $30,000,000 and $18,112,000, respectively, to fund the project costs of replacing the existing Assisted Living and Health Care buildings at The Culpeper, which are more than sixty years old. While these bonds carry variable interest rates, concurrent interest rate swap transactions were executed in order to hedge the associated interest rate risk. The Series 2017A & B bonds are collateralized by a deed of trust of the Obligated Group's facilities as well as a security interest in certain other assets.

In December 2017, the Obligated Group issued two new series of bonds in the amounts of $49,750,000 (Series C) and $23,250,000 (Series D) to the public and a bank, respectively. Series 2017C are fixed rate bonds with up to a thirty year maturity, while Series 2017D is a variable rate bond with a maturity of five years, intended to be retired using entrance fee receipts from new independent living units. These bonds are intended to i) fund strategic improvements at Lakewood, ii) fund a memory support neighborhood at The Glebe, and iii) pay off The Glebe's Series 2014B bonds. The Series 2017C & D bonds are collateralized by a deed of trust of the Obligated Group's facilities as well as a security interest in certain other assets.

In conjunction with the Series 2017C & D transactions discussed above, The Glebe, Inc. became a member of the Obligated Group and The Glebe's existing debt became equally and ratably secured under the Obligated Group's master trust indenture. The primary objective of this restructuring was to help align and integrate the operations of all LifeSpire communities in order to promote their mutual goals and better fulfill their collective mission.

Equity, Position on Property, Plant, and Equipment

The 2017 Audited Financial Statements for LifeSpire list Property, Plant, and Equipment, less accumulated depreciation, at $129,745,208 with a total of $181,591,971 in outstanding debt.

Agreement Provision for Escrowing of Entrance Fees

Since there is no requirement by the Bureau of Insurance to escrow deposits of $1,000 or less received by the Community prior to the date the resident is permitted to occupy a unit in the Community, there is no provision in the Fee for Service Residency Agreement that Entrance Fees be escrowed.

Position Relating to Future Funding of Entrance Fees

In 1987, the Board of Trustees of the three existing retirement communities of LifeSpire established funds in which a portion of all entrance fees received would be deposited. The balance in the accounts at December 31, 2017 were as follows: (The Chesapeake - $1,204,153; Lakewood - $3,646,462). It is the ultimate intention to escrow 25% of entrance fees received per year until 100% of the liability for Deferred Entrance Fees is matched. At that time, 100% of each year's entrance fees will be funded and funds will be withdrawn based on the life expectancies of the residents. A portion of the Lakewood escrow was used to retire the remaining outstanding Henrico County Series 2006(B) bonds in 2010.

RESTRICTED FUNDS INFORMATION

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by LifeSpire has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by LifeSpire in perpetuity.

Contributed Support

LifeSpire's policy is to provide care to residents regardless of their ability to pay, or the amount of assistance they receive from governmental programs or from outside donations. LifeSpire funded from contributed support approximately $1,159,000 and $1,120,000 charity care and contractual adjustments for its residents in 2017 and 2016, respectively.

Donor-Restricted Gifts

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 temporarily or permanently 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, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted gifts and donations in the accompanying financial statements.

Depreciation Funding

Annual depreciation costs are not currently being funded in a separate restricted fund at any of the communities. While LSV and The Chesapeake do not presently have a funded depreciation policy or restricted-purpose funded depreciation accounts, beginning in 2015 they began segregating a portion (the present consolidated target is 25%) of net entrance fee cash receipts into Entrance Fee Reserve accounts that were established for each community. While these accounts are not restricted, their intended purpose is to support cash requirements for capital expenditures and entrance fee refunds. As of December 31, 2017, Obligated Group Entrance Fee Reserve account balances available for these purposes on a consolidated basis were $13.1 million.

Refunding and Amortization of Entrance Fees

For financial reporting purposes, LifeSpire complies with Generally Accepted Accounting Principles, which require the amortization of Entrance Fees over the actuarially estimated life expectancy of each resident, adjusted annually.

For refund purposes, Entrance Fees are amortized over their contractually stipulated timeframe (generally 50 months). Residents who elect to withdraw or who expire before their Entrance Fee is fully amortized will be refunded any unamortized portion thereof, less a predetermined administration fee. Funds needed for this purpose based on historical trends for 2018 would be about $3,011,000 for all communities. These funds can be drawn out of the General Fund without adverse effect on the cash flow of the corporation.

Investment Position of LifeSpire

It is the position of LifeSpire to invest all funds as judiciously as possible. Investments are made in quality investment instruments to reduce the risk factor to safe levels. Investments are managed by the Investment Committee of the Board of Trustees of LifeSpire.

AUDITED FINANCIAL STATEMENTS

Included are the audited financial statements of Virginia Baptist Homes, Incorporated and Subsidiaries for the years ended December 31, 2017 and 2016, with supplemental information and the opinion of independent accountants. Under generally accepted accounting principles, the financial statements of The Culpeper are consolidated with those of Virginia Baptist Homes, Incorporated, d/b/a LifeSpire of Virginia ("LSV") and four other entities under common control (collectively the "LSV Family"). Though balance sheet and income statement accounts for each individual corporation are consolidated in the financial statements, no LSV entity is liable for any indebtedness of any other LSV entity other than the limited cross liability of the LSV Obligated Group for the LSV Long-Term Debt. The LSV Obligated Group consists of LSV, Culpeper Baptist Retirement Community, Inc. dba The Culpeper, Lakewood Manor Baptist Retirement Community, Inc. dba Lakewood, Newport News Baptist Retirement Community, Inc. dba The Chesapeake, and The Glebe, Inc. Each of these entities is a legally separate corporation but each, including The Culpeper, is legally obligated for payment of certain indebtedness (the "Obligated Group Debt") incurred under a Master Trust Indenture dated as of October 1, 2016, as amended and revised. The Obligated Group Debt consists of certain bonds, which are described in the Historical Perspective section.

Virginia Baptist Homes Foundation, Inc. is not a member of the LSV Obligated Group.

LifeSpire of Virginia
Obligated Group
Audited Financial Statements
Twelve Months Ended December 31, 2017

Narrative on Financial Condition

Virginia Baptist Homes, Inc. dba LifeSpire of Virginia
Culpeper Baptist Retirement Community, Inc. dba The Culpeper
Newport News Baptist Retirement Community, Inc. dba The Chesapeake
Lakewood Manor Baptist Retirement Community, Inc.
The Glebe, Inc.

Obligated Group Summary Performance:

	12 Months Ended December 31, 2017				
	Actual	Budget	Increase (Decrease)	2016 Prior Year	Increase (Decrease)
Unrestricted revenues, gains and other support:					
Earned Entrance Fees	$11,732,913	$11,372,000	$360,913	$12,104,324	($371,411)
Independent Living	28,660,045	29,046,843	(386,798)	27,660,705	999,340
Assisted Living	7,845,219	7,554,844	290,375	7,317,608	527,611
Memory Support	1,374,134	1,353,544	20,590	1,237,427	136,707
Health care services	19,708,856	19,217,063	491,793	17,166,529	2,542,327
Clinic	591,547	824,840	(233,293)	848,543	(256,996)
Net assets released from restrictions used for operations	284,329	0	284,329	820,657	(536,328)
Unrestricted gifts and donations:					
Cooperative Program	8,621	20,986	(12,365)	27,675	(19,054)
Churches	0	24,948	(24,948)	14,094	(14,094)
Gifts and bequests	410,548	(42,429)	452,977	392,370	18,178
Investment income designated for current operations	950,155	820,590	129,565	973,020	(22,865)
Other	1,201,489	1,539,984	(338,495)	1,750,730	(549,241)
	72,767,856	71,733,213	1,034,643	70,313,682	2,454,174
Expenses:					
Salaries, wages and professional fees	35,556,357	35,841,387	(285,030)	33,001,650	2,554,707
Provisions for depreciation and amortization	10,676,337	10,594,062	82,275	10,386,799	289,538
Interest	5,657,960	6,582,983	(925,023)	7,207,875	(1,549,915)
Other	18,986,446	20,624,261	(1,637,815)	19,697,321	(710,875)
	70,877,100	73,642,693	(2,765,593)	70,293,645	583,455
Operating Income	1,890,756	(1,909,480)	3,800,236	20,037	1,870,719
Investment income in excess of amounts designated for current operations	0	0	0	0	0
Other than Temporary Decline in Value of Investment	0	0	0	(57,518)	57,518
Deferred Financing Cost Write-off	0	0	0	(1,903,178)	1,903,178
Gain/(Loss) on 2017 Series Swap Obligation	(837,015)	0	(837,015)	0	(837,015)
Other Net Assets Transferred	0	0	0	0	0
Decrease (increase) in obligation to provide future services and use of facilities to current residents	0	0	0	0	0
Excess of revenues, gains and other support over expenses	$1,053,741	($1,909,480)	$2,963,221	($1,940,659)	$2,994,400

	12 Months Ended December 31, 2017 Actual	Budget	Increase (Decrease)	2016 Prior Year	Increase (Decrease)
Unrestricted net assets (continued):					
Excess of revenues, gains and other support over expenses	$1,053,741	($1,909,480)	$2,963,221	($1,940,659)	$2,994,400
Other changes in unrestricted net assets:					
Unrealized gains on investments	1,650,629	(52,052)	1,702,681	267,352	1,383,277
Contributions of long-lived assets	0	0	0	(1)	1
Reclassification of net assets	0	0	0	0	0
Net assets released from restrictions for acquisition of				0	
property, plant and equipment	2,976	0	2,976	0	2,976
Increase (Decrease) in unrestricted net assets	2,707,346	(1,961,532)	4,668,878	(1,673,308)	4,380,654
Temporarily restricted net assets:					
Gifts, grants and bequests	115,487	0	115,487	555,928	(440,441)
Investment Income (Loss)	0	0	0	0	0
Change in value of annuity obligations	0	0	0	0	0
Reclassification of net assets	0	0	0	14,376	(14,376)
Net assets released from restrictions	(287,304)	0	(287,304)	(820,657)	533,353
Increase in temporarily restricted net assets	(171,817)	0	(171,817)	(250,353)	78,536
Permanently restricted net assets:					
Gifts, grants and bequests.	417	0	417	1,198	(781)
Change in value of annuity obligations	0	0	0	0	0
Change in present value of perpetual trust funds	946,343	0	946,343	42,516	903,827
Reclassification of net assets	0	0	0	0	0
Increase in permanently restricted net assets	946,760	0	946,760	43,714	903,046
Increase (Decrease) in net assets	3,482,289	(1,961,532)	5,443,821	(1,879,947)	5,362,236
Net assets at beginning of year	(39,597,610)	(39,597,610)	0	(37,717,663)	(1,879,947)
Net assets at end of period	($36,115,321)	($41,559,142)	$5,443,821	($39,597,610)	$3,482,289

Occupancy Summary:

STATISTICAL SUMMARY
Average Year-to-Date Through 12/31/2017

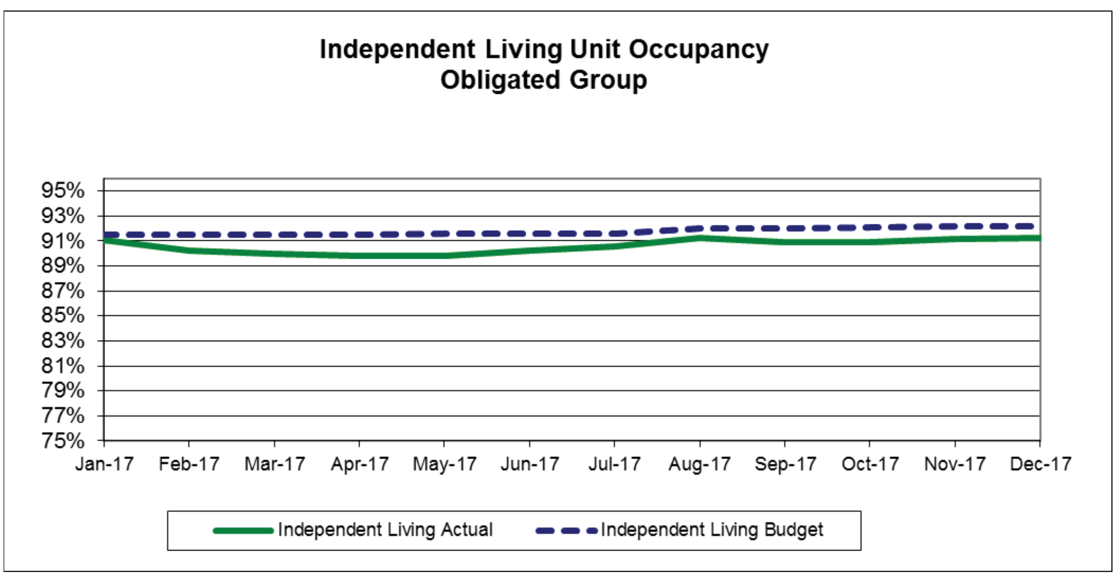
	UNITS AVAILABLE					UNITS OCCUPIED					OCCUPANCY PERCENT				
	ILU	AL	MS	HC	Total	ILU	AL	MS	HC	Total	ILU	AL	MS	HC	TOTAL
Culpeper	63	41	-	37	141	57	33	-	34	124	90.9%	80.8%	N/A	91.0%	88.0%
The Chesapeake	252	57	15	52	376	226	52	12	49	340	89.8%	92.1%	77.9%	94.4%	90.3%
Lakewood Manor	267	60	14	96	437	240	53	13	89	396	90.0%	88.7%	93.3%	92.8%	90.5%
OBLIGATED GROUP	**582**	**158**	**29**	**185**	**954**	**524**	**139**	**25**	**172**	**859**	**90.0%**	**87.9%**	**85.3%**	**92.9%**	**90.1%**
The Glebe	154	32	-	32	218	142	31	-	31	204	92.7%	97.7%	N/A	96.0%	93.9%
TOTAL	**736**	**190**	**29**	**217**	**1,172**	**666**	**170**	**25**	**203**	**1,064**	**90.6%**	**89.5%**	**85.3%**	**93.4%**	**90.8%**

Obligated Group Restructuring:

In conjunction with the financing transactions described below pertaining to the issuance of the Series 2017 C and D bonds, and as previously announced and as authorized by the applicable Boards of Trustees, i) The Glebe, Inc. became a member of The Group, ii) the master trust indenture for The Glebe's existing debt became no longer effective, and iii) The Glebe's existing debt became equally and ratably secured under the master trust indenture for The Group. The primary objective of this restructuring was to help align and integrate the operations of LifeSpire and its four communities in order to promote their mutual goals and more effectively and efficiently fulfill their collective mission of empowering the residents they serve with choices in purposeful living. Unless otherwise noted, all historical information included in this quarterly disclosure has been adjusted to reflect the inclusion of The Glebe, Inc. for all historical periods shown, even though the restructuring was not effective until Q4/2017.

Revenues:

Combined revenues for the Obligated Group ("The Group") of $72.8M through Q4 2017 were $1.0M more than budgeted and exceeded prior year's results by $2.4M. The favorable variance to budget was primarily comprised of favorable variances in Health Care Services (primarily due to Medicare A case load resulting from outside admissions at Lakewood) ($492K), Gifts and donations ($415K), Earned Entrance Fees ($361K), and Net Assets Released ($284K). Combined Independent Living ("IL") unit occupancy for The Group averaged 666 through Q4, identical with Q3 and 3 units less than the 2016 Q4 average, due primarily to delayed interest while the Richmond market considers its options regarding the Lakewood IL expansion. Average IL occupancy to date is also slightly below the 2017 annual average budget of 672. The following chart illustrates the trailing 12-month IL occupancy results:



Health care center (HCC) and Clinic revenues exceeded the budget by a combined $258K, and were $2.3M more than the previous year's results through Q4, due primarily to the fact that the open admission waiver discussed below has been effective for all of 2017 versus only part of 2016. The Group's combined HCC unit occupancy averaged 203 through Q4, 1 more than the average 2017 budget of 202, and 11 more than average 2016 performance through Q4, due primarily to the open admissions waiver at Lakewood, discussed below.

As a result of HCC occupancy challenges in early 2016, Lakewood applied for and received approval for an open admission period, permitting direct HCC admissions from non-continuing care contract holders, through March 28, 2019. This development has helped improve The Group's HCC occupancy beginning during the second half of 2016 and carrying through all of 2017. We expect that favorable impact should continue through the remainder of the open admission period. Most of these incremental admissions are short term rehabilitation-related residents whose care is reimbursed by Medicare.

Similarly, The Glebe had been operating under a temporary open admission waiver, which extended through December 31, 2017. Over the past several months, we had been working on purchasing open HC beds, which had already been COPN-approved, from another provider in the same health planning district. As a result, The Glebe acquired the permanent rights and regulatory approvals to have up to 10 simultaneous direct HC admissions, so there should be no need for The Glebe to rely on temporary waivers in the future.

Operating Expenses:

Combined operating expenses for The Group of $70.9M through Q4 2017 were $2.7M less than budget, and $583K more than the previous year. The favorable results to budget were primarily driven by core operating expenses (both wage and non-wage related), which were a combined $1.9M favorable to budget, reflecting effective operational management and stewardship by the community teams The largest single operating expense variances to budget are i) benefits, which are $525K favorable, ii) home office allocated expenses, which are $789K favorable. Finally, Interest expense is favorable to both budget and the previous year by $925K and $1.5M, respectively, due to i) the late-2016 refinancing of all extant secured debt through new tax exempt bonds at favorable interest rates, and ii) the pre-financing capitalization of interest expense for the strategic projects at The Culpeper and Lakewood, which are further discussed below.

Entrance Fee Deferrals:

New entrance fee deferrals exceeded collections of deferred entrance fees by $290K through Q4, 2017, and one deferral of $81K was reserved as being likely uncollectible, increasing The Group's outstanding entrance fee deferral balance to $3.9M at December 31, 2017.

Strategic Repositioning & Refinancing:

The Group has major strategic expansion/construction projects underway pertaining to two of its communities:

- The existing Assisted Living and Health Care buildings at The Culpeper, which are more than sixty years old, will be replaced by a new community that will also include a dedicated neighborhood for those with memory impairment. Groundbreaking on this project occurred on May 10, 2017, and site work commenced immediately thereafter. Construction, development and pre-financing costs pertaining to this project are expected to total approximately $48M.

The Group's financing for this project closed on July 26, 2017. The Economic Development Authority of Culpeper County, Virginia issued Residential Care Facilities Revenue Bonds (LifeSpire of Virginia) Series 2017 A and 2017 B, in the expected principal amounts of $30.0 million and $18.1 million, respectively, to affiliates of Huntington National Bank and SunTrust Bank, respectively. The proceeds of the bonds will be borrowed/drawn down by The Group for the purpose of executing this project; and the bonds' interest will be capitalized during construction as part of the project cost. The bonds have terms of thirty years, with ten-year year "put" provisions to the borrowers. While the bonds carry a variable interest rate, concurrent interest rate swap transactions were executed in order to hedge the associated interest rate risk, which will result in a synthetically fixed all-in cost of funds of 3.364% (Series A) and 3.366% (Series B) through July, 2027. These bonds are subject to customary yield maintenance provisions; and we expect their cost of capital may increase as a consequence of the recently enacted federal tax reform package and the reduced corporate tax rates enacted thereby. More details will be forthcoming as these matters continue to develop.

- Improvements at Lakewood will include a new community center, containing updated amenities and multiple dining venues, and 64 additional Independent Living residences. A successful presales campaign began in early November, 2016, and remains ongoing; the initial 75% (48 unit) goal for acceptance of 10% entrance fee reservation deposits was met in September, 2017, several months ahead of schedule, and, as of January 31, 2018, 55 reservation deposits (86%), totaling $2.2M, are being held in escrow. Construction, development and pre-financing costs pertaining to this project are expected to be approximately $70M, and groundbreaking occurred on October 19, 2017.

  The Group's financing for this project closed on December 22, 2017. The Economic Development Authority of Henrico County, Virginia (the "Authority") issued tax exempt Residential Care Facilities Revenue and Refunding Bonds (Lifespire of Virginia) Series 2017 C in the principal amount of $49.75 million. These bonds have an aggregate 30-year term and an all-in true interest cost of 4.61%. As a part of this transaction the Authority also issued its Residential Care Facilities Revenue and Refunding Bond (Lifespire of Virginia) Series 2017 D in the principal amount of $23.25 million to an affiliate of SunTrust bank. This bond, which carries a variable interest rate, has a 5-year term and will be repaid from entrance fee proceeds related to the Lakewood expansion's new Independent Living residences. In addition to funding Lakewood's strategic improvements, proceeds from these bonds i) are intended to be used to develop and construct a Memory Support neighborhood at The Glebe within the next three years, and ii) were used on or about January 1, 2018, to pay off all outstanding Industrial Development Authority of Botetourt County, Virginia Residential Care Facility Revenue Refunding Bonds (The Glebe, Inc.) Series 2014B.

The Group has engaged Greenbrier Development LLC of Dallas, Texas, a nationally-experienced developer of CCRCs, to oversee the development of both of these projects; which are presently in the latter design phase. Through Q4 2017, costs of $7.8M and $5.4M have been incurred and capitalized for The Culpeper's and Lakewood's strategic expansion projects, respectively.

Financial Ratios and Covenant Compliance:

Interim calculations indicate that, as shown below, The Group's financial ratio covenants, calculated in accordance with the definitions in the Series 2016 bond documents, continue to have been exceeded as of December 31, 2017. Please note that deferred entrance fees are not included in the Debt Service Coverage Ratio calculation.

	Results	Required
Days Cash on Hand (a)	314	120
Debt Service Coverage Ratio (a)	2.58	1.20
(a) Tested annually at December 31st.		

The Culpeper
Audited Financial Statements
Twelve Months Ended December 31, 2017

Narrative on Financial Condition

Summary Performance

	December				Prior Year		
Unrestricted Revenues	Actual	Plan	Variance	% Variance	Actual	Variance	% Variance
Earned Entrance Fees	770,160.00	701,000.03	69,159.97	9.87%	656,158.00	114,002.00	17.37%
Independent Living	1,973,388.65	2,058,607.32	(85,218.67)	-4.14%	1,846,764.68	126,623.97	6.86%
Assisted Living	1,967,897.50	1,762,847.44	205,050.06	11.63%	1,684,725.62	283,171.88	16.81%
Memory Support	-	-	-	0.00%	-	-	0.00%
Health Care	3,697,531.32	3,136,022.67	561,508.65	17.91%	3,650,436.49	47,094.83	1.29%
Clinic	58,550.81	96,809.98	(38,259.17)	-39.52%	75,003.61	(16,452.80)	-21.94%
Total Resident Income	8,467,528.28	7,755,287.44	712,240.84	9.18%	7,913,088.40	554,439.88	7.01%
Net assets released for operations	2,775.00	-	2,775.00	0.00%	850.00	1,925.00	226.47%
Unrestricted gifts and donations	89,251.55	10,000.00	79,251.55	792.52%	271,710.33	(182,458.78)	-67.15%
Investment income for current operations	48,880.66	61,590.01	(12,709.35)	-20.64%	69,048.81	(20,168.15)	-29.21%
Corporate Income Allocation	259,965.85	299,999.97	(40,034.12)	-13.34%	67,933.00	192,032.85	282.68%
Gain (Loss) on dosposal of assets	600.00	-	600.00	0.00%	550.00	50.00	9.09%
Other Income	173,819.82	144,019.92	29,799.90	20.69%	157,668.44	16,151.38	10.24%
Total Operating Income	9,042,821.16	8,270,897.34	771,923.82	9.33%	8,480,848.98	561,972.18	6.63%
Operating Expenses							
Salaries and wages	4,411,362.75	4,534,279.97	(122,917.22)	-2.71%	4,222,370.97	188,991.78	4.48%
Benefits	721,370.93	857,989.99	(136,619.06)	-15.92%	828,870.37	(107,499.44)	-12.97%
Interest Expense	126,596.62	115,112.99	11,483.63	9.98%	143,995.79	(17,399.17)	-12.08%
Amortization Expense	-	-	-	0.00%	-	-	0.00%
Depreciation	505,560.36	500,100.03	5,460.33	1.09%	479,370.93	26,189.43	5.46%
Corporate Office Expenses	741,239.54	828,758.05	(87,518.51)	-10.56%	741,065.73	173.81	0.02%
Other Expenses	2,161,722.52	2,345,798.87	(184,076.35)	-7.85%	2,251,833.87	(90,111.35)	-4.00%
Total Operating Expenses	8,667,852.72	9,182,039.90	(514,187.18)	-5.60%	8,667,507.66	345.06	0.00%
Operating Income	374,968.44	(911,142.56)	1,286,111.00	-141.15%	(186,658.68)	561,627.12	-300.88%
Investment income for non current operations							
Write off of Deferred Financing Costs	-	-	-	0.00%	(39,221.19)	39,221.19	-100.00%
Gain (Loss) on Interest Rate SWAP Obligation	(837,015.00)	-	(837,015.00)	0.00%	-	(837,015.00)	0.00%
Excess of revenues over expenses	(462,046.56)	(911,142.56)	449,096.00	-49.29%	(225,879.87)	(236,166.69)	104.55%

Occupancy Summary:

	Independent Living			Assisted Living			Nursing Home		
	Actual	Budget	Prior Year	Actual	Budget	Prior Year	Actual	Budget	Prior Year
Available Units	63	63	63	41	41	41	37	37	37
Average Occupied Units	57	52	56	33	32	32	34	34	34
Occupancy %	91%	83%	89%	81%	78%	78%	91%	92%	92%

Revenues:

Total Operating Income for 2017 exceeded budget, by $771,924, and 2016 performance by $561,972. Resident Income was greater than budget primarily due to improving occupancy in Assisted Living and Health Care. Overall average occupancy performance exceeded both budgeted expectations for 2017 and 2016's performance.

Operating Expenses:

In spite of the improved occupancy, operating expenses for 2017 were favorable to budget by $514,187, and approximately equal to the previous year, reflecting management's ongoing commitment to managing operating expenses prudently, while maintaining expected service and quality levels.

PRO FORMA INCOME STATEMENT FOR LIFESPIRE

A summary copy of the 2018 operating budget (pro forma income statement) is included. We will gladly make available a more detailed breakdown of revenues and expenses to those who request such. Also available at the Corporate Office are pro forma income statements for each retirement community controlled by Virginia Baptist Homes, Inc. dba LifeSpire of Virginia. Please see the Executive Director of the specific community for answers to your questions.

The detailed budget was developed by both the management of the retirement communities and Virginia Baptist Homes, Inc. dba LifeSpire of Virginia, reviewed by the Finance Committee of the Board of Trustees, with final approval by the full Board of Trustees. In the preparation of this budget, the following major assumptions were used:

1. We are projecting the following average census for 2018:

	2018	2017	2016	2015	2014
The Culpeper	135	135	124	125	119
The Chesapeake	409	398	400	385	386
Lakewood	447	441	437	447	472
The Glebe	255	251	244	236	220

2. Revenue increases were partially driven by monthly fee increases of 3.75% to 4.50% in 2018 versus 3.50% to 4.50% in 2017.
3. Annual wage rate increases are assumed to average 3.0%, which is consistent with 2017. Some position-specific market driven changes may vary from this average.
4. Budgeted “controllable” (i.e., non-salary related) operating expenses for 2018 are estimated to generally increase by 1.5% over 2017 forecast results due to various program changes offsetting anticipated inflation. There are minor specific variations to reflect known circumstances and to improve market comparability, resident care or regulatory compliance.

Culpeper Baptist Retirement Community
Proforma Income Statement
Accrual basis

	Fiscal Year Ending December 31, 2018					Fiscal Year Ending December 31, 2019				
	1st qtr	**2nd qtr**	**3rd qtr**	**4th qtr**	**Full Year**	**1st qtr**	**2nd qtr**	**3rd qtr**	**4th qtr**	**Full Year**
Units Capacity:										
Independent Living	63	63	63	63	63	63	63	63	63	63
Assisted Living	41	41	41	41	41	41	41	41	41	41
Memory Support	-	-	-	-	-	-	-	-	-	-
Nursing	37	37	37	37	37	37	37	37	37	37
	141	**141**	**141**	**141**	**141**	**141**	**141**	**141**	**141**	**141**
Average Occupancy:										
Independent Living	57	55	53	51	54	54	54	54	54	54
Assisted Living	33	33	33	33	33	33	33	33	33	33
Memory Support	-	-	-	-	-	-	-	-	-	-
Nursing	35	35	35	35	35	35	35	35	35	35
	125	**123**	**121**	**119**	**122**	**122**	**122**	**122**	**122**	**122**
Percentage Occupancy:										
Independent Living	90%	87%	84%	81%	85%	85%	85%	85%	85%	85%
Assisted Living	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%
Memory Support	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Nursing	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%
	88%	**87%**	**86%**	**84%**	**86%**	**86%**	**86%**	**86%**	**86%**	**86%**
Revenues:										
Earned Entrance Fees	187,896	184,882	181,867	179,355	734,000	188,088	188,088	188,088	188,088	752,350
Independent Living	554,512	534,941	515,370	499,061	2,103,885	539,120	539,120	539,120	539,120	2,156,482
Assisted Living	518,398	518,398	518,398	518,398	2,073,593	531,358	531,358	531,358	531,358	2,125,433
Health Care	652,106	652,106	652,106	652,106	2,608,426	668,409	668,409	668,409	668,409	2,673,636
Medicare A	144,145	144,145	144,145	144,145	576,580	147,749	147,749	147,749	147,749	590,995
Memory Support	-	-	-	-	-	-	-	-	-	-
Clinic Revenues	23,671	23,292	22,912	22,595	92,470	23,695	23,695	23,695	23,695	94,782
Total Resident Income	**2,080,729**	**2,057,764**	**2,034,799**	**2,015,661**	**8,188,954**	**2,098,419**	**2,098,419**	**2,098,419**	**2,098,419**	**8,393,677**
Contributions	2,552	2,580	2,609	2,609	10,350	2,616	2,645	2,674	2,674	10,609
Corporate Contribution	24,658	24,932	25,205	25,205	100,000	25,274	25,555	25,836	25,836	102,500
Therapy Revenue	106,350	107,532	108,714	108,714	431,310	109,009	110,220	111,432	111,432	442,093
Other Income	33,934	34,311	34,688	34,688	137,620	34,782	35,169	35,555	35,555	141,061
Investment Income	15,719	15,894	16,068	16,068	63,750	16,112	16,291	16,470	16,470	65,344
Total Revenues	**2,263,942**	**2,243,013**	**2,222,083**	**2,202,946**	**8,931,984**	**2,286,213**	**2,288,299**	**2,290,386**	**2,290,386**	**9,155,283**
Expenses:										
Salary and Wages	1,150,307	1,163,088	1,175,869	1,175,869	4,665,132	1,173,313	1,186,349	1,199,386	1,199,386	4,758,435
Benefits	238,885	241,540	244,194	244,194	968,813	243,663	246,370	249,078	249,078	988,189
Administration	59,669	60,332	60,995	60,995	241,990	60,862	61,538	62,215	62,215	246,830
Marketing	10,314	10,428	10,543	10,543	41,829	10,520	10,637	10,754	10,754	42,665
Resident Services	19,534	19,751	19,968	19,968	79,220	19,924	20,146	20,367	20,367	80,804
Activities	-	-	-	-	-	-	-	-	-	-
Beauty Shop	572	578	585	585	2,320	583	590	596	596	2,366
Laundry	2,816	2,847	2,878	2,878	11,420	2,872	2,904	2,936	2,936	11,648
Housekeeping	13,638	13,790	13,941	13,941	55,310	13,911	14,065	14,220	14,220	56,416
Food Service	161,181	162,972	164,763	164,763	653,680	164,405	166,232	168,058	168,058	666,754
Health Care	35,559	35,954	36,349	36,349	144,210	36,270	36,673	37,076	37,076	147,094
Assisted Living	2,732	2,762	2,793	2,793	11,080	2,787	2,818	2,849	2,849	11,302
Memory Support	-	-	-	-	-	-	-	-	-	-
Clinic	10,221	10,334	10,448	10,448	41,450	10,425	10,541	10,657	10,657	42,279
Therapies	125,532	126,926	128,321	128,321	509,100	128,042	129,465	130,888	130,888	519,282
Maintenance	130,613	132,065	133,516	133,516	529,710	133,226	134,706	136,186	136,186	540,304
Wellness	-	-	-	-	-	-	-	-	-	-
Security	9,155	9,257	9,359	9,359	37,130	9,338	9,442	9,546	9,546	37,873
Depreciation Expense	124,055	125,433	126,811	126,811	503,110	126,536	127,942	129,348	129,348	513,172
Interest Expense	22,685	22,937	23,189	23,189	92,000	23,139	23,396	23,653	23,653	93,840
Property Taxes, etc	661	668	676	676	2,680	674	682	689	689	2,734
Bond Amortization Expense	441	446	451	451	1,790	450	455	460	460	1,826
Amortized Marketing Costs	-	-	-	-	-	-	-	-	-	-
Services Corporate Office	222,845	225,321	227,797	227,797	903,760	227,302	229,827	232,353	232,353	921,835
Total Expenses	**2,341,414**	**2,367,429**	**2,393,445**	**2,393,445**	**9,495,733**	**2,388,242**	**2,414,778**	**2,441,314**	**2,441,314**	**9,685,648**
Net Operating Income / (Loss)	**(77,472)**	**(124,417)**	**(171,362)**	**(190,499)**	**(563,750)**	**(102,029)**	**(126,479)**	**(150,928)**	**(150,928)**	**(530,365)**

Culpeper Baptist Retirement Community		
Cash Flow Forecast		
	Fiscal Year Ending December 31, 2018 Full Year	Fiscal Year Ending December 31, 2019 Full Year
Cash flows from operating activities:		
Increase / (Decrease) in net assets	(563,750)	(530,365)
Adjustments to reconcile increase / (decrease) in net assets to net cash provided by (used in) operating activities:		
Amortization of deferred revenue from advance fees	(734,000)	(752,350)
Proceeds from advance fees and deposits net of refunds	481,622	493,663
Amortization of deferred financing costs	1,790	1,826
Amortization of deferred marketing costs	-	-
Provision for depreciation	503,110	513,172
Net cash provided by (used in) operating activities	**(311,228)**	**(274,054)**
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(592,000)	(603,840)
Net cash used in investing activities	**(592,000)**	**(603,840)**
Cash flows from financing activities:		
Change in due to (from) affiliates	803,760	819,335
Payments on long-term debt	(64,579)	(65,821)
Net cash provided by financing activities	**739,181**	**753,514**
Net increase (decrease) in cash and cash equivalents	**(164,047)**	**(124,380)**
Cash and cash equivalents at beginning of year	**1,165,711**	**1,001,664**
Cash and cash equivalents at end of period	**1,001,664**	**877,285**

ADMISSION OF NEW RESIDENTS

Admission of new residents to Culpeper Baptist Retirement Community dba The Culpeper is limited to individuals sixty-two (62) years of age and over. Due to licensing restrictions, persons with known communicable diseases, who are not ambulatory, and/or who need nursing or convalescent care will not be allowed admission. Additionally, admission is restricted to prospective residents who have the financial ability to meet the reasonably expected costs of their care while a resident.

All prospective applicants for admission undergo an interview and verification process to determine if they meet the physical and financial admission criteria.

Virginia Baptist Homes, Inc. dba LifeSpire of Virginia was established as a Baptist agency to minister to the needs of Baptists and others. Under no circumstance is admission denied on the basis of race, creed, or national origin.

Health Care Center

The Health Care Center at the Culpeper Baptist Retirement Community dba The Culpeper is generally reserved for care of residents who have contracted for continuing care services, who can no longer function independently, and who are in need of more intensive medical and nursing care. However, direct admission to the Health Care Center of non-continuing care residents is permitted since the Center is certified as a Medicaid and Medicare provider. As such, admission is open to non-continuing care residents without regard to age, race, creed, national origin, and financial resources. Admission of non-continuing care residents will be conditional on the availability of beds, as the Community’s primary responsibility is to those residents who have contracted for continuing care.

PROCEDURE FOR RESIDENT TO FILE A COMPLAINT OR DISCLOSE CONCERN

It is our goal to maintain an exceptional living environment and to acknowledge the important contributions residents make to the success of the Community. We encourage residents to share recommendations with the Community. The Community will be responsive toward resident recommendations and implement changes where possible and appropriate. We also encourage residents to inform staff of existing services and policies which are satisfactory and should continue unchanged.

The Culpeper is committed to providing the highest level of quality resident care and superior resident and responsible representative satisfaction. To that end, The Culpeper will address all resident /resident representative complaints and/or grievances in a thorough and timely manner. LifeSpire communities respect the resident's right to voice complaints and/or grievances to the facility or to other agencies or entities that hear grievances without discrimination or reprisal. The resident or responsible representative has the right to file complaints and/or grievances orally, in writing, or via electronic means (email, text, or fax). Reports may be made with full disclosure of the reporter's identity or may be made anonymously.

The Culpeper has a complaint and grievance policy which is available to the resident and resident representative. Such information will be posted throughout the community (healthcare, assisted living, independent living, and clinic) and a copy of the Resident Complaint and Grievance Policy will be given to the resident as requested.

We encourage pursuit of open communication so that we may work together on *any* matter that may arise. If, however, one still feels that the issue has not been satisfactorily resolved, it may be pursued further by contacting:

Apartments, Cottages and Assisted Living residents:

Division of Licensing Program
The Virginia Department of Social Services

Regional Licensing Administrator: Mary Goodwin
(540)347-6340

Licensing Inspector
410 Rosedale Court, Suite 270
Warrenton, Virginia 20186
Telephone: (540)347-6345
Adult Protective Services Hotline: 1-888-832-3858

or:

The Department for the Aging
1610 Forest Avenue, Suite 100
Richmond, Virginia 23229
(804)662-9333 or 800-552-3402

If a resident of the Health Care Center:

The Virginia Department of Health
Office of Licensure and Certification
Complaint Coordinator
Phone: (804)367-2100
Toll Free: 1-800-955-1819
Email: OLC-complaints@vdh.virginia.gov

or:

Kathi Walker
Local/Sub state Ombudsman
P.O. Box 1568
Culpeper, VA 22701
Phone: (540)825-3100 ext. 3450
kwalker@rrcsb.org
Fax: 540-825-0392

Ms. Joani Latimer, State Ombudsman
Office of the State Long-Term Care Ombudsman
Virginia Department for Aging and Rehabilitative Services
8004 Franklin Farms Drive
Richmond, VA 23229
Phone: (804) 565-1600
Fax: (804)662-9140
Toll Free: 1-800-552-3402

At no time will any staff member of the Community take any improper action against a resident for lodging a complaint, regardless of validity of the complaint. The Executive Director or Administrator will follow-up within five (5) days on all resident complaints and explain to the resident what can or cannot be done to remedy the complaint or implement the suggestion.

The Community encourages residents to actively participate in the Resident Council. The Executive Director, Administrator or designee and Director of Resident Services will meet with the Resident Council and its officers monthly to receive suggestions and to review progress in implementation of Council suggestions.

2018 Ancillary Charges

Beauty Shop Fees	Fee
Shampoo	10.00
Shampoo/Set	20.00
Shampoo/Blow Dry	17.00
Shampoo with Curling Iron	20.00
Haircut	15.00
Perm with Cut, Shampoo/Set	75.00
Deep Conditioner Treatment	7.00
Temporary Rinse with Shampoo/Set	25.00
Permanent Color with Shampoo/Set	40.00
Shape up/Curl/Touchup	12.00
Highlights/Shampoo/Set	65.00
Manicure	15.00
Polish Change	6.00
Combined Service Packages:	
Haircut/Shampoo/Blow Dry	30.00
Haircut/Shampoo/Set or curling iron	33.00
Wig Services, Shampoo and Style	20.00
Linen/Laundry Services *	**Fee**
Personal Laundry	40.00 / month
Bedding	40.00 / month
Bedspreads:	
Twin	6.00
Full	8.00
Queen or King	15.00
Comforter	20.00
Bed Linen Change Weekly	20.00 / month
Ironing Services (See Laundry Services Director)	1.00-3.00 per item
** These fees apply to Independent Living only.*	
Transportation	**Fee**
Medical (out of Culpeper)	1.00/per mile plus 15.00/hour
Medical (within Culpeper)	NO CHARGE
Non Medical* (subject to driver availability) ** i.e., airports, personal business, banking* **Reservation required through Director of Resident Services**	2.00 per mile plus 15.00/hour
Meals	**Fee**
Cottage Residents:	
Breakfast & Supper	7.00
Lunch	8.50
Guests:	
Breakfast & Supper	8.00
Lunch	9.50
Children age 5 – 12	5.00
Children age 4 and under	FREE

Meals		Fee
GUEST SPECIAL HOLIDAY RATES		
Easter / Mother's Day / Father's Day Brunch Thanksgiving / Christmas / Candlelight Dinners		
Adults		20.00
Children age 5 – 12		9.00
Children age 4 and under		FREE
Meal Punch Card Plan (Cottage Residents) Twenty (20) meals per month included in monthly fee. Meal cards may be used for any meal, any day. Meals are for resident use only and are non-transferable to others. Meals are not cumulative; any unused meals cannot be transferred to the following months. Credits are not issued when meals are not used or when residents are away from the community. Lost cards are not reissued.		
Party (8-15 people)**:**	Adults Breakfast & Supper	10.00
	Adults Lunch	11.50
	Children ages 5-12	5.00
	Children age 4 and under	Free
Party with a special menu request is considered an event (see below).		
Event (15 people or more) and Catering Services		
A four (4) week minimum notice is required with an estimated number of guests. See Director of Dining Services, or designee, to discuss menu and location of event. An estimated cost will be provided.		
Maintenance		**Fee**
Labor (services rendered on resident's personal property)		24.00 / hour Billed in increments of ½ hours
Internal Move		24.00 / hour per staff member
Miscellaneous		**Fee**
Cable Service		40.00 / month
Hookup – One time charge at admission if The Culpeper supplies custom size cable		20.00
WanderGuard Monitor Bracelets (Health Care & Assisted Living II Levels)		30.00 / month
Wardrobe Rental (includes labor for seasonal wardrobe changes)		3.00 / month per wardrobe
Guest Accommodations *		
Guest Studio		
One Guest		65.00
Two Guests		70.00
Guest Suite *(Ideal for extended stays – Den with Kitchenette & Bedroom)*		
One Guest		75.00
Two Guests		80.00
***** *Meals Extra***		
Duplicate Apartment Key		20.00 / each
Security Key Card Replacement		20.00 / each
Completion of Long Term Care Insurance Paperwork		35.00 / each time
Medication Administration (Independent Living Only)		135.00 / month
Companion Services		18.00 / hour

THE CULPEPER

1948

FEE FOR SERVICE RESIDENCY AGREEMENT

EQUAL HOUSING OPPORTUNITY

FEE FOR SERVICE RESIDENCY AGREEMENT

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FEE FOR SERVICE RESIDENCY AGREEMENT

Culpeper Baptist Retirement Community, Inc.
Culpeper, VA

This is a Fee for Service Residency Agreement ("Agreement") between Culpeper Baptist Retirement Community, Inc., a Virginia non-stock, non-profit corporation (together, the "Community" "Culpeper", "our", "we", "us", or "CBRC"), and ____ (hereinafter referred to as "you", "your", or "Resident" including when joint residents are listed here).

LifeSpire of Virginia, a trade name for Virginia Baptist Homes, Inc., is the sole member of Culpeper Baptist Retirement Community, Inc., a faith-based provider of senior living services. CBRC is located at 12425 Village Loop in the Culpeper, Virginia area which provides residential living, community areas and programs, and a continuum of wellness, assisted living and health care services. CBRC assisted living area is licensed by the Virginia Department of Social Services and its healthcare/nursing area is licensed by the Virginia Department of Health.

You have made application for residency at CBRC and in reliance on your responses to our application, CBRC wishes to enter into this Agreement with you. Subject to the terms and conditions of this Agreement, we are pleased to offer to you residency at CBRC and by your signature at the end of this document, you agree to accept the following terms and conditions.

I. KEY TERMS AND DEFINITIONS

A. *Assisted Living.* A level of care provided at our Community where, when admitted, a resident receives assistance with daily living activities after evaluation. Assisted Living is an area of care licensed by the Virginia Department of Social Services. *See,* Article II, Section I (1), *Assisted Living.*

B. *Room Reservation Rate.* When applicable, if you are a permanent resident of our Assisted Living or Health Care Center, the Room Reservation Rate is the amount charged to hold your space while you are temporarily at a different level of care. This is sometimes referred to as a "Bed Hold". *See,* Article V, Section C, *Retaining Your Prior Residence/Room Reservation Rate*.

C. *Daily Rate.* The Daily Rate is a rate we charge for services in our Assisted Living or Health Care Center. Generally, if you need to make a transition from your Independent Living Residence to Assisted Living or the Health Care Center (other than for a Medicare Stay), you will pay a Discounted Daily Rate.

D. *Discounted Daily Rate.* The Discounted Daily Rate is our Daily Rate less Ten Percent (10%) as described in Article III, Section F (1), *Assisted Living Discounted Daily Rate,* Article III, Section F (2), *Health Care Center.*

E. *Entrance Fee.* An initial entrance payment is made to us at the time of your entry into the Community. *See,* Article III, Section A, *Entrance Fee.*

F. *Health Care Center.* Our nursing level of care is provided for in the Health Care Center. Nursing Care is provided at this level of care for certain rehabilitation and long term nursing services. Our Health Care Center is licensed by the Virginia Department of Health. *See,* Article II, Section I (2), *Health Care Center.*

G. *Residential Living.* Our residential living area where meals and other services are available to you as set forth in this Agreement. The Monthly Fee is paid for your Residence in the Residential Living Area, as well as certain other services as set forth in this Agreement.

H. *Interdisciplinary Care Planning ("ICP") Team.* The ICP Team consists of members of the various disciplines on our staff that evaluate and plan your care in our Community after consultation with you and your family.

I. *Monthly Fee.* A fee charged for your Independent Living Residence and certain other services described in this Agreement. *See,* Article III, Section C, *Monthly Fee.*

II. RESIDENCE, COMMON AREAS, AMENITIES, PROGRAMS AND SERVICES

A. Residence. You shall have the exclusive right to occupy, use, and enjoy as your residence number ____________________, a/an ___________________apartment/cottage (hereinafter, including any other residence you may select, the "Residence"), subject to the terms of this Agreement.

B. Furnishings in the Residence. You may furnish your Residence with your furniture, furnishings, decorations and other personal property. Although we do not provide furniture or furnishings in Independent Living, we do provide standard large household appliances in the cottages and an urgent call system for your safety. (The urgent call system should be used in addition to first calling 911 if your life or health is in danger.)

C. Changes to the Residence. Should you wish to make changes to your Residence, any physical or structural improvements are required to be approved in advance by us in writing and paid for by you. All improvements must be in conformity with all applicable building codes and will become part of the Residence and the property of the Community when construction is completed. The value of any such improvement will not be considered in computing refunds, and the Community will have a vested ownership in such improvements.

You agree that if we permit you to make physical or structural improvements to your Residence we, in our reasonable discretion, can require you to cover the cost of returning the Residence to its original condition when your Residence is vacated.

D. Common Areas and Amenities. We provide a variety of common areas and amenities for the use and benefit of all residents.

E. Parking. A parking area is provided for you and your guests.

F. Storage. Limited additional storage may be available for an additional charge.

G. Services and Programs. The services and programs included in your Monthly Fee are listed in sub-section 1 of this Section G. These services and programs may be adjusted from time to time and, when possible, thirty (30) days' notice will be given. Services and programs vary at the different levels of care.

1. *Services included in your Monthly Fee*:

(a) Utilities -- The Community will furnish heating, air conditioning, electricity, water, sewer, trash removal and municipal services for apartment residences. Residents occupying a cottage are responsible for all utilities except water, sewer and trash removal. All Residents are responsible for the charges related to telephone and cable services.

(b) Basic housekeeping services every week for apartments and every other week for cottages, including vacuum cleaning, cleaning of bathroom(s) and kitchen, and trash removal.

(c) Grounds keeping, including lawn, tree and shrubbery care, and snow removal from cars.

(d) Transportation to medical providers and medical appointments scheduled in accordance with Community policy.

(e) Security services.

(f) An urgent call system and smoke detectors.

(g) Planned wellness, social, recreational, spiritual, educational and cultural activities; arts and crafts; exercise and health programs; and other special activities designed to meet your needs. There may be a charge related to some programs.

(h) Wireless internet connection (Wi-Fi) in designated common areas.

(i) The Community provides to the residents residing in an Apartment three (3) meals each day. Residents residing in a cottage are eligible for twenty (20) meals per month. These meals are not transferrable.

2. Services Available with an Additional Charge:

(a) Telephone, Internet, and cable services in your Residence.

(b) Personal laundry service.

(c) Guest accommodations when available.

(d) Beauty salon and Barber services.

(e) Companion Care and Private Duty Services.

(f) Meals not included in the meal plan taken by you or your guest(s) will be paid for at the time of purchase or billed to you on a monthly basis. The Community reserves the right to amend the meal plan options from time to time, including implementing a declining balance program. Optional premium beverages, such as beer or wine, may be available at an additional charge. Premium beverages are not included with a meal.

(g) Special Diets -- please make sure that you fully communicate these needs to our Dining Services Manager; some special diets may be met without an additional charge.

(h) Room Service is available for delivery to your Residence in accordance with the Community's policy.

(i) Housekeeping services beyond those included in your Monthly Fee.

(j) Transportation for special, personal, or group trips.

H. Maintenance and Repairs. The Community maintains and keeps in repair its own improvements, furnishings, and equipment. With the exception of ordinary wear and tear, you will be responsible for the cost of repairing damage to our property when caused by you or your guest(s).

I. Assisted Living and Nursing Services:

1. Assisted Living. If our Interdisciplinary Care Planning Team ("ICP Team") after consultation with you and your family, determines that you require assistance with the activities of daily living or that you have other needs such that Assisted Living is the appropriate level of care for you, the Community will make available and you agree to accept a transfer to our Assisted Living area ("Assisted Living"). Assistance in daily living needs may include bathing, dressing or grooming, administration of medication, transportation or assistance to programs and services throughout the Community. *See*, Article III, Section F, *Fees/Charges for Assisted Living and Health Care Services,* for the fees and charges in Assisted Living. The degree of your independence in performing daily living activities is a factor in determining the appropriate level of care for you. To the extent that space permits, you may bring some of your own furniture and furnishings to your Assisted Living residence. Should space not be available in Assisted Living, you may be required to temporarily receive services in the Health Care Center (as defined in this Agreement) until an appropriate Assisted Living residence is available. Assisted Living services rendered in the Health Care Center shall be charged to you at the Assisted Living Discounted Daily Rate.

2. **Health Care Center.** If the Community, in conjunction with its ICP Team, determines that you require the services of a licensed nursing facility, the Community will make available such nursing care in, and you agree to move to, the Community's licensed nursing facility (the "Health Care Center"). Should space not be available in the Health Care Center, you may be required to be temporarily transferred to an outside nursing facility (herein an "Outside Facility"). *See*, Article II, Section I (3), *Limitations on Care*. You are responsible for all fees and charges at the Outside Facility and, should you maintain a residence with us, your fees under this Agreement. If your transfer is due to space limitations at the Community, you will receive priority admittance when a bed becomes available in our Health Care Center. Further, while at an Outside Facility due solely to our inability to offer you bed space in our Health Care Center, we will pay the difference between the daily rate you actually pay out of pocket at the Outside Facility and the Discounted Daily Rate you would pay to us if a bed had been available at our Community (if what you pay is higher) until (i) a bed in our Community is offered to you, (ii) you are no longer in need of nursing care as determined by our ICP Team or (iii) you are no longer able to be cared for in our Community and your stay at the Outside Facility becomes permanent as determined by our ICP Team.

3. **Limitations on Care.** There are limitations to the type of nursing care that we are able to provide. The following are examples of limitations: if you have a dangerously contagious disease, an uncontrolled or untreated mental condition or specialized psychiatric condition, any condition requiring services which are prohibited under our license as an Assisted Living Community or which we are unable to provide to you within the Community (including by reason of lack of specialized staffing, beds or space), or if you require nursing care services beyond routine nursing services. Also, Assisted Living regulations of the Virginia Department of Social Services requires our residents to be physically and mentally capable of self-preservation by evacuating in response to an emergency without assistance. We will assist you in transferring to an appropriate hospital, institution or other facility. You are responsible for all fees and charges at the facility to which you are transferred. If your move to the hospital, health care facility, or other institution is permanent, then you may terminate this Agreement. If your move to the hospital, health care facility, or other institution is temporary and you maintain a residence with us, you will continue to pay your fees to us under this Agreement.

4. **Clinic Services.** The Community makes available at the Community's clinic a variety of routine health care services (the "Clinic"). Some Clinic services may be at an additional charge.

5. **Health Related Charges Not Covered.** Our Assisted Living area provides assistance with the activities of daily living and our Health Care Center provides routine

nursing services as part of our fee. We do not cover the items listed in this section except some of the listed items are covered in a Medicare Stay in our Health Care Center. Should you have need for these services or others which we do not provide, you are responsible for paying for such items and services whether provided at the Community or elsewhere, and whether arranged for by you or by us on your behalf:

a) Charges of any physician, physical therapist, speech therapist, or occupational therapist, dentist, podiatrist, psychologist, psychiatrist or other health care professional;
b) Hospital, ambulance and other health care provider charges;
c) Charges for medicines, drugs, lab services and x-ray services, vitamins, food supplements, dental work, glasses, hearing aids, orthopedic devices, durable medical equipment, personal care supplies and other health related items.

6. **Staffing.** Assisted Living and the Health Care Center are staffed by licensed and/or certified nursing staff twenty-four (24) hours per day.

7. **Medical Director.** The overall coordination and supervision of health care services by the Community in the licensed areas of care will be provided by a Medical Director who is a licensed physician selected by the Community (the "Medical Director").

8. **Charges for Additional Levels of Care.** While in Assisted Living or the Health Care Center, you agree to pay the additional fees and charges for Assisted Living or Health Care Center as applicable and as published by us and available to you upon request. *See*, Article III, Section F, *Fees/Charges for Assisted Living and Health Care Services.*

9. **Personal/Attending Physician.** You may choose to use the services of a personal attending physician and you will be responsible for the charges by that physician. The physician may or may not be the Community's Medical Director. However, the attending physician you choose must be willing to follow the policies and procedures of the Community and meet the requirements of the Community including the making of regular visits to you when required by our policies and procedures. In the event your attending physician is not available, our Medical Director may issue appropriate orders for you. Transportation to medical appointments may be provided by the Community in accordance with the Community's policies and procedures; please review the procedures in the Resident Handbook in making arrangements for transportation.

III. FINANCIAL ARRANGEMENTS

A. Entrance Fee. You agree to pay to the Community an Entrance Fee (the "Entrance Fee") as a condition of becoming a Resident.

Entrance Fee Type	Amount of Entrance Fee	Amortization Schedule
Standard	$	The Entrance Fee, less an initial 4% administrative charge paid to us, will be amortized, accrued and transferred to us at 2% per month for 50 months after which time the Entrance Fee is fully amortized and you are not entitled to a refund.*

* Prior to payment, we reserve the right to deduct from any refund charges owed to us.

For purposes of the Amortization Schedule above, a partial month counts as a full month. For additional refund information, *see*, Article VI, *Termination and Refund Provisions*.

B. Terms of Payment of the Entrance Fee. The Entrance Fee is due and payable as follows:

1. **Deposit.** Prior to the signing of this Agreement you must have signed a Reservation Agreement and paid a ten percent (10%) deposit.

2. **Balance of the Entrance Fee.** The balance of the total Entrance Fee $_________ (less the deposit previously paid) for the Entrance Fee option selected by you is due and payable upon the signing of this Agreement and prior to occupancy of the Residence.

3. **Non-Standard Selections and Upgrade Charges.** Any non-standard selections and upgrades to your Residence requested by you may result in additional charges which must be paid in full prior to your move-in. You are not eligible for a refund for these charges.

C. Monthly or Daily Fee. In addition to the Entrance Fee, you agree to pay a monthly fee when your Residence is made available to you and during the term of this Agreement which shall be payable in advance by the tenth (10th) of each month. As of the date of this Agreement, the monthly fee associated with your Residence is $_________________per month, and an additional $________________ per month if a second Resident occupies your Residence (adjusted as provided herein the "Monthly Fee"). The Monthly Fee may be increased by the Community during the term of this Agreement as described in Article III, Section D, *Increases in Fees.* The Monthly Fee shall be paid by you for so long as you occupy, or retain the right to occupy, your Residence. If your Residence is in Assisted Living, you will pay the Discounted Daily Rate instead of the Monthly Fee. *See*, Article III, Section F(1), *Assisted Living Daily Rate*. If a resident opts to prepay monthly fees in a lump sum payment and the lump sum payment is accepted by the Community, we agree not to increase the fee structure during the agreed upon term for care and services for which the lump sum is paid, except for changes related to state and federal funding. Currently, the Community does not accept lump sum payments.

D. **Increases in Fees.** The fees are charged to provide the facilities, programs, and services described in this Agreement and are intended to also provide for the cost of the expenses associated with the operation, maintenance, and management of the Community, as well as maintaining the viability and marketability of the Community. You agree that the Community shall have the authority to increase the Monthly Fee and Daily Rate from time to time during the term of this Agreement as the Community, in its sole discretion, deems necessary in order to reflect increases and changes in costs of providing the facilities, programs, and services described herein consistent with operating on a sound financial basis, maintaining the quality of services called for herein as well as maintaining the marketability of the Community and providing for the future of the Community. A thirty (30) day written notice will be given to you before there is any adjustment in fees and charges, or before there is any significant change in the scope of services to be provided hereunder.

E. **Monthly Statements.** The Community will furnish you with monthly statements showing the total amount of fees and other charges due hereunder which shall be payable on or before the tenth (10^{th}) day of the month. The Community charges interest at a rate of one and one-half percent (1½%) per month on any unpaid balance. You agree to pay all costs of collection including court costs, attorney fees and other fees and expenses incurred by us in collecting payment.

F. **Fees/Charges for Assisted Living and Health Care Services.**

1. **Assisted Living Discounted Daily Rate.** If your Residence is in, or if you move permanently to, Assisted Living you will pay the Daily Rate less ten percent (10%) for Assisted Living as published by the Community from time to time and as adjusted in Article III, Section D, *Increases in Fees*. If you move to Assisted Living on a temporary basis, you will pay the Discounted Daily Rate plus your Monthly Fee. If you release and vacate your Residence and become a permanent resident of Assisted Living, you will no longer pay the Monthly Fee. *See*, *Article III,* Section F(3), *Transfer and Continuance of Monthly Fee*.

2. **Health Care Center.** We offer nursing and skilled nursing care in our Health Care Center.
   (a) ***Medicare Stay.*** Our Health Care Center is certified under the Medicare program (Title XVIII of the Social Security Act) to provide skilled nursing care. If you are in need of skilled nursing care and you meet the requirements determined by the Medicare program, your admission to our Health Care Center will be pursuant to the Medicare program (a “Medicare Stay”). You will be responsible for paying all deductibles and other permitted non-covered charges during your Medicare Stay. Since Medicare covers part of this stay, you do not pay the Discounted Daily Rate; however, you will continue to pay your Monthly Fee. When you are admitted to our Health Care Center, you will execute a separate Health Care Center Residency Agreement with us. We reserve the right to withdraw from the Medicare program at any time.

(b) *Non-Medicare Stay*. If you move permanently to our Health Care Center not pursuant to a Medicare Stay (or if your Medicare Stay ceases and you remain in our Health Care Center), you will pay the Discounted Daily Rate for the Health Care Center as published by the Community from time to time, as adjusted in Article III, Section D, *Increases in Fees*. If you move temporarily to Health Care Center you will pay the Discounted Daily Rate plus the Monthly Fee. If you release and vacate your Residence and become a permanent resident of our Health Care Center, you will no longer pay the Monthly Fee. *See*, Article III, Section F(3), *Transfer and Continuance of Monthly Fee*.

3. Transfer and Continuance of Monthly Fee.

(a) *Temporary Transfer*. Should you qualify for services in Assisted Living or the Health Care Center and temporarily (as determined by the Community) occupy a residence in such area, you will be charged, in addition to the Monthly Fee, an amount equal to the then published current Discounted Daily Rate for such services. *See also*, Article V, Section C, *Retaining Your Prior Residence/Room Reservation Rate*.

(b) *Permanent Transfer*. Upon permanent transfer (as determined by the Community) to an Assisted Living or the Health Care Center, you will release and vacate your Residence and (i) no longer pay the Monthly Fee for your Residence, but instead, (ii) pay the then published current Discounted Daily Rate for the residence in Assisted Living or the Health Care Center. In addition to the Discounted Daily Rate, charges will be made for ancillary services as more fully described in Article III, Section F(4), *Additional Charges for Ancillary Services*.

(c) *Joint Residents.*

(1) If you share your Residence with another resident and one of you temporarily transfers to Assisted Living or the Health Care Center, you will pay (i) the first and second person Monthly Fee and (ii) Discounted Daily Rate for Assisted Living or Health Care.

(2) If both of you are temporarily placed at another level of care, you will pay (i) either the Room Reservation Rate for your permanent accommodation if your permanent accommodation is in Assisted Living or the Health Care Center or the first and second person Monthly Fee if your permanent accommodation is in Independent Living, and (ii) the Discounted Daily Rate for each of the rooms occupied by you in Assisted Living or the Health Care Center.

4. Additional Charges for Ancillary Services. Additional charges may be made for ancillary services provided at the Community. Ancillary services are services not included in the Monthly Fee/Discounted Daily Rate. Examples of such additional charges for ancillary services may include, but are not limited to, the cost of prescription and non-prescription medications, personal laundry, staff accompaniment of resident to scheduled medical appointments, podiatric, dental and optical services, physicians' services, laboratory tests, physical therapy, occupational therapy, speech therapy, rehabilitative treatments, wheelchairs, other medical equipment and medical supply needs, ambulance service, and any other medical services beyond those included in your Monthly Fee or Daily Rate. Also, any professional services (medical or otherwise) contracted by you, or on your behalf, shall be billed directly to you or your representative. Ancillary services may be changed from time to time by the Community at its discretion.

5. **Care in Another Facility.** If the Community determines that you need care beyond that which the Community makes available (*See*, Article II, Section I(3), *Limitations on Care*), and requires transfer to another facility, we will assist you in transferring to a hospital, institution or other facility (*See,* Article V, Section B, *Transfer to Hospital or Other Facility*); however, all expenses resulting from such transfer and care shall be borne entirely by you.

6. **Illness Away From the Community.** The Community does not provide care, in any manner or degree, for you when away from the Community nor can the Community ensure your safe return to the Community.

IV. <u>TERMS OF RESIDENCY</u>

A. **Age and Occupancy Requirements.** We believe that our residents deserve to be treated fairly at all times. As an equal opportunity housing provider, we provide housing opportunities regardless of race, color, national origin, religion, sex, physical or mental disability, familial status or any other classification protected by applicable federal, state or local law. Entrance is restricted to persons sixty-two (62) years of age or older. An exception to the age requirement may be requested in the case of double occupancy where one resident will meet the age requirement and the other is at least fifty-five (55) years of age, but such exception is subject to our discretion and approval.

B. **Policies and Procedures.** All Residents shall abide by the Community's policies and procedures including such amendments, modifications, and changes to the Resident Handbook as may be adopted by the Community. General resident policies and procedures are found in the Resident Handbook.

C. **Private Duty Personnel.** If you wish to hire private duty companions and similar personnel, such persons must be hired pursuant to the requirements found in our policies and procedures and you are responsible for ensuring that any such private duty person follows our policies and procedures at all times. We reserve the right to prohibit any person, including a private duty person hired by you, from coming onto the Community's property when, in our discretion, it is reasonable to do so. Any approved private duty personnel shall be paid by the Resident. You may not employ current or former employees of the Community as private duty personnel without the expressed written consent of the Community.

D. **Use of Tobacco Products.** The use of tobacco products is prohibited throughout the Community, including its buildings, campus, and community vehicles. This policy is applicable to all Residents, guests, visitors, employees, and contract personnel.

E. **Changes in and Use of Your Residence.** The Community has the right to alter or change your Residence to meet requirements of any applicable statute, law, or regulation. Your

Residence may not be used in any manner in violation of any zoning ordinances or other governmental law or regulation.

F. Visitors. You are welcome to have visitors in your Residence. Overnight stays are limited to short term visits and may not exceed thirty (30) days per calendar year per guest. No person other than you may reside in your Residence without the approval of the Community.

G. Loss or Damage of Property. The Community is not responsible for the loss or damage of any of your property due to theft, mysterious disappearance, fire or any other cause. You are responsible for providing any desired tenant/renters' insurance protection covering any such loss.

H. Health Insurance and Supplemental Insurance. You agree to provide the Community with evidence of health insurance coverage under Medicare Parts A and B as well as hospital or medical insurance benefit programs which supplement Medicare. Such supplemental insurance should cover Medicare co-insurance and deductibles. You shall furnish to us such evidence of coverage as we may from time to time request. Should your supplemental health insurance or equivalent coverage not fully cover a qualified stay in the Health Care Center, should it not pay benefits directly to us or should you fail to purchase supplemental health insurance or equivalent coverage to fully cover a qualified stay in the Health Care Center, you shall be financially responsible for paying to us deductibles, co-insurance amounts, and any other charges for each qualified stay in the Health Care Center, *see also* Article IV, Section R, *Managed Care*. If you are not eligible to be covered under Medicare, you must provide evidence of coverage under comparable insurance accepted by the Community. You are responsible for the payment of premiums for such coverage during your residency at the Community. You agree to authorize us to receive reimbursement under this insurance coverage and assign to the Community the right to appeal Medicare coverage determinations. *See*, Article IV, Section R, *Managed Car*e, for additional information.

I. Occupancy by Two Residents. In the event more than one resident executes this Agreement, you will pay an Entrance Fee and Monthly Fee based on the joint residency. Each joint resident is jointly and severally liable and responsible for the terms of this Agreement. This Agreement shall not terminate until the death of the second to die of the residents or the termination of the Agreement by both residents. If you do not wish to be a joint resident with the obligations required hereunder, you and the other resident may seek to qualify separately and sign separate agreements upon qualification. In the event that two Residents occupy the Residence under the terms of this Agreement as joint residents, upon the permanent transfer to Assisted Living or the Health Care Center or the death of one Resident, or in the event of the termination of this Agreement with respect to one of the Residents, the Agreement shall continue in effect as to the remaining or surviving Resident who shall have the option to retain the same Residence. The remaining Resident will pay the then current single person Monthly Fee while occupying the Residence. Should the remaining or surviving Resident wish to move to another Residence, the policies of the Community governing residence transfer will pertain.

J. Marriage During Occupancy. If while occupying your Residence you marry a person who is also a resident of the Community, you and the other resident may occupy the Residence of either of you. Such married residents will pay the Monthly Fee for double occupancy associated with the residence occupied by them. In the event that you marry a person who is not a resident of the Community, your spouse may become a resident under your existing Agreement, if your spouse meets all the then current financial and medical requirements to reside in the Community and enters into a then current version of the Agreement with the Community and pays the then current second person Entrance Fee for the Residence. You and your new spouse shall pay the first person and second person Monthly Fees associated with the Residence. If your new spouse does not meet the requirements of the Community for admission as a resident, and you choose to terminate this Agreement, you may terminate this Agreement as provided in Article VI, Section B*, Voluntary Termination After Occupancy*.

K. **Added Resident.** If a non-resident joins you in sharing your Residence for which you paid the entire Entrance Fee and in which you are living alone, such non-resident must (i) qualify by meeting all the then current financial and health requirements to reside in the Community (ii) enter into a then current version of the Agreement with the Community and (iii) pay the then current second person Entrance Fee for the appropriate accommodation. The Residents shall pay the Monthly Fee for double occupancy associated with the Residence occupied by them. If the resident joining you remains in the Residence after your death or transfer, the remaining resident will be charged the first person Monthly Fee for the Residence and will be subject to the terms and conditions of this Agreement as if such person were the original Resident. If the remaining resident subsequently permanently transfers to Assisted Living or the Health Care Center, the resident will pay the then current Discounted Daily Rate applicable to the level of service received.

L. **Residence Change Upon Request of Resident.** Subject to availability, in accordance with our policies and procedures and with the approval of the Executive Director, you may request to move to another residence (the "New Residence") in the Community. You will be required to pay: (i) the cost of any work necessary to bring your Residence to market ready condition, (ii) the then current Monthly Fee for the New Residence, beginning the first of the month following the move date, and (iii) the difference between the two Entrance Fees if the Entrance Fee for the New Residence is larger than the original Entrance Fee. No refund of the Entrance Fee will be given if a resident elects to move to a smaller residence. Physical improvements or upgrades made to the original residence will not be transferred or relocated to the New Residence. Physical improvements or upgrades to the New Residence may be negotiated and made with the approval of the Executive Director and paid for by the Resident.

M. **Rights of Resident.** You have the right to occupy, use and enjoy the Residence, common areas, amenities, programs, and services of the Community during your lifetime unless this Agreement shall be terminated as provided herein. It is understood that this Agreement does not transfer or grant any interest in the real or personal property owned by the Community other than the rights and privileges as described in this Agreement.

N. **Right of Entry.** You hereby authorize our employees or agents to enter your Residence for the purposes of housekeeping, repairs, maintenance, inspection, fire drills, and in the event of an emergency.

O. Residents' Council. You are invited to participate in the Residents' Council and/or its committees which will be open to all residents and governed by the Bylaws of the Council.

P. Financial Requirements. Upon entrance, you must have assets and income which will be sufficient under foreseeable circumstances to pay your financial obligation under this Agreement and to meet your ordinary living expenses. The Community, at its discretion, may require you to periodically furnish updated financial information upon request.

Q. Representations. You affirm that the representations made in each part of the Application, including but not limited to the Application for Residency, Personal Health History, and Confidential Financial Statement are true and correct and may be relied upon by the Community as a basis for entering into this Agreement.

R. Managed Care. If you have chosen to participate in a managed care program as an alternative to Medicare Part A, Medicare Part B and supplemental insurance coverage, the terms governing care in the Health Care Center will be as follows:

1. Participating Provider. If we are a participating provider with your managed care program, we will agree to accept, as full payment, reimbursement at the rate we negotiate with your managed care program.

2. Not a Participating Provider. If we are not a participating provider with your managed care program and you choose to receive health care services at a managed care participating provider during a qualified stay, then you understand and agree that you must relocate for as long as necessary for all those services, and be responsible for all charges for those health care services. In addition, while receiving health care services at the managed care participating provider, you understand and agree that unless this Agreement is terminated, you will continue to pay the Monthly Fee for your Residence.

3. Negotiated Managed Care Rate. If we are not a participating provider in your managed care program and you would still like to receive health care services in the Health Care Center during a qualified stay, we will attempt to negotiate an acceptable reimbursement rate with your managed care program. If we are able to negotiate an acceptable rate, we will agree to accept the rate provided by your managed care program as full payment.

4. No Negotiated Managed Care Rate. If we are not a participating provider in your managed care program and a negotiated rate is not agreed upon between your managed care program and us, and you still desire to receive health care services in the Health Care Center during a qualified stay, then you agree that your charges for health care services in the Health Care Center will be at our then-current Discounted Daily Rate. If you choose to retain your Residence, the Monthly Fee for your Residence will continue. In addition, you will pay for the charges for meals in excess of the one meal per day included in your Monthly Fee at the then-current charges for meals.

5. *Post Medicare-Qualified Stay.* At the conclusion of each such qualified stay, you will be entitled to health care services in the Health Care Center in accordance with all the terms of this Agreement.

V. TRANSFERS OR CHANGES IN LEVELS OF CARE

A. Transfers to Assisted Living or Health Care Center. It is our policy to see that you reside in an area of the Community where your specific needs are best met and the appropriate level of care is available to you. To assist us in being able to care for you, you agree to cooperate with our ICP Team and to provide to us all reasonable requests for current information regarding your health. The Community is organized as a "continuing care retirement community" ("CCRC") where we have made certain assumptions in our planning that you will move seamlessly through a continuum of care and receive the appropriate level of care in the most cost-effective and efficient setting. Our ICP Team, in consultation with you and your family, will make a determination of the appropriate level of care for you. In making these determinations, the ICP Team will consult with you and will review potential reasonable accommodations to allow you to stay on a desired level of care so long as that level of care is appropriate for you. You will not be permitted to remain on a lower level of care if we determine that it may not allow us to provide you the appropriate level of care needed in your particular circumstances in consideration of your safety and security and that of other residents of the Community given the structure of care in our Community. You agree that, after you have established Residency, we may transfer you to the Assisted Living, Health Care Center or to another facility (*see*, Article V, Section B *Transfer to Hospital or Other Facility*), at such time as we, in consultation with the ICP Care Team, determine that such a transfer is necessary for your wellbeing. The ICP Team, in consultation with you, your family and/or your physician, will determine based on its criteria for evaluation and placement whether your transfer is temporary or permanent. At the time of temporary or permanent transfer, you will pay the Discounted Daily Rate for the new level of care where you receive services. (*See*, Article III, Section F, *Fees/Charges for Assisted Living and Health Care Services*). If your Residence is occupied by two Residents at the time of permanent transfer, the remaining Resident will pay the then current single occupancy Monthly Fee. *See also*, Article V, Section C, *Retaining Your Prior Residence/Room Reservation Rate*.

B. Transfer to Hospital or Other Facility. If our ICP Team determines that you need care beyond that which can reasonably be provided by the Community or is necessary for your well-being, you agree that we may transfer you to a hospital, health care facility, or other institution equipped to provide such care; such outside care will be at your sole expense. A transfer to a hospital, another health care facility, or other institution will be made only after consultation, to the extent possible, with you or your representative, and your attending physician. The Medical Director in consultation with your attending physician shall have the ultimate authority to authorize your transfer to a hospital, health care facility, or other institution. While away from our Community, you remain responsible for all your fees, rates and charges to us for your Residence or your Assisted Living or Health Care services.

C. Retaining Your Prior Residence/Room Reservation Rate. In Assisted Living or the Health Care Center, if your transfer has not become permanent, your current Assisted Living or Health Care Center residence accommodation may be reserved at an additional charge of seventy percent (70%) of the Discounted Daily Rate ("Room Reservation Rate"). Payment of the Room Reservation Rate reserves your permanent accommodation while you are temporarily in a different level of care. If you wish to reserve your independent living Residence while temporarily residing in Assisted Living or Health Care Center, you will also continue to pay your single person Monthly Fee in addition to the Daily Discounted Rate. *For Joint Residents see,* Article III, Section F(3)(c), *Joint Residents*.

D. Release and Vacation of Residence. If a determination is made by the Community that any transfer described in Article V, Section A, *Transfers to Assisted Living or Health Care Center* or Section B, *Transfers to Hospital or Other Facility*, is permanent in nature, you shall release and vacate your Residence. If the Community subsequently determines that you can resume occupancy in an apartment or cottage residence comparable to the Residence, you shall have priority access to such residence as soon as one becomes available. If a Residence is occupied by two persons, the Residence will not be surrendered due to the health of the first Resident and the second Resident may continue to reside in the Residence.

VI. TERMINATION AND REFUND PROVISIONS

A. Trial Period. The first sixty (60) days of occupancy at the Community will be considered to be a trial period (the "Trial Period"). During such sixty (60) day Trial Period, you will have the right to terminate this Agreement by giving the Community written notice of such termination. In the event of such termination by you, or in the event of your death during such Trial Period, you (or your estate) shall receive a full refund of the Entrance Fee paid, less (i) an administrative charge equal to four percent (4%) of the total amount of the Entrance Fee as described in Article III, Section A, *Entrance Fee,* and (ii) the cost to us of restoring your Residence to market ready condition. Also, during such Trial Period, the Community shall have the right to terminate this Agreement based on the Community's determination that your emotional, physical or mental condition adjustment will not permit adaptation to the living environment at the Community, by giving you written notice of such termination. In the event of such termination by the Community, the Community will refund the full Entrance Fee paid by you (less the 4% administrative charge). Upon any termination of the Agreement pursuant to this section, the Resident's property shall be removed from the Residence in accordance with Article IX, Section G, *Property Disposition Upon Transfer or Death*. You are responsible for payment of your Monthly Fee (or Daily Rate) for any time you spend in your Residence. You must vacate the Community within sixty (60) days of the date you give us notice that you are terminating the Agreement. Any refund due you under this paragraph, less any upgrade charges, shall be paid within sixty (60) days after you vacate the premises.

B. Voluntary Termination After Occupancy. At any time after occupancy, you may terminate this Agreement by giving the Community sixty (60) days written notice of such termination. You will be responsible for your Monthly Fee or Discounted Daily Rate during the sixty (60) day notice period. If you are entitled to a refund, your refund will be paid when your Residence is sold to a new resident and the new entrance fee for your Residence has been received by us. If less than fifty (50) months has elapsed since you entered the Community, your refund, if any, will be the Entrance Fee, less (i) the initial four percent (4%) administrative charge paid to us, and (ii) less the balance amortized and accrued at two percent (2%) per month for fifty (50) months after which time the Entrance Fee is fully amortized and you are not entitled to a refund. Any refund due you under this paragraph will be made at such time as the Residence you occupied shall have been sold to a new resident and such new resident shall have paid to the Community such new resident's full Entrance Fee for the Residence. The processing of the refund check will be initiated the day following the occupancy of the Residence by the new Resident. If a current Resident of our Community transfers to your Residence, then your refund will be paid at such time as the Residence of the transferring Resident is occupied by a new Resident and such new Resident shall have paid to us a new full Entrance Fee for the transferring Resident's Residence. For the purposes of this section, a partial month counts as a full month. For clarity, the four percent (4%) administrative fee is deducted from your Entrance Fee refund, if any, is a percentage of the net after such deduction.

C. **Termination Upon Death.** In the event of your death at any time after the Trial Period, this Agreement shall terminate and the refund of the Entrance Fee paid by you shall be determined and paid in the same manner described in Article VI, Section B, *Voluntary Termination After Occupancy.* When this Agreement is between CBRC and a husband and wife, (or two related family members who are joint residents) and a refund is due, the unamortized portion of the entry fee refund, if any, will be paid only when (i) the Agreement is terminated with the husband and wife simultaneously or (ii) when the Agreement is terminated with the surviving spouse, or family member who is a joint resident, where one has predeceased the other. Should a Residence be vacated prior to the end of a month, the Community will refund a pro-rated portion of the remaining Monthly Fee based on the day the Residence is vacated. As is provided in Article VI, Section B, *Voluntary Termination After Occupancy,* any refund due you under this paragraph will be made at such time as the Residence you occupied shall have been sold to a new resident and such new resident shall have paid to the Community such new resident's full Entrance Fee for the Residence or, in the case of a current Resident transferring to your Residence, when the transferring Resident's Residence is occupied and a new full Entrance Fee has been paid to us for that Residence. For the purposes of the Entrance Fee refund, if any, a partial month counts as a full month.

D. **Termination by the Community.** The Community reserves the right to terminate the Agreement at any time beyond the Trial Period for good cause. Good cause shall be limited to: (a) proof that you are a danger to yourself or others, (b) nonpayment by you of the Monthly Fee/Daily Rate or other periodic fee, (c) repeated conduct by you that interferes with other Resident's quiet enjoyment of the Community, (d) persistent refusal to comply with reasonable written policies and procedures of the Community, (e) a material misrepresentation made intentionally or recklessly by you in application for residency, or related materials, regarding information which, if accurately provided, would have resulted in your failure to qualify for residency or a material increase in the cost of providing you the care and services provided for under this Agreement, or (f) material breach by you of the terms and conditions of this Agreement. The Community will give you written notice of the conduct and/or Agreement infraction which warrants termination of this Agreement, with a fifteen (15) day period in which to correct or cure the matter. If not corrected or cured within the fifteen (15) day period, you will have an additional fifteen (15) days in which to make other living or service arrangements after which you must vacate your Residence. This Agreement may not be terminated in less than the thirty (30) day combined period except by mutual written agreement by the Community and the Resident. Until the effective date of termination, you will continue to pay the established Monthly Fee. Any refund of the Entrance Fee paid by you shall be paid in the same manner described in Article VI, Section B, *Voluntary Termination After Occupancy*.

E. **Condition of Residence.** At the effective date of termination of this Agreement, you shall vacate the Residence and shall leave it in good condition except for normal wear and tear ("Good Condition"). You shall be liable to the Community for any cost incurred in restoring the Residence to Good Condition.

VII. RIGHT TO RESCIND AGREEMENT

You have the right to rescind this Agreement without penalty or forfeiture of any portion of the Entrance Fee within seven (7) days after executing the Agreement. The Monthly Fee will be prorated for the number of days you occupied the Residence and that amount will be deducted from the refund. You shall not be required to move into the Community before expiration of the seven (7) day period. If before moving into the Community, you die or are precluded through illness, injury or incapacity from becoming a resident under the terms of this Agreement, this Agreement is automatically rescinded and you (or your representative) shall receive a full refund, less those costs specifically incurred by us at your request and set forth in a separate addendum signed by both you and us. You are considered to have moved into the Community upon the sooner to occur of (i) your actually physically occupying your Residence (including by placing any of your furniture into the Residence) or (ii) thirty (30) days after you pay the balance of your Entrance Fee.

VIII. FINANCIAL ASSISTANCE

A. **Residency Continuance.** It is the intent of the Community to permit residents to continue to reside within the Community if a Resident becomes no longer capable of paying the Monthly Fee/Daily Rate and/or charges of the Community as a result of financial reversals occurring after occupancy, provided such reversals, in the Community's judgment, are not the result of willful, intentional, or unreasonable dissipation of the Resident's assets and as limited in this section. Dissipation of assets can take many forms, including but not limited to, overuse of certain discretionary services, such as home care services, when circumstances indicate more judicious use of your resources. When a Resident becomes unable to pay through no fault of his or her own, the Community will give careful consideration to subsidizing the fees and charges payable by the resident so long as such subsidy can be made without impairing the ability of the Community to attain its objectives while operating on a sound financial basis. Any determination by the Community with regard to the granting of financial assistance shall be within the sole discretion of the Community, and the Community does not guarantee that it will subsidize the fees and charges payable by any Resident. If financial assistance is awarded, some change in your accommodations at the Community may be required. Resident agrees to apply for Medicaid if eligible.

IX. GENERAL

A. **Assignment.** Your rights and privileges under this Agreement to the Residence, common areas, amenities, services, and programs of the Community are personal to you and may not be transferred or assigned.

B. **Management of the Community.** The absolute rights of management are reserved by the Community, its Board of Trustees, Officers, and its Executive Director. Residents do not have the right to determine acceptance or terms of acceptance of any other Resident.

C. **Entire Agreement.** This Agreement and the rules, regulations, policies and procedures adopted by the Community as amended from time to time, constitute the entire Agreement between the Community and the Resident. The Community shall not be liable or bound in any manner by any statements, representations, or promises made by any person representing or presuming to represent the Community, unless such statements, representations, or promises are set forth in this Agreement.

D. **Successors and Assigns.** Except as set forth herein, this Agreement shall bind and inure to the benefit of the successors and assigns of the Community and the heirs, executors, administrators, personal representatives, successors, and assigns of the Resident, including but not limited to the trustee of an *inter vivos* trust of which you are a trustee.

E. **Durable General Power of Attorney and Medical Directive.** You agree to execute and maintain a durable general power of attorney designating some competent person as attorney-in-fact for you. You are further encouraged to consider execution of an Advance Medical Directive and Health Care Power of Attorney. You shall provide to, and at all times maintain with, the Community current copies of the Power of Attorney or document designating a responsible party for you with the powers of such party specifically enumerated, remaining valid upon your incapacity and properly notarized, Advance Medical Directive, and Health Care Power of Attorney. A responsible party and/or agent under a power of attorney (collectively "Agent") that you have designated shall agree that when he or she comes into control of or access to your assets, the Agent agrees that your funds under his or her control shall be used for your welfare, including but not limited to making prompt payment in accordance with the terms of this Agreement. Should we incur expenses in having a conservator of a guardian of the person appointed for you, you agree that we shall be reimbursed from your assets for the expenses we incur.

F. **Transfer of Property.** You agree not to make any gift or other transfer of property for the purpose of evading your obligations under this Agreement or if such gift or transfer would render you unable to meet such obligations within your lifetime. You also agree to comply with all the Community's policies prohibiting and/or regarding the making of gifts or donations to or for the individual benefit of the Community's employees, such employees' spouses and/or relatives.

G. Property Disposition Upon Transfer or Death.

1. In the event of your permanent transfer from the Residence to some other living accommodation, all of your property shall be removed from the Residence within fifteen (15) days after notice by the Community to you or your duly named representative.

2. In the event of your death while still residing in the Residence, your duly named representative shall have a fifteen (15) day period to remove your property from the Residence. In the event of your death after transfer from the Residence to the Health Care Center or Assisted Living, your property must be removed from such room within seventy-two (72) hours of death.

3. If such property is not removed within such periods of time by you or your duly named representative, you or your estate shall remain liable and shall pay the then current Monthly Fee for your Residence until all property is removed. The Community shall have the option, but not the obligation, to remove and store such property for thirty (30) days; and thereafter, if such property is not claimed and storage fees are incurred by the Community, then title to such property shall be vested in the Community and the property shall be disposed of as the Community, in its sole discretion deems proper, without any liability of the Community to you or your estate or heirs.

4. Any expenses incurred by the Community in disposing of your property hereunder shall be added to the final Monthly Fee/Daily Rate charged to you. Monthly fees are due on the tenth (10^{th}) of the month and are not refundable.

H. Governing Law and Venue. This Agreement shall be governed by the laws of the Commonwealth of Virginia without regard to Virginia's conflicts of law provisions. The Parties agree, should there be any suit or action related to this Agreement, venue shall be in the Circuit Court of the County or City in Virginia where the Community is located.

I. Notice Provisions. Any notices, consents, or other communications to the Community hereunder (collectively "notices") shall be in writing and addressed as follows:

Registered Agent
Culpeper Baptist Retirement Community
1900 Lauderdale Drive
Richmond, Virginia 23238

With a Copy to the Executive Director
Culpeper Baptist Retirement Community
12425 Village Loop
Culpeper, Virginia 22701

Your address for the purpose of giving notice is the address appearing after your signature below.

J. Severability. If any provision or clause of this Agreement is determined by a judicial or administrative tribunal of proper jurisdiction to be invalid or unenforceable, such provision or clause shall be severed from the Agreement and the balance of this Agreement shall remain in full force and effect.

K. **Availability of Disclosure Statement.** You acknowledge that at least three (3) days prior to your execution of this Agreement, you have received a copy of our annual disclosure statement which we have filed with the Virginia State Corporation Commission.

L. **Waiver of One Breach Not a Waiver of Any Other.** Our failure to insist upon your strict performance and observance of compliance with any of the provisions of this Agreement in any one or more instances shall not be construed to be a waiver of relinquishment by us of our right to insist upon your future strict compliance.

M. **Modification of Agreement and Policies and Procedures.** We reserve the right to modify the Agreement unilaterally in order to conform to changes in the law or applicable regulations and to modify unilaterally our rules, regulations, policies and procedures.

N. **Assignability.** You may not assign or subcontract your rights or obligations under this Agreement. You consent to the assignment by us of our right, title and interest in this Agreement in whole or in part to any successor owner or lender, either outright or as security for any indebtedness of ours or Virginia Baptist Homes, Inc. Any assignment by us shall not be deemed a termination of this Agreement.

O. **Confidentiality.** You agree to keep the terms of your Agreement with us confidential except that you may discuss such terms with your professional advisors and family.

IN WITNESS WHEREOF, Culpeper Baptist Retirement Community, Inc. has executed this Agreement and Resident has read and understands this Agreement and has executed this Agreement and the Entrance Fee has been paid as of this ____ day of _____________, 20_____.

_____________________________	____
Witness	Resident
_____________________________	____
Witness	Resident
	____
	Current Address (Number and Street)
	____
	City, State, Zip Code
	____
	Telephone

CULPEPER BAPTIST RETIREMENT COMMUNITY, INC., D/B/A THE CULPEPER

____
Signature

____
Title

____
Date

VIRGINIA BAPTIST HOMES, INCORPORATED
D/B/A LIFESPIRE OF VIRGINIA
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AND ACCOMPANYING INFORMATION

YEARS ENDED DECEMBER 31, 2017 AND 2016

VIRGINIA BAPTIST HOMES, INCORPORATED
D/B/A LIFESPIRE OF VIRGINIA AND SUBSIDIARIES
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Virginia Baptist Homes, Incorporated
d/b/a LifeSpire of Virginia and Subsidiaries
Richmond, Virginia

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Virginia Baptist Homes, Incorporated d/b/a LifeSpire of Virginia and Subsidiaries (LifeSpire), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of operations and changes in net assets (deficit) and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Virginia Baptist Homes, Incorporated d/b/a LifeSpire of Virginia and Subsidiaries as of December 31, 2017 and 2016, and the results of their operations, changes in their net assets (deficit) and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

Charlotte, North Carolina
April 11, 2018

VIRGINIA BAPTIST HOMES, INCORPORATED
D/B/A LIFESPIRE OF VIRGINIA AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 36,823,867	$ 25,788,250
Current Portion of Assets Whose Use is Limited	4,983,048	2,170,027
Accounts Receivable, Net of Allowance for Doubtful Accounts of Approximately $482,000 and $628,000 at December 31, 2017 and 2016, Respectively	2,566,586	2,536,783
Notes Receivable	3,934,237	3,727,779
Interest Receivable	384	28,040
Prepaid Expenses	527,101	634,562
Deposits and Other	3,353,138	1,037,186
Total Current Assets	52,188,361	35,922,627
INVESTMENTS	21,607,196	19,204,075
BENEFICIAL INTEREST IN PERPETUAL TRUSTS	9,063,001	8,116,653
ASSETS WHOSE USE IS LIMITED		
Externally Restricted Under Bond Indenture Agreement (Held by Trustee)	56,764,482	11,154,129
Less: Amounts Available for Current Liabilities	(4,983,048)	(2,170,027)
Total Assets Whose Use is Limited	51,781,434	8,984,102
PROPERTY, PLANT AND EQUIPMENT, NET	129,745,208	122,891,418
OTHER ASSETS		
Deferred Marketing Costs, Net of Accumulated Amortization of Approximately $7,315,000 in 2017 and $7,275,000 in 2016	-	40,491
Total Other Assets	-	40,491
Total Assets	$ 264,385,200	$ 195,159,366

See accompanying Notes to Consolidated Financial Statements.

LIABILITIES AND NET ASSETS (DEFICIT)	2017	2016
CURRENT LIABILITIES		
Accounts Payable	$ 6,068,467	$ 3,620,315
Salaries and Wages	3,477,240	3,295,392
Interest Payable	1,512,696	1,446,447
Deferred Revenue	405,073	258,220
Annuities Payable	110,349	119,784
Deposits from Prospective Residents	2,471,613	673,064
Current Portion of Long-Term Debt	3,280,000	3,231,448
Advance Fee Refund Liability	3,010,975	2,886,923
Total Current Liabilities	20,336,413	15,531,593
ADVANCE FEE REFUND LIABILITY, Less Current Portion	19,060,182	14,889,801
DEFERRED REVENUE FROM ADVANCE FEES	76,749,310	75,272,201
ANNUITIES PAYABLE	507,105	557,828
LIABILITIES UNDER INTEREST RATE SWAP AGREEMENTS	837,015	-
LONG-TERM DEBT, LESS CURRENT PORTION	178,311,971	124,511,886
Total Liabilities	295,801,996	230,763,309
NET ASSETS (DEFICIT)		
Unrestricted	(48,830,867)	(52,196,926)
Temporarily Restricted	4,149,037	4,345,148
Permanently Restricted	13,265,034	12,247,835
Total Net Assets (Deficit)	(31,416,796)	(35,603,943)
Total Liabilities and Net Assets (Deficit)	$ 264,385,200	$ 195,159,366

VIRGINIA BAPTIST HOMES, INCORPORATED
D/B/A LIFESPIRE OF VIRGINIA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT)
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
UNRESTRICTED REVENUES, GAINS, AND OTHER SUPPORT		
Residential Services, Including Amortization of Deferred Revenue from Advance Fees of $11,732,913 and $12,104,324 in 2017 and 2016, Respectively	$ 49,612,307	$ 48,320,061
Health Care Services	20,300,407	18,015,074
Net Assets Released from Restrictions Used for Operations	291,329	855,955
Unrestricted Gifts and Donations	556,365	478,161
Investment Income	1,049,284	1,032,804
Other	1,572,556	1,946,123
Total Revenue, Gains, and Other Support	73,382,248	70,648,178
OPERATING EXPENSES		
Salaries, Wages and Professional Fees	34,988,551	33,254,122
Provisions for Depreciation and Amortization	10,677,238	10,387,792
Interest	5,657,960	7,207,872
Other	20,060,864	19,567,039
Total Operating Expenses	71,384,613	70,416,825
OPERATING INCOME	1,997,635	231,353
NONOPERATING INCOME (LOSS):		
Loss on Extinguishment of Debt	-	(1,903,178)
Other-than-temporary Decline in Value of Investment	-	(75,000)
Change in Value of Interest Rate Swap Agreements	(837,015)	-
Total Non-Operating Income (Loss)	(837,015)	(1,978,178)
EXCESS (DEFICIT) OF REVENUES, GAINS AND OTHER SUPPORT OVER (UNDER) EXPENSES	1,160,620	(1,746,825)

See accompanying Notes to Consolidated Financial Statements.

VIRGINIA BAPTIST HOMES, INCORPORATED
D/B/A LIFESPIRE OF VIRGINIA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT)
(CONTINUED)
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
UNRESTRICTED NET ASSETS		
Excess (Deficit) of Revenues, Gains, and Other Support Over (Under) Expenses	$ 1,160,620	$ (1,746,825)
Other Changes in Unrestricted Net Assets:		
Change in Unrealized Gains on Investments	2,202,463	404,776
Net Assets Released from Restrictions for Acquisition of Property, Plant and Equipment	2,976	-
Increase (Decrease) in Unrestricted Net Assets	3,366,059	(1,342,049)
TEMPORARILY RESTRICTED NET ASSETS		
Gifts, Grants and Bequests	181,708	596,888
Investment Income	-	35,573
Change in Value of Annuity Obligations	(83,514)	(135,342)
Net Assets Released from Restrictions	(294,305)	(855,955)
Decrease in Temporarily Restricted Net Assets	(196,111)	(358,836)
PERMANENTLY RESTRICTED NET ASSETS		
Gifts, Grants and Bequests	49,009	337,788
Change in Value of Annuity Obligations	21,842	(17,045)
Change in Present Value of Perpetual Trust Funds	946,348	(24,585)
Increase in Permanently Restricted Net Assets	1,017,199	296,158
INCREASE (DECREASE) IN NET ASSETS	4,187,147	(1,404,727)
Net Assets (Deficit) - Beginning of Year	(35,603,943)	(34,199,216)
NET ASSETS (DEFICIT) - END OF YEAR	$ (31,416,796)	$ (35,603,943)

See accompanying Notes to Consolidated Financial Statements.

VIRGINIA BAPTIST HOMES, INCORPORATED
D/B/A LIFESPIRE OF VIRGINIA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 4,187,147	$ (1,404,727)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Amortization of Deferred Revenue from Advance Fees	(11,732,913)	(12,104,324)
Proceeds from Advance Fees and Deposits	19,264,637	16,460,000
Amortization of Deferred Marketing Costs	40,491	65,842
Amortization of Deferred Financing Costs	142,799	156,398
Amortization of Bond Discount	39,571	39,571
Amortization of Bond Premium	(270,647)	(67,662)
Loss on Extinguishment of Debt	-	1,903,178
Other-than-temporary Decline in Value of Investment	-	75,000
Provision for Bad Debts	126,035	170,231
Provision for Depreciation	10,636,747	10,321,950
Decrease in Annuity Obligations	(60,158)	(120,705)
Proceeds from Contributions Restricted for Long-Term Investment	(230,717)	(934,676)
Net Realized and Unrealized Gains on Long-Term Investments	(2,308,561)	(620,728)
Change in Present Value of Trust Funds	946,348	(24,585)
Change in Value of Interest Rate Swap Agreements	837,015	-
Decrease (Increase) in Operating Assets:		
Accounts Receivable	(155,838)	(692,366)
Interest Receivable	27,656	(9,324)
Prepaid Expenses	107,461	1,550
Notes Receivable	(206,458)	(43,848)
Other Current Assets	(2,315,952)	(493,366)
Beneficial Interest in Perpetual Trust	-	(67,102)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	1,378,759	884,097
Deferred Revenue	146,853	98,989
Salaries and Wages	181,848	177,619
Interest Payable	66,249	(372,022)
Deposits from Prospective Residents	1,890,899	382,551
Net Cash Provided by Operating Activities	22,739,271	13,781,541

See accompanying Notes to Consolidated Financial Statements.

VIRGINIA BAPTIST HOMES, INCORPORATED
D/B/A LIFESPIRE OF VIRGINIA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Property, Plant and Equipment	$ (16,421,144)	$ (10,680,183)
Change in Investments and Assets Whose Use is Limited:		
Change in Cash and Cash Equivalents	(55,039,517)	4,297,380
Net Sales of Investments	7,441,908	1,282,564
Net Cash Used in Investing Activities	(64,018,753)	(5,100,239)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Contributions Restricted for Long-Term Investment	230,717	934,676
Refunds of Advance Fees and Deposits	(1,852,532)	(2,504,807)
Increase in Deferred Financing Costs	(2,608,394)	(1,385,295)
Proceeds from Line of Credit	-	2,304,663
Proceeds from Bond Funds Used for Redemption	-	(5,199,406)
Issuance of Long-Term Debt	57,718,477	85,505,000
Bond Issue Premium on Long-Term Debt	2,058,279	5,954,243
Early Repayment of Long-Term Debt	-	(90,957,388)
Payments on Long-Term Debt	(3,231,448)	(3,698,426)
Net Cash Provided by (Used in) Financing Activities	52,315,099	(9,046,740)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,035,617	(365,438)
Cash and Cash Equivalents - Beginning of Year	25,788,250	26,153,688
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 36,823,867	$ 25,788,250
SUPPLEMENTAL CASH FLOWS INFORMATION		
Property and Equipment Additions in Accounts Payable	$ 1,604,660	$ 535,267

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Virginia Baptist Homes, Incorporated d/b/a LifeSpire of Virginia (LifeSpire) is a not-for-profit corporation founded in 1946 as an agency of the Baptist General Association of Virginia (BGAV). LifeSpire operates retirement communities in Culpeper, Richmond, Newport News, and Roanoke, Virginia which provide diversified residential and health care services to retirement community residents. In February 2016, LifeSpire began doing business as LifeSpire of Virginia; this change did not affect LifeSpire's underlying corporate identity or the identities or business names of its affiliates.

LifeSpire operates its retirement communities under arrangements whereby residents enter into agreements which require payment of a one-time advance fee and a monthly maintenance fee. Generally, these payments entitle residents to the use and privileges of LifeSpire for life, including certain nursing services provided in LifeSpire's nursing facilities. The occupancy agreement does not entitle the residents to an interest in the real estate or other property owned by LifeSpire.

Culpeper Baptist Retirement Community, Inc. (doing business as The Culpeper), Newport News Baptist Retirement Community, Inc. (doing business as The Chesapeake), Lakewood Manor Baptist Retirement Community, Inc. (Lakewood), The Glebe, Inc. (The Glebe) and Virginia Baptist Homes Foundation, Inc. (Foundation) are wholly-owned, not-for-profit subsidiaries of LifeSpire.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis for Consolidation

The consolidated financial statements include the accounts of LifeSpire and its wholly-owned subsidiaries. Significant intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

LifeSpire considers cash and cash equivalents to include cash on hand and all highly liquid investments with a maturity of three months or less when purchased.

LifeSpire maintains cash balances at several financial institutions located within its market area. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC). At times, deposits may exceed FDIC amounts.

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

Notes Receivable

Notes receivable is comprised of amounts due to LifeSpire for advance fees due from residents who have moved into the facility but have not yet paid the full amount of the contractually agreed upon advance fee. The notes vary in length from 4 to 12 months, bear interest at varying rates, up to 4%, and are collateralized by the resident's personal investments.

Allowance for Doubtful Accounts

LifeSpire provides an allowance for doubtful accounts 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 the historical experience of LifeSpire. The allowance for doubtful accounts was approximately $482,000 and $628,000 at December 31, 2017 and 2016, respectively.

Beneficial Interest in Perpetual Trusts

LifeSpire holds a beneficial interest in several Perpetual Trusts. These trusts are administered by independent trustees and generally consist of cash and cash equivalents, mutual funds, and debt and equity securities, which are carried at fair value. Under the terms of the trusts, the donors have established and funded the trusts with specified distributions to be made to LifeSpire. Under the terms of several of the trusts, distributions of income are to be made in perpetuity. Because the trusts are perpetual, these funds are reported as permanently restricted net assets.

Income distributions from these trusts are recorded as investment income in the consolidated statements of operations and changes in unrestricted net assets (deficit), while any appreciation (depreciation) in the trust value is recorded as a change in permanently restricted net assets, in accordance with donor restrictions. Under the terms of some of the trusts, distributions of income and/or principal are made at the discretion of the trustee. Due to this restriction, these funds are reported as temporarily restricted net assets. Distributions from these trusts are recorded as other revenue, while any appreciation (depreciation) in the trust value is recorded as a change in temporarily restricted net assets, in accordance with donor restrictions.

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

Investments

Investments with readily determinable market values are carried at fair value, with the exception of certain investments in absolute return strategy investments or hedge funds whose fair value is not readily determinable and whose investment is less than 3 percent. Such investments are accounted for using the lower of cost or market method. Other hedge fund investments whose investment is greater than 3 percent are accounted for under the equity method. Investments are comprised of stocks, mutual funds and hedge funds. The fair values of marketable equity securities, bonds and mutual funds are based on quoted market prices, if available, or estimated using quoted market prices for similar securities. Eight of the hedge funds are not considered liquid; however, they intend to have distributions made within 3 years and extend no longer than 10 years. Realized gains and losses are reported as unrestricted activity.

Unrealized gains (losses) are excluded from excess (deficiency) of revenues, gains and other support over expenses and are reported as other changes in unrestricted net assets. The cost of securities sold is based on the specific identification method, adjusted for other-than-temporary declines in the value of investments.

LifeSpire periodically evaluates whether any declines in the fair value of investments are other-than-temporary. This evaluation consists of a review of several factors, including but not limited to the length of time and extent that a security has been in an unrealized loss position, the existence of an event that would impair the issuer's future earnings potential, the near term prospects for recovery of the fair value of a security, and the intent and ability of LifeSpire to hold the security until the fair value recovers. Declines in fair value below cost that are deemed to be other-than-temporary are included in the accompanying consolidated statements of operations and changes in net assets (deficit) as nonoperating losses.

Assets Whose Use is Limited

Assets whose use is limited include assets held by a trustee under bond indenture agreements. Amounts required to meet current liabilities have been reclassified as current assets. Assets whose use is limited are carried at fair value.

Property, Plant and Equipment

Property, plant and equipment are reported on the basis of cost. Donated items are recorded at fair market value at the date of contribution. LifeSpire capitalizes all assets over $1,000 with a useful life greater than three years.

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

Property, Plant and Equipment (Continued)

Depreciation is computed using the straight-line method at rates calculated to amortize the cost of the assets over their estimated useful lives. The general range of estimated useful lives for buildings and land improvements is 20 to 40 years and the general range for equipment is 4 to 20 years. LifeSpire performs a review of its long-lived assets (including property and equipment) for impairment when events or changes in circumstances indicate the carrying value of such assets may not be recoverable. If an indication of impairment is present, LifeSpire determines recoverability of its long-lived assets by evaluating the probability that undiscounted future cash flows will be less than the carrying amount of the assets. If future estimated undiscounted cash flows are less than the carrying amount of the long-lived assets, then such assets are written down to their estimated fair value. The fair value is determined based on valuation techniques such as comparison to fair values of similar assets or using a discounted cash flow analysis. Management believes that there are no impairments to long-lived assets in 2017 and 2016.

Deferred Financing Costs

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

Deferred Marketing Costs

Deferred marketing expenses associated with acquiring initial residential contracts are deferred and amortized using the straight-line method over the estimated life expectancy of the initial residents.

Advance Fees

Advance fees represent the payments received at the time a resident is admitted to one of the communities. The non-refundable portion of advance fees is recorded as deferred revenue from advance fees and is amortized into income over the estimated life expectancy of the residents, or couples, adjusted annually. The refundable portion of advance fees received is presented on the consolidated balance sheets as a refundable advance fee liability. The refundable portion of advance fees is not amortized to income. Upon the death of a sole surviving resident, any remaining unamortized portion of the non-refundable advance fee is recognized as operating revenue.

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

Advance Fees (Continued)

The residency agreements at certain of LifeSpire's communities provide for a declining refund upon termination by the residents during the first 50 months of occupancy. Refunds are generally payable the sooner of, one year or upon resale of the unit; however, beginning in 2016, residency agreements do not include the one-year requirement. These amounts are included as an advance fee refund liability. LifeSpire has estimated the current portion of this liability based on actual refunds paid over a ten-year period.

Obligation to Provide Future Services

LifeSpire annually calculates the present value of the net cost of future services and use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from advance fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from advance fees, a liability is recorded (obligation to provide future services). The obligation is discounted at 5.5% in both 2017 and 2016, based on the expected long-term rate of return on investments. Increases or decreases in the obligation are charged or credited to operations, respectively. As of December 31, 2017 and 2016, LifeSpire had no future service obligation.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by LifeSpire has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by LifeSpire in perpetuity.

Charity Care and Community Benefit

The mission of LifeSpire is to empower its residents with choices in purposeful living. LifeSpire employs a uniform financial qualification process for all prospective residents and will, under certain circumstances, provide housing and care to residents regardless of their ability to pay for those services.

LifeSpire defines and measures its community benefit primarily through the benevolence it provides to residents who cannot cover the full cost of their care. All residents are financially qualified at admission using actuarial life expectancies and the projected ability of the residents' income and assets to cover the estimated cost of future health care. LifeSpire provides care to residents who meet certain criteria under its financial assistance policy at a reduced rate. Key elements used to determine eligibility include a resident's demonstrated inability to pay due to increasing acuity of care, increasing costs of care and/or increasing longevity.

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

Charity Care and Community Benefit (Continued)

LifeSpire has estimated its direct and indirect costs of providing charity care under its financial assistance policy. In order to estimate the cost of providing such care, management calculated a cost-to-charge ratio by comparing the direct and allocated expenses by level of care to the corresponding revenues charged on an annual basis. The cost-to-charge ratio is applied to the charity care charges foregone to calculate the estimated cost of providing charity care. Using this methodology, LifeSpire has estimated the costs for services and supplies furnished under LifeSpire's financial assistance policy to be approximately $1,159,000 and $1,120,000 for the years ended December 31, 2017 and 2016, respectively.

Primarily through the support of the Virginia Baptist Homes Foundation, LifeSpire received approximately $1,159,000 and $1,112,000 to subsidize the costs of providing charity care under its financial assistance policy for the years ended December 31, 2017 and 2016, respectively.

Donor-Restricted Gifts

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 temporarily or permanently 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, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations and changes in net assets (deficit) as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted gifts and donations in the accompanying consolidated financial statements.

Net Patient and Resident Service Revenue

LifeSpire has agreements with third-party payers that provide for payments at amounts different from its established rates. Net patient and resident service revenue is reported at the estimated net realizable amounts from residents, third-party payers, and others for services rendered.

Operating Indicator

LifeSpire's operations include all unrestricted revenue, gains, expenses and losses for the reporting period except for contributions of long-term assets, changes in unrealized gains (losses) on investments and net assets released from restrictions for acquisition of property, plant, and equipment.

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

Operating Indicator (Continued)

The Board of Trustees designates LifeSpire's investment income for support of current operations, consisting primarily of interest, dividend and realized gains and losses on investments related to funded depreciation and escrowed advance fees from residents. In addition, other activities not related to LifeSpire's mission are considered to be nonoperating. Nonoperating gains and losses also include other-than-temporary decline in value of investments, loss on disposal of property, plant and equipment, changes in obligation to provide future services and use of facilities to current residents, and items related to the refinancing of long-term debt.

Income Taxes

LifeSpire and each of its subsidiaries are not-for-profit organizations exempt from Federal and state income taxes under Internal Revenue Code Section 501(c)(3).

LifeSpire and each of its subsidiaries file as tax-exempt organizations. Management is not aware of any activities that would jeopardize the tax-exempt status of any of the entities. Management is not aware of any significant activities that are subject to tax on unrelated business income or excise or other taxes for LifeSpire or its subsidiaries.

LifeSpire and each of its subsidiaries follow guidance in the income tax standard regarding the recognition and measurement of uncertain tax positions. The guidance has had no impact on LifeSpire’s consolidated financial statements.

Professional Liability Insurance

LifeSpire has obtained general and professional liability insurance issued by Virginia Senior Care RRG, a Washington, DC risk retention group. LifeSpire’s professional liability is on the claims-made basis. Under a claims-made policy, determination of coverage is triggered by the date the insured first becomes aware and notifies the insurer of a claim or potential claim.

Fair Value Measurements

LifeSpire categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

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

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

Fair Value Measurements (Continued)

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 LifeSpire's own assumptions, as there is little, if any, related market activity.

Subsequent to initial recognition, LifeSpire may re-measure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

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 bonds. Level 2 inputs include deferred annuity obligations due from LifeSpire and liabilities under Interest Rate Swap agreements. Assets valued using Level 3 inputs include alternative investments and beneficial interests in perpetual trusts.

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. LifeSpire follows the policy to value certain financial instruments at fair value; however, LifeSpire has not elected to measure any existing financial instruments at fair value. LifeSpire may elect to measure newly acquired financial instruments at fair value in the future.

Subsequent Events

In preparing these consolidated financial statements, LifeSpire has evaluated events and transactions for potential recognition or disclosure through April 11, 2018, the date the consolidated financial statements were issued.

NOTE 2 INVESTMENTS AND ASSETS WHOSE USE IS LIMITED

Investments and assets whose use is limited are summarized as follows as of December 31:

	2017	2016
Investments and Assets Whose Use is Limited		
Cash and Short-Term Investments	$ 56,794,532	$ 1,755,015
Bonds	2,398,521	11,670,994
Mutual Funds	108,441	103,644
Real Estate Fund	5,985,431	5,140,388
Absolute Return Strategy Investments/Hedge Funds (Liquidity within One Year)	2,000,000	2,000,000
Absolute Return Strategy Investments/Hedge Funds (Liquidity in Excess of a Year)	2,239,910	2,394,871
Equity Method Securities	1,193,292	1,081,430
Alternative Investments - Global/Foreign Equity	7,651,551	6,211,862
Total	$ 78,371,678	$ 30,358,204

At December 31, the assets held by the trustee under various bond agreements are as follows:

	2017	2016
Bond Sinking Fund	$ 2,979,634	$ 76
Debt Service Reserve Fund	9,603,014	9,158,496
Construction Fund	39,788,607	-
Costs of Issuance Fund	-	49,821
Principal Fund	2,708,477	321,784
Interest Fund	1,684,750	1,623,952
Total	$ 56,764,482	$ 11,154,129

Under LifeSpire's reserve spending policy, dividends, interest and realized gains and losses generated by the portion of the investment pool related to funded depreciation and escrowed advance fees from residents are appropriated to support current operations. The following schedule summarizes investment income:

	2017	2016
Dividends and Interest	$ 943,186	$ 891,852
Net Realized Gains	106,098	140,952
Total Investment Income	$ 1,049,284	$ 1,032,804

NOTE 2 INVESTMENTS AND ASSETS WHOSE USE IS LIMITED (CONTINUED)

Marketable equity and debt securities and other investments are carried at fair value based on quoted market prices. Realized gains and losses on the sale of investments are determined based on the cost of specific investment sold, adjusted for any other-than-temporary declines in the fair value of investments.

Management continually reviews its investment portfolio and evaluates whether declines in the fair value of securities should be considered other-than-temporary. Factored into this evaluation are the general market conditions, the issuer's financial condition and near-term prospects, conditions in the issuer's industry, the recommendation of advisors and the length of time and extent to which the fair value was less than cost. LifeSpire engages professionals to manage its investment portfolio within the guidelines of LifeSpire's Board approved investment policy. An other-than-temporary impairment of $75,000 was recognized during the year ended December 31, 2016 and was included in non-operating losses on the consolidated statement of operations and changes in net assets (deficit). No other-than-temporary impairments were recognized during the year ended December 31, 2017.

NOTE 3 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following as of December 31:

	2017	2016
Land and Land Improvements	$ 21,833,438	$ 21,801,775
Buildings and Fixed Equipment	217,538,917	212,372,394
Vehicles	1,228,743	1,336,097
Movable Equipment	27,858,762	27,558,807
Construction in Progress	18,181,127	6,347,990
	286,640,987	269,417,063
Less: Accumulated Depreciation	156,895,779	146,525,645
	$ 129,745,208	$ 122,891,418

Capitalized interest totaled approximately $266,000 and $246,000 for the years ended December 31, 2017 and 2016, respectively.

Construction in progress at December 31, 2017 and 2016 was related to expansion projects at LifeSpire's facilities, as well as apartment renovations and improvements to common areas. As of December 31, 2017 LifeSpire has remaining construction commitments amounting to approximately $71,776,000 related to these expansion projects.

NOTE 4 LONG-TERM DEBT AND NOTES PAYABLE

Long-term debt consists of the following as of December 31:

	2017	2016
Note Payable with an unrelated party due from Lakewood Manor, Interest and principal payments due annually. Due in annual installments of $22,520. Interest was paid annually at a rate of 5%. Note matured in August 2017. Note was unsecured.	$ -	$ 21,447
Industrial Development Authority of Botetourt County, Virginia Residential Care Facility Revenue Refunding Bonds Series 2014A (Glebe Series 2014A Bonds):		
Serial bond, matures June 30, 2044. Interest is payable semiannually at a variable rate between 3% and 6%. Principal payments began January 1, 2015. The Series 2014A Bonds are secured by a first priority lien on the real estate and improvements of The Glebe and substantially all of The Glebe's assets.	36,705,000	37,315,000
Industrial Development Authority of Botetourt County, Virginia Residential Care Facility Revenue Refunding Bonds Series 2014B Adjustable Rate Bonds (Glebe Series 2014B Bonds):		
Serial bond, matures June 30, 2044. Interest is payable semiannually at a rate of 4.5%. Principal payments began July 1, 2015. The Series 2014B Bonds are secured by a first priority lien on the real estate and improvements of The Glebe and substantially all of The Glebe's assets. This Bond was paid in full in January 2018.	2,565,000	2,615,000
Economic Development Authority of the City of Newport News, Virginia Residential Care Facilities Revenue Refunding Bonds (LifeSpire of Virginia), Series 2016:		
Serial bonds, due in graduated annual installments ranging from $2,550,000 in 2017 to $3,520,000 in 2026 and bear interest at varying rates ranging from 1.9% to 5%.	26,775,000	29,325,000
Term bond, due December 1, 2029. Interest is payable semiannually at a rate of 3.5%.	9,095,000	9,095,000
Term bond due December 1, 2031. Interest is payable semiannually at a rate of 5.0%.	10,530,000	10,530,000
Term bond due December 1, 2038. Interest is payable semiannually at a rate of 5.0%.	36,430,000	36,430,000
Economic Development Authority of Culpeper County, Virginia Residential Care Facilities Revenue Bond (LifeSpire of Virginia) Series 2017A		
Serial bond, with maximum draw of $30 million, matures July 1, 2047. Interest is payable monthly at a variable rate of One-Month LIBOR times 67% plus 2.65% (3.69% as of December 31, 2017). Interest payments began September 1, 2017. Monthly principal payments begin August 1, 2020.	4,692,562	-

NOTE 4 LONG-TERM DEBT AND NOTES PAYABLE (CONTINUED)

	2017	2016
Economic Development Authority of Culpeper County, Virginia Residential Care Facilities Revenue Bond (LifeSpire of Virginia) Series 2017B		
Serial bond, with maximum draw of $18.112 million, matures July 1, 2047. Interest is payable monthly at a variable rate of One-Month LIBOR times 67% plus 2.25% (3.30% as of December 31, 2017). Interest payments began September 1, 2017. Monthly principal payments begin August 1, 2020.	$ 2,834,102	$ -
Economic Development Authority of Henrico County, Virginia Residential Care Facility Revenue and Refunding Bonds (LifeSpire of Virginia) Series 2017C		
Serial bonds, due in graduated annual installments ranging from $1,060,000 in 2021 to $1,270,000 in 2027 and bear interest at varying rates ranging from 3.0% to 3.5%.	8,115,000	-
Term bond, due December 1, 2032. Interest is payable semiannually at a rate of 4.0%.	7,120,000	-
Term bond, due December 1, 2037. Interest is payable semiannually at a rate of 5.0%.	8,840,000	-
Term bond, due December 1, 2047. Interest is payable semiannually at a rate of 5.0%.	25,675,000	-
Economic Development Authority of Henrico County, Virginia Residential Care Facilities Revenue Bond (LifeSpire of Virginia) Series 2017D		
Serial bond, with maximum draw of $23.25 million, matures December 21, 2022. Interest is payable monthly at a variable rate of One-Month LIBOR times 67% plus 2.10% (3.15% as of December 31, 2017). Interest payments begin February 1, 2018. All unpaid principal and interest is due December 21, 2022.	441,812	-
	179,818,476	125,331,447
Less: Current Portion	(3,280,000)	(3,231,448)
Less: Unamortized Deferred Financing Costs	(4,832,305)	(2,366,709)
Plus: Unamortized Bond Premium	7,674,214	5,886,581
Less: Unamortized Bond Discount	(1,068,414)	(1,107,985)
	$ 178,311,971	$ 124,511,886

NOTE 4 LONG-TERM DEBT AND NOTES PAYABLE (CONTINUED)

In May 2006, LifeSpire defeased $70,380,000 of the outstanding $100,585,000 Series 2003 Bonds by issuing a note for $81,545,000 in relation to Peninsula Ports Authority of Virginia Residential Care Facility Revenue Refunding Bonds Series 2006C Fixed Rate Bonds (Series 2006C Bonds). The Series 2006C Bonds were collateralized by a deed of trust of certain facilities of the LifeSpire Obligated Group as well as a security interest in inventory, accounts, documents, instruments, other monies, chattel paper and general intangibles. The related agreements also contained certain covenants, including a requirement that days cash on hand (as defined) be in excess of 150 days, that the long-term debt service coverage ratio be in excess of 1.20, and that the operating and net operating ratios (as defined) meet certain quarterly targets. At December 31, 2017 and 2016, none of the refunded bonds were outstanding. During the year ended December 31, 2011, LifeSpire bought back $2,890,000 par value of the outstanding Series 2006C Bonds.

In January 2006, LifeSpire issued a note in the amount of $32,275,000 to fund the project costs of the Lakewood renovations in relation to Economic Development Authority of Henrico County, Virginia Residential Care Facility Revenue Refunding Bonds Series 2006A Fixed Rate Bonds (Series 2006A Bonds) and Series 2006B Adjustable Rate Bonds (Series 2006B Bonds). The Series 2006A and 2006B Bonds were collateralized by a deed of trust of certain facilities of the LifeSpire Obligated Group (LifeSpire, The Culpeper, The Chesapeake and Lakewood) as well as a security interest in inventory, accounts, documents, instruments, other monies, chattel paper and general intangibles. The related agreements also contained certain covenants, including a requirement that the long-term debt service coverage ratio be in excess of 1.20, and that the operating and net operating ratios (as defined) meet certain quarterly targets.

On January 23, 2009, LifeSpire called and paid the balance of the Series 2006A Term Bonds in the amount of $8,675,000. On July 1, 2010, LifeSpire called and paid the balance of the Series 2006B Fixed Rate Bonds in the amount of $7,530,000.

In October 2016, LifeSpire defeased the outstanding Series 2006A and 2006C Bonds and the outstanding amounts drawn on the line of credit by issuing a note for $85,505,000 in relation to Economic Development Authority of the City of Newport News, Virginia Residential Care Facilities Revenue Refunding Bonds Series 2016 (Series 2016 Bonds). In connection with the refunding of the Series 2006A and 2006C Bonds, LifeSpire recognized a loss on extinguishment in 2016 of $1,903,178 related to the write-off of deferred financing costs.

In June 2014, The Glebe issued two new notes totaling $41,155,000 in relation to the Industrial Development Authority of Botetourt County, Virginia Residential Care Facility Revenue Refunding Bonds (Series 2014A Bonds) and Industrial Development Authority of Botetourt County, Virginia Residential Care Facility Revenue Refunding Bonds (Series 2014B Bonds). The Glebe Series 2014A and 2014B Bonds were used to refund the outstanding Virginia Small Business Financing Authority Residential Care Facility Revenue Refunding Bonds (Series 2012A Bonds). The Virginia Small Business Financing Authority Residential Care Facility Subordinated Taxable Bonds Series 2012B Bonds (Series 2012B

NOTE 4 LONG-TERM DEBT AND NOTES PAYABLE (CONTINUED)

Bonds) were also refunded through this issuance; however, a portion of the Series 2012B

Bonds were forgiven in accordance with the provisions of the Series 2012 Bonds. At that time, The Glebe Series 2012A and 2012B Bonds were cancelled and extinguished, and were no longer considered outstanding. The Series 2014A and 2014B Bonds are collateralized by a deed of trust of certain facilities of The Glebe as well as a security interest in certain other assets and property. The Series 2014B Bond was paid in full in January 2018.

In May 2015, LifeSpire entered into a line of credit with a financial institution with a maximum draw of $10,000,000. Monthly payments of interest began June 15, 2015. All unpaid principal and interest is due May 29, 2019. This line of credit was terminated in 2017 as a result of the additional debt issuance described below.

In July 2017, LifeSpire issued a note for $30,000,000 to fund the project costs of the Culpeper renovations in relation to the Economic Development Authority of Culpeper County, Virginia Residential Care Facilities Revenue Bond Series 2017A (Series 2017A Bond). Monthly payments of interest began September 1, 2017 at a variable interest rate of One-Month LIBOR times 67% plus a spread of 2.65%. Monthly principal payments begin August 1, 2020 with all unpaid principal and interest due July 1, 2047. As of December 31, 2017, LifeSpire had drawn $4,692,562 on the Series 2017A Bond.

In July 2017, LifeSpire issued a note for $18,112,000 to fund the project costs of the Culpeper renovations in relation to the Economic Development Authority of Culpeper County, Virginia Residential Care Facilities Revenue Bond Series 2017B (Series 2017B Bond). Monthly payments of interest began September 1, 2017 at a variable interest rate of One-Month LIBOR times 67% plus a spread of 2.25%. Monthly principal payments begin August 1, 2020 with all unpaid principal and interest due July 1, 2047. As of December 31, 2017, LifeSpire had drawn $2,834,102 on the Series 2017B Bond.

In December 2017, LifeSpire issued a note totaling $49,750,000 to fund the project costs of the Lakewood and The Glebe renovations and refund $2,565,000 of The Glebe Series 2014B Bonds in relation to the Economic Development Authority of Henrico County, Virginia Residential Care Facilities Revenue and Refunding Bonds Series 2017C (Series 2017C Bonds). The 2017C Bonds are comprised of serial bonds due in annual installments through 2027 and term bonds due in 2032, 2037 and 2047.

In December 2017, LifeSpire issued a note for $23,250,000 to fund the project costs of the Lakewood renovations in relation to the Economic Development Authority of Henrico County, Virginia Residential Care Facilities Revenue Bond Series 2017D (Series 2017D Bond). Monthly payments of interest begin February 1, 2018 at a variable interest rate of One-Month LIBOR times 67% plus a spread of 2.10%. All unpaid principal and interest are due December 21, 2022. As of December 31, 2017, LifeSpire had drawn $441,812 on the Series 2017D Bond.

NOTE 4 LONG-TERM DEBT AND NOTES PAYABLE (CONTINUED)

The Series 2016 and 2017 Bonds are collateralized by a deed of trust of certain facilities of the LifeSpire Obligated Group as well as a security interest in inventory, accounts, documents, instruments, other monies, chattel paper and general intangibles. The related agreements also contain certain covenants, including a requirement that days cash on hand (as defined) be in excess of 120 days and that the long-term debt service coverage ratio be in excess of 1.20. Management believes LifeSpire is in compliance with these covenants as of December 31, 2017.

Each member of the LifeSpire Obligated Group under the Master Trust Indenture dated January 1, 2003 and the Amended and Restated Master Trust Indenture dated October 1, 2016 is jointly and severally liable for the payment of all LifeSpire Obligated Group Long-Term Debt; however, the individual LifeSpire Obligated Group members are not liable for any other claims against the other LifeSpire Obligated Group members. As part of the Series 2017C Bond issuance described above, a supplemental indenture was entered into related to the Amended and Restated Master Trust Indenture dated October 1, 2016. As part of this supplemental indenture, The Glebe was brought into the Obligated Group and is now subject to the provisions of each Master Trust Indenture noted above. This change was adopted retrospectively.

Accordingly, no LifeSpire entity is liable for any indebtedness of any other LifeSpire entity other than the limited cross liability of the LifeSpire Obligated Group for the LifeSpire Long-Term Debt as discussed above. The Foundation is not a member of the LifeSpire Obligated Group.

In July 2017 LifeSpire entered into two forward dated interest rate swap agreements related to the Series 2017A and Series 2017B Bonds. The swap agreements are with financial institutions and have a notional principle balance of $30,000,000 and $18,112,000, respectively, with an effective date of July 1, 2019 and a termination date of August 1, 2027. Under the swap agreements, the interest rates on LifeSpire's Series 2017A and Series 2017B Bonds variable rate borrowings are effectively converted to 1.856% and 1.858%, respectively. LifeSpire recognizes the fair value of its interest rate swaps on the consolidated balance sheet, representing a liability of approximately $837,000 at December 31, 2017. An analysis on the effectiveness of the swaps was not performed, causing the change in fair value of the swaps to be included in operating income and increase (decrease) in excess (deficit) of revenues, gains, and other support over (under) expenses.

NOTE 4 LONG-TERM DEBT AND NOTES PAYABLE (CONTINUED)

Scheduled sinking fund and principal repayments of long-term debt are as follows:

Year Ending December 31,	
2018	$ 3,280,000
2019	2,705,000
2020	3,238,000
2021	5,074,000
2022	5,697,813
Thereafter	159,823,663
	$ 179,818,476

During 2017 and 2016, LifeSpire paid approximately $5,592,000 and $6,723,000, respectively, for interest, net of amounts capitalized. Capitalized interest totaled approximately $266,000 and $246,000 for the years ended December 31, 2017 and 2016, respectively.

NOTE 5 ADVANCE FEES AND DEPOSITS

A refundable deposit of $1,000 of the advance fee is made at the time a priority list agreement for The Culpeper, The Chesapeake, Lakewood, or The Glebe is executed. Advance fees received from residents are subject to the refund provisions of Residents' Agreements. Refunds expire ratably over a 10 to 50-month period starting from the resident’s date of entrance. At December 31, 2017 and 2016, the portion of advance fees subject to refund provisions amounted to approximately $47,988,000 and $43,661,000, respectively. Amounts expected to be refunded to current residents, based on LifeSpire's experience, are approximately $3,011,000 and $2,887,000 at December 31, 2017 and 2016, respectively.

NOTE 6 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of December 31:

	2017	2016
Residential Services:		
Purchase of Equipment	$ 571,279	$ 510,327
Benevolent Care of Residents	2,849,996	3,090,307
Annuity Trust Agreements	727,762	744,514
	$ 4,149,037	$ 4,345,148

NOTE 7 PERMANENTLY RESTRICTED NET ASSETS

Interpretation of Relevant Law

The state of Virginia adopted the Virginia Prudent Management of Institutional Funds Act (the Act). The Board of Trustees of LifeSpire 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, LifeSpire classifies as permanently 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 permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by LifeSpire in a manner consistent with the standard of prudence prescribed in the Act.

In accordance with the Act, LifeSpire 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 LifeSpire 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 LifeSpire
- The investment policy of LifeSpire

Funds with Deficiencies

It is LifeSpire’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 LifeSpire to retain as a fund of perpetual duration, in accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets.

Return Objectives and Risk Parameters

LifeSpire 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 LifeSpire 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.

NOTE 7 PERMANENTLY RESTRICTED NET ASSETS (CONTINUED)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, LifeSpire 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 LifeSpire'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

LifeSpire'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 and investment return.

Permanently restricted net assets of approximately $13,265,000 and $12,248,000 at December 31, 2017 and 2016, respectively, are restricted to investment in perpetuity, the income some of which is unrestricted and is expendable primarily to support residential services. Of these totals, approximately $9,063,000 and $8,117,000 relates to split interest agreements that are administered and managed by third parties as trustees at December 31, 2017 and 2016, respectively. LifeSpire does not have the ability to make any investing decisions related to these funds. The remaining $4,202,000 and $4,131,000 of permanently restricted net assets are managed by LifeSpire at December 31, 2017 and 2016, respectively. LifeSpire had no board designated endowment funds for the years ended December 31, 2017 and 2016.

The permanently restricted assets include beneficial interest in charitable remainder trusts, as well as other investments which are pooled with LifeSpire's unrestricted investment portfolio with the objectives of providing long-term growth of capital, maximizing the return on assets over the long-term while diversifying investments within asset classes to reduce the impact of losses in single investments.

A summary of the permanently restricted net assets activity is as follows:

	2017	2016
Permanently Restricted Net Assets, Beginning of Year	$ 12,247,835	$ 11,951,677
Gifts, Grants and Bequests	49,009	337,788
Change in Value of Annuity Obligations	21,842	(17,045)
Change in Present Value of Perpetual Trust Funds	946,348	(24,585)
Permanently Restricted Net Assets, End of Year	$ 13,265,034	$ 12,247,835

NOTE 7 PERMANENTLY RESTRICTED NET ASSETS (CONTINUED)

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

The following is the change in endowment net assets managed by LifeSpire for the years ended December 31, 2017 and 2016:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of the Year	$ (55,452)	$ 1,188,685	$ 4,131,182	$ 5,264,415
Realized Gains and Change in Unrealized Gains on Investments	-	-	-	-
Change in Value of Annuity Obligations	-	-	21,842	21,842
Contributions	-	-	49,009	49,009
Endowment Net Assets, End of Year	$ (55,452)	$ 1,188,685	$ 4,202,033	$ 5,335,266

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of the Year	$ (55,452)	$ 1,153,112	$ 3,877,541	$ 4,975,201
Realized Gains and Change in Unrealized Gains on Investments	-	35,573	-	35,573
Change in Value of Annuity Obligations	-	-	(17,045)	(17,045)
Contributions	-	-	270,686	270,686
Endowment Net Assets, End of Year	$ (55,452)	$ 1,188,685	$ 4,131,182	$ 5,264,415

NOTE 8 ANNUITY PLAN

All employees of LifeSpire are eligible to participate in the Southern Baptist Protection Program Annuity Plan (the Plan). The Plan provides retirement, disability and death benefits. In the past, for those employees completing six months of service and a minimum of 500 hours of service during a six-month period, LifeSpire contributed a non-matched contribution of 5% of the participant's compensation. Vesting for the non-matched contribution was based on completed years of service. The policy on non-matched contributions was eliminated effective January 1, 2009. LifeSpire will continue to match eligible employees’ contributions. The match is determined as a percentage of the participant's compensation, not to exceed 2.5% and 2% in 2017 and 2016, respectively. The participant is fully vested in the matching contribution. LifeSpire may also make discretionary contributions. Participants may make voluntary contributions, not to exceed the lesser of $16,500 or 20%, with certain exceptions, of their annual compensation during the plan year.

Contributions by LifeSpire approximated $458,000 and $381,000 for the years ended December 31, 2017 and 2016, respectively.

NOTE 9 FUNCTIONAL EXPENSES

LifeSpire provides residential services to the residents of its facilities. These facilities include independent living, assisted living, and certain nursing services. Expenses related to providing these services are as follows:

	2017	2016
Residential Services	$ 66,630,398	$ 65,353,855
General and Administrative	4,754,215	5,062,970
	$ 71,384,613	$ 70,416,825

NOTE 10 FAIR VALUE MEASUREMENTS

LifeSpire uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. All assets have been valued using a market approach, except for Level 3 alternative investments and beneficial interests in perpetual trusts. Alternative funds held by LifeSpire seek long-term capital appreciation and reduction of overall portfolio risk through investing in hedge funds of funds, real estate investment trusts, or commodities. LifeSpire established alternative investment valuation procedures in which Management validates the fair value reported by the third party investment manager. For additional information on how LifeSpire measures fair value refer to Note 1 – Organization and Summary of Significant Accounting Policies.

The following table presents the fair value hierarchy for the balances of the assets and liabilities of LifeSpire measured at fair value on a recurring basis as of December 31, 2017 and 2016:

	2017			
	Level 1	Level 2	Level 3	Total
Assets:				
Assets Whose Use is Limited and Investments:				
Bonds	$ 2,398,521	$ -	$ -	$ 2,398,521
Mutual Funds	108,441	-	-	108,441
Real Estate Fund	5,985,431	-	-	5,985,431
Alternative Investments - Global/Foreign Equity	-	-	7,651,551	7,651,551
Beneficial Interest in Perpetual Trust Funds	-	-	9,063,001	9,063,001
Total Assets	$ 8,492,393	$ -	$ 16,714,552	$ 25,206,945
Liabilities:				
Annuities Payable	$ -	$ 617,454	$ -	$ 617,454
Interest Rate Swap Agreements	-	837,015	-	837,015
Total Liabilities	$ -	$ 1,454,469	$ -	$ 1,454,469

	2016			
	Level 1	Level 2	Level 3	Total
Assets:				
Assets Whose Use is Limited and Investments:				
Bonds	$ 11,670,994	$ -	$ -	$ 11,670,994
Mutual Funds	103,644	-	-	103,644
Real Estate Fund	5,140,388	-	-	5,140,388
Alternative Investments - Global/Foreign Equity	-	-	6,211,862	6,211,862
Beneficial Interest in Perpetual Trust Funds	-	-	8,116,653	8,116,653
Total Assets	$ 16,915,026	$ -	$ 14,328,515	$ 31,243,541
Liabilities:				
Annuities Payable	$ -	$ 677,612	$ -	$ 677,612
Total Liabilities	$ -	$ 677,612	$ -	$ 677,612

NOTE 10 FAIR VALUE MEASUREMENTS (CONTINUED)

The tables above include all assets whose use is limited and investments with the exception of cash and short-term investments and absolute return strategy investments/hedge funds and equity method investments as these investments are measured at cost at December 31, 2017 and 2016.

The following table presents changes in assets measured at fair value using Level 3 inputs on a recurring basis for the year ended December 31:

	Alternative Investments	Beneficial Interests
Balance at January 1, 2016	$ 5,876,754	$ 8,074,136
Total Gains or Losses (Realized or Unrealized) for the Year Included in Operating Profit	335,108	42,517
Purchases, Sales, Issuances, and Settlements, Net	-	-
Balance at December 31, 2016	6,211,862	8,116,653
Total Gains or Losses (Realized or Unrealized) for the Year Included in Operating Profit	1,439,689	946,348
Purchases, Sales, Issuances, and Settlements, Net	-	-
Balance at December 31, 2017	$ 7,651,551	$ 9,063,001

Certain alternative investments held by LifeSpire calculate net asset value per share (or its equivalent). The following tables set forth additional disclosures for the fair value measurement of these investments that calculate net asset value per share for the years ended December 31, 2017 and 2016:

	2017			
	Net Asset Value	Unfunded Commitments	Frequency (If Currently Eligible)	Redemption Notice Period
TIFF Partners V-US	$ 81,181	$ 59,383	Quarterly	10 Business Days
MAP 2004	356,854	-	Short-term	10 Business Days
Metro. RE Partners II	61,432	23,074	Quarterly	10 Business Days
Metro. RE Partners III	46,572	21,250	Quarterly	10 Business Days
Commonfund Int'l Partners V	122,966	73,500	Quarterly	10 Business Days
Venture Investment Assoc. V	339,811	137,474	Quarterly	10 Business Days
SFM Opportunities, L.P.	173,392	-	Quarterly	5 Business Days
MAP 2006	446,631	-	Short-term	10 Business Days
SFM Private Equity I, L.P.	468,245	-	Quarterly	5 Business Days
MAP 2009	500,000	-	Short-term	10 Business Days
SFM Opportunities V, L.P.	531,885	487,993	Quarterly	5 Business Days
Total	$ 3,128,969	$ 802,674		

NOTE 10 FAIR VALUE MEASUREMENTS (CONTINUED)

	2016			
	Net Asset Value	Unfunded Commitments	Frequency (If Currently Eligible)	Redemption Notice Period
TIFF Partners V-US	$ 114,191	$ 62,357	Quarterly	10 Business Days
MAP 2004	484,932	-	Short-term	10 Business Days
Metro. RE Partners II	74,976	23,074	Quarterly	10 Business Days
Metro. RE Partners III	96,206	21,250	Quarterly	10 Business Days
Commonfund Int'l Partners V	177,645	73,500	Quarterly	10 Business Days
Venture Investment Assoc. V	417,379	20,000	Quarterly	10 Business Days
SFM Opportunities, L.P.	242,822	-	Quarterly	5 Business Days
MAP 2006	483,384	-	Short-term	10 Business Days
SFM Private Equity I, L.P.	563,447	-	Quarterly	5 Business Days
MAP 2009	500,000	-	Short-term	10 Business Days
SFM Opportunities V, L.P.	277,426	727,993	Quarterly	5 Business Days
Total	$ 3,432,408	$ 928,174		

The investment funds are valued at the net asset value (NAV) of units, which are based on market prices of the underlying investments, held by LifeSpire at year end. TIFF Partners' investment objective is to invest in domestic private equity investment partnerships and to maintain endowment purchasing power for its investors by generating returns greater than those provided by the broader United States stock market. MAP 2004 and MAP 2009 invest in direct and indirect interests in natural gas and oil royalty interests associated with some of the largest, long-life gas fields in the U.S. Metro RE Partners II and III's investment objective is to achieve annual investment returns of between 13% and 15% while focusing on preservation of capital. Commonfund International Partners V invests in approximately 15 to 20 top-tier international private equity and venture capital funds. Venture Investment Associates V was formed to provide investors with significant long-term appreciation through investment in private equity partnerships. SFM Opportunities, L.P. and SFM Opportunities V, L.P. invest in non-marketable limited partnership interests in private equity partnerships that invest in the energy sector or other national resources. MAP 2006 invests in direct and indirect royalty interests and entering derivatives in order to reduce the risk associated with the investments. SFM Private Equity I, L.P. invests in non-marketable limited partnership interests in private equity partnerships with the objective to generate long-term returns greater than those available through traditional public equity investing.

NOTE 11 COMMITMENTS AND CONTINGENCIES

As an agency of the BGAV, LifeSpire receives certain additional support which approximated $15,000 and $34,000 during the years ended December 31, 2017 and 2016, respectively.

LifeSpire is subject to legal proceedings and claims which arise in the course of providing health care services. LifeSpire 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.

Liability Insurance

LifeSpire, together with other similar retirement communities in the state of Virginia, is a shareholder of Virginia Senior Care Group, a limited liability corporation whose primary purpose is that of obtaining general liability and professional insurance for its shareholders. Under the terms of the policy, the risk for these entities is pooled and a potential liability for this coverage is actuarially determined. Premiums paid represent a portion of the potential liability, as actuarially determined for the group. In addition, LifeSpire maintains a loss fund deposit in the event that claims exceed the premiums. The policy also provides for umbrella coverage, which functions as an extension of the primary limit. The policy is written on a claims first made basis and has a component of reinsurance. Management has not recorded any liabilities related to this policy as it is not aware of any underfunding within the pool.

Health Insurance

During 2012, LifeSpire began to self-insure its employees' health plan by joining the Heritage Group Health Program, with the exception of The Glebe which joined in 2016. This program, on behalf of LifeSpire and other similar retirement communities in the state of Virginia, has contracted with an administrative service company to supervise and administer the program and act as its representative. Provisions for expected future payments are accrued based on LifeSpire's experience and include amounts for claims filed and claims incurred but not reported. LifeSpire insures for excessive and unexpected health claims and is liable for claims not to exceed $50,000 for each employee per plan year and an aggregate amount of $1,000,000 per plan year.

NOTE 12 OPERATING LEASES

LifeSpire leases an office building under a noncancellable operating lease that expires February 2027. Total rent expense on this operating lease was approximately $130,000 for 2017.

Future minimum lease payments under this operating lease are as follows:

Year Ending December 31,		
2018	$	150,798
2019		154,568
2020		158,432
2021		162,393
2022		166,453
Thereafter		724,076
	$	1,516,720

NOTE 13 FUTURE ACCOUNTING AND REPORTING REQUIREMENTS

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, which was further codified under Accounting Standards Codification (ASC) 606-10. The standard attempts to create a global, consistent revenue recognition model to be applied to all industries, including health care. Future implementation of this standard could significantly alter the timing and recognition of revenue from both entrance fees and monthly fees collected.

The amendments in the ASU are currently effective for LifeSpire for the year ending December 31, 2018. Management continues to evaluate the impact of the adoption of this standard but based on the latest industry guidance, management believes this standard will not have a material impact on the consolidated financial statements.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The FASB standard attempts to improve the current net asset classification requirements and the information presented in consolidated financial statements and notes about a not-for-profit entity's (NFP's) liquidity, financial performance, and cash flows.

The ASU is currently effective for LifeSpire for the year ending December 31, 2018. Management continues to evaluate the impact of the adoption of this standard but based on the latest industry guidance, management believes this standard will not have a material impact on the consolidated financial statements.

ACCOMPANYING INFORMATION

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**INDEPENDENT AUDITORS' REPORT
ON ACCOMPANYING INFORMATION**

Board of Trustees
Virginia Baptist Homes, Incorporated
d/b/a LifeSpire of Virginia and Subsidiaries
Richmond, Virginia

We have audited the consolidated financial statements of Virginia Baptist Homes, Incorporated d/b/a LifeSpire of Virginia and Subsidiaries as of and for the year ended December 31, 2017 and our report thereon dated April 11, 2018 which expressed an unmodified opinion on those consolidated financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information and combining information for the Obligated Group as listed under "Accompanying Information" on the table of contents are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies or the Obligated Group, and they are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating and combining information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information and combining information for the Obligated Group are fairly stated in all material respects in relation to the consolidated financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Charlotte, North Carolina
April 11, 2018

A member of Nexia International

VIRGINIA BAPTIST HOMES, INCORPORATED
D/B/A LIFESPIRE OF VIRGINIA AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2017

ASSETS	Consolidated	Eliminations	Virginia Baptist Homes, Incorporated	Culpeper Baptist Retirement Community, Incorporated	Newport News Baptist Retirement Community, Incorporated	Lakewood Manor Baptist Retirement Community, Incorporated	The Glebe, Incorporated	Virginia Baptist Homes Foundation, Incorporated
CURRENT ASSETS								
Cash and Cash Equivalents	$ 36,823,867	$ -	$ 8,515,194	$ 1,165,711	$ 5,481,028	$ 6,411,098	$ 14,385,868	$ 864,968
Assets Whose Use is Limited	4,983,048	-	454,575	-	-	2,765,100	1,763,373	-
Accounts Receivable	2,566,586	-	15,000	368,824	586,911	1,298,099	297,752	-
Notes Receivable	3,934,237	-	-	-	1,902,760	1,215,360	816,117	-
Interest Receivable	384	-	-	-	384	-	-	-
Prepaid Expenses	527,101	-	402,445	2,488	20,195	20,205	81,768	-
Due from Affiliates	-	(69,470,617)	25,022,939	416,395	607,493	34,384,063	8,373,611	666,116
Deposits and Other	3,353,138	-	792,949	18,094	35,169	2,370,374	136,552	-
Total Current Assets	52,188,361	(69,470,617)	35,203,102	1,971,512	8,633,940	48,464,299	25,855,041	1,531,084
INVESTMENTS	21,607,196	-	697,124	31,250	1,319,681	14,164,985	-	5,394,156
BENEFICIAL INTEREST IN PERPETUAL TRUST	9,063,001	-	3,761,279	751,837	563,233	1,410,263	2,576,389	-
ASSETS WHOSE USE IS LIMITED								
Under Bond Indenture Agreement	56,764,482	-	6,839,750	-	-	45,880,457	4,044,275	-
Less: Amounts Available for Current Liabilities	(4,983,048)	-	(454,575)	-	-	(2,765,100)	(1,763,373)	-
Total Assets Whose Use is Limited	51,781,434	-	6,385,175	-	-	43,115,357	2,280,902	-
PROPERTY, PLANT AND EQUIPMENT, NET	129,745,208	-	1,078,479	11,167,323	36,454,876	44,080,379	36,962,544	1,607
Total Assets	$ 264,385,200	$ (69,470,617)	$ 47,125,159	$ 13,921,922	$ 46,971,730	$ 151,235,283	$ 67,674,876	$ 6,926,847

VIRGINIA BAPTIST HOMES, INCORPORATED
D/B/A LIFESPIRE OF VIRGINIA AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET (CONTINUED)
DECEMBER 31, 2017

LIABILITIES AND NET ASSETS (DEFICIT)	Consolidated	Eliminations	Virginia Baptist Homes, Incorporated	Culpeper Baptist Retirement Community, Incorporated	Newport News Baptist Retirement Community, Incorporated	Lakewood Manor Baptist Retirement Community, Incorporated	The Glebe, Incorporated	Virginia Baptist Homes Foundation, Incorporated
CURRENT LIABILITIES								
Accounts Payable	$ 6,068,467	$ -	$ 327,897	$ 1,913,084	$ 1,431,408	$ 1,900,793	$ 494,626	$ 659
Salaries and Wages	3,477,240	-	736,686	445,227	799,742	1,076,910	418,675	-
Interest Payable	1,512,696	-	307,998	17,872	-	53,453	1,133,373	-
Deferred Revenue	405,073	-	-	27,911	96,658	135,153	145,351	-
Annuities Payable	110,349	-	-	-	-	-	-	110,349
Deposits from Prospective Residents	2,471,613	-	-	10,100	94,500	2,304,013	63,000	-
Due to Affiliates	-	(69,470,617)	30,952,414	7,146,508	19,266,084	10,183,843	311,562	1,610,206
Current Portion of Long-Term Debt	3,280,000	-	179,629	64,579	1,806,598	549,194	680,000	-
Advance Fee Refund Liability	3,010,975	-	-	158,429	891,143	747,140	1,214,263	-
Total Current Liabilities	20,336,413	(69,470,617)	32,504,624	9,783,710	24,386,133	16,950,499	4,460,850	1,721,214
ADVANCE FEE REFUND LIABILITY, LESS CURRENT PORTION	19,060,182	-	-	-	11,021,939	1,159,852	6,878,391	-
DEFERRED REVENUE FROM ADVANCE FEES	76,749,310	-	-	4,850,127	21,718,147	31,651,406	18,529,630	-
ANNUITIES PAYABLE	507,105	-	-	-	-	-	-	507,105
LIABILITIES UNDER INTEREST RATE SWAP AGREEMENTS	837,015	-	-	837,015	-	-	-	-
LONG-TERM DEBT, LESS CURRENT PORTION	178,311,971	-	9,843,437	8,479,999	55,747,439	60,094,293	44,146,803	-
Total Liabilities	295,801,996	(69,470,617)	42,348,061	23,950,851	112,873,658	109,856,050	74,015,674	2,228,319
NET ASSETS (DEFICIT)								
Unrestricted	(48,830,867)	-	709,873	(12,120,979)	(66,549,823)	37,086,649	(8,965,669)	1,009,082
Temporarily Restricted	4,149,037	-	1,000	1,340,213	26,946	1,802,556	40,871	937,451
Permanently Restricted	13,265,034	-	4,066,225	751,837	620,949	2,490,028	2,584,000	2,751,995
Total Net Assets (Deficit)	(31,416,796)	-	4,777,098	(10,028,929)	(65,901,928)	41,379,233	(6,340,798)	4,698,528
Total Liabilities and Net Assets (Deficit)	$ 264,385,200	$ (69,470,617)	$ 47,125,159	$ 13,921,922	$ 46,971,730	$ 151,235,283	$ 67,674,876	$ 6,926,847

VIRGINIA BAPTIST HOMES, INCORPORATED
D/B/A LIFESPIRE OF VIRGINIA AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT)
YEAR ENDED DECEMBER 31, 2017

	Consolidated	Eliminations	Virginia Baptist Homes, Incorporated	Culpeper Baptist Retirement Community, Incorporated	Newport News Baptist Retirement Community, Incorporated	Lakewood Manor Baptist Retirement Community, Incorporated	The Glebe, Incorporated	Virginia Baptist Homes Foundation, Incorporated
UNRESTRICTED REVENUES, GAINS, AND OTHER SUPPORT								
Residential Services	$ 49,612,307	$ -	$ -	$ 4,711,446	$ 15,621,547	$ 18,221,148	$ 11,058,166	$ -
Health Care Services	20,300,407	-	-	3,756,083	5,013,985	9,055,411	2,474,928	-
Net Assets Released from Restrictions Used for Operations	291,329	-	-	2,775	26,725	214,377	40,452	7,000
Unrestricted Gifts and Donations	556,365	(251,145)	-	349,223	146,576	47,622	126,850	137,239
Investment Income	1,049,284	-	237,500	48,881	75,755	440,529	147,486	99,133
Other	1,572,556	(5,586,060)	5,262,592	174,421	530,446	311,231	511,087	368,839
Total Revenue, Gains, and Other Support	73,382,248	(5,837,205)	5,500,092	9,042,829	21,415,034	28,290,318	14,358,969	612,211
EXPENSES								
Salaries, Wages and Professional Fees	34,988,551	-	2,970,447	5,132,734	8,856,023	12,430,299	5,334,475	264,573
Provisions for Depreciation and Amortization	10,677,238	-	162,081	505,560	3,544,704	3,557,284	2,906,707	902
Interest	5,657,960	-	237,915	126,597	2,261,895	690,387	2,341,166	-
Other	20,060,864	(5,837,205)	2,011,911	2,902,955	8,023,350	8,652,321	4,067,623	239,909
Total Operating Expenses	71,384,613	(5,837,205)	5,382,354	8,667,846	22,685,972	25,330,291	14,649,971	505,384
Operating Income (Loss)	1,997,635	-	117,738	374,983	(1,270,938)	2,960,027	(291,002)	106,827
NON OPERATING INCOME (LOSS)								
Change in Value of Interest Rate Swap Agreements	(837,015)	-	-	(837,015)	-	-	-	-
Total Non-Operating Loss	(837,015)	-	-	(837,015)	-	-	-	-
EXCESS (DEFICIT) OF REVENUES, GAINS AND OTHER SUPPORT OVER (UNDER) EXPENSES	1,160,620	-	117,738	(462,032)	(1,270,938)	2,960,027	(291,002)	106,827

VIRGINIA BAPTIST HOMES, INCORPORATED
D/B/A LIFESPIRE OF VIRGINIA AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT) (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

	Consolidated	Eliminations	Virginia Baptist Homes, Incorporated	Culpeper Baptist Retirement Community, Incorporated	Newport News Baptist Retirement Community, Incorporated	Lakewood Manor Baptist Retirement Community, Incorporated	The Glebe, Incorporated	Virginia Baptist Homes Foundation, Incorporated
UNRESTRICTED NET ASSETS								
Excess (Deficit) of Revenues, Gains and Other Support Over (Under) Expenses	$ 1,160,620	$ -	$ 117,738	$ (462,032)	$ (1,270,938)	$ 2,960,027	$ (291,002)	$ 106,827
Change in Unrealized Gains (Losses) on Investments	2,202,463	-	70,051	-	134,854	1,460,434	(14,709)	551,833
Net Assets Released from Restrictions for Acquisition of Property, Plant, and Equipment	2,976	-	-	250	1,926	-	800	-
Increase (Decrease) in Unrestricted Net Assets	3,366,059	-	187,789	(461,782)	(1,134,158)	4,420,461	(304,911)	658,660
TEMPORARILY RESTRICTED NET ASSETS								
Gifts, Grants and Bequests	181,708	-	-	11,346	11,435	31,955	60,692	66,280
Change in Value of Annuity Obligations	(83,514)	-	-	-	-	-	-	(83,514)
Net Assets Released from Restrictions	(294,305)	-	-	(3,025)	(28,651)	(214,377)	(41,252)	(7,000)
Increase (Decrease) in Temporarily Restricted Net Assets	(196,111)	-	-	8,321	(17,216)	(182,422)	19,440	(24,234)
PERMANENTLY RESTRICTED NET ASSETS								
Gifts, Grants and Bequests	49,009	-	-	-	-	417	-	48,592
Change in Value of Annuity Obligations	21,842	-	-	-	-	-	-	21,842
Change in Present Value of Perpetual Trusts	946,348	-	575,746	33,438	23,325	70,680	243,159	-
Increase in Permanently Restricted Net Assets	1,017,199	-	575,746	33,438	23,325	71,097	243,159	70,434
INCREASE (DECREASE) IN NET ASSETS	4,187,147	-	763,535	(420,023)	(1,128,049)	4,309,136	(42,312)	704,860
Net Assets (Deficit) - Beginning of Year	(35,603,943)	-	4,013,563	(9,608,906)	(64,773,879)	37,070,097	(6,298,486)	3,993,668
NET ASSETS (DEFICIT) - END OF YEAR	$ (31,416,796)	$ -	$ 4,777,098	$ (10,028,929)	$ (65,901,928)	$ 41,379,233	$ (6,340,798)	$ 4,698,528

VIRGINIA BAPTIST HOMES, INCORPORATED
D/B/A LIFESPIRE OF VIRGINIA AND SUBSIDIARIES
COMBINING BALANCE SHEET OF OBLIGATED GROUP
DECEMBER 31, 2017

ASSETS	Combined	Eliminations	Virginia Baptist Homes, Incorporated	Culpeper Baptist Retirement Community, Incorporated	Newport News Baptist Retirement Community, Incorporated	Lakewood Manor Baptist Retirement Community, Incorporated	The Glebe, Incorporated
CURRENT ASSETS							
Cash and Cash Equivalents	$ 35,958,899	$ -	$ 8,515,194	$ 1,165,711	$ 5,481,028	$ 6,411,098	$ 14,385,868
Assets Whose Use is Limited	4,983,048	-	454,575	-	-	2,765,100	1,763,373
Accounts Receivable	2,566,586	-	15,000	368,824	586,911	1,298,099	297,752
Notes Receivable	3,934,237	-	-	-	1,902,760	1,215,360	816,117
Interest Receivable	384	-	-	-	384	-	-
Prepaid Expenses	527,101	-	402,445	2,488	20,195	20,205	81,768
Due from Affiliates	944,090	(67,860,411)	25,022,939	416,395	607,493	34,384,063	8,373,611
Other	3,353,138	-	792,949	18,094	35,169	2,370,374	136,552
Total Current Assets	52,267,483	(67,860,411)	35,203,102	1,971,512	8,633,940	48,464,299	25,855,041
INVESTMENTS	16,213,040	-	697,124	31,250	1,319,681	14,164,985	-
BENEFICIAL INTEREST IN PERPETUAL TRUST	9,063,001	-	3,761,279	751,837	563,233	1,410,263	2,576,389
ASSETS WHOSE USE IS LIMITED							
Under Bond Indenture Agreement	56,764,482	-	6,839,750	-	-	45,880,457	4,044,275
Less: Amounts Available for Current Liabilities	(4,983,048)	-	(454,575)	-	-	(2,765,100)	(1,763,373)
Total Assets Whose Use is Limited	51,781,434	-	6,385,175	-	-	43,115,357	2,280,902
PROPERTY, PLANT AND EQUIPMENT, NET	129,743,601	-	1,078,479	11,167,323	36,454,876	44,080,379	36,962,544
Total Assets	$ 259,068,559	$ (67,860,411)	$ 47,125,159	$ 13,921,922	$ 46,971,730	$ 151,235,283	$ 67,674,876

VIRGINIA BAPTIST HOMES, INCORPORATED
D/B/A LIFESPIRE OF VIRGINIA AND SUBSIDIARIES
COMBINING BALANCE SHEET OF OBLIGATED GROUP (CONTINUED)
DECEMBER 31, 2017

LIABILITIES AND NET ASSETS (DEFICIT)	Combined	Eliminations	Virginia Baptist Homes, Incorporated	Culpeper Baptist Retirement Community, Incorporated	Newport News Baptist Retirement Community, Incorporated	Lakewood Manor Baptist Retirement Community, Incorporated	The Glebe, Incorporated
CURRENT LIABILITIES							
Accounts Payable	$ 6,067,808	$ -	$ 327,897	$ 1,913,084	$ 1,431,408	$ 1,900,793	$ 494,626
Salaries and Wages	3,477,240	-	736,686	445,227	799,742	1,076,910	418,675
Interest Payable	1,512,696	-	307,998	17,872	-	53,453	1,133,373
Deferred Revenue	405,073	-	-	27,911	96,658	135,153	145,351
Deposits from Prospective Residents	2,471,613	-	-	10,100	94,500	2,304,013	63,000
Due to Affiliates	-	(67,860,411)	30,952,414	7,146,508	19,266,084	10,183,843	311,562
Current Portion of Long-Term Debt	3,280,000	-	179,629	64,579	1,806,598	549,194	680,000
Advance Fee Refund Liability	3,010,975	-	-	158,429	891,143	747,140	1,214,263
Total Current Liabilities	20,225,405	(67,860,411)	32,504,624	9,783,710	24,386,133	16,950,499	4,460,850
ADVANCE FEE REFUND LIABILITY, Less Current Portion	19,060,182	-	-	-	11,021,939	1,159,852	6,878,391
DEFERRED REVENUE FROM ADVANCE FEES	76,749,310	-	-	4,850,127	21,718,147	31,651,406	18,529,630
LIABILITIES UNDER INTEREST RATE SWAP AGREEMENTS	837,015	-	-	837,015	-	-	-
LONG-TERM DEBT, Less Current Portion	178,311,971	-	9,843,437	8,479,999	55,747,439	60,094,293	44,146,803
Total Liabilities	295,183,883	(67,860,411)	42,348,061	23,950,851	112,873,658	109,856,050	74,015,674
NET ASSETS (DEFICIT)							
Unrestricted	(49,839,949)	-	709,873	(12,120,979)	(66,549,823)	37,086,649	(8,965,669)
Temporarily Restricted	3,211,586	-	1,000	1,340,213	26,946	1,802,556	40,871
Permanently Restricted	10,513,039	-	4,066,225	751,837	620,949	2,490,028	2,584,000
Total Net Assets	(36,115,324)	-	4,777,098	(10,028,929)	(65,901,928)	41,379,233	(6,340,798)
Total Liabilities and Net Assets (Deficit)	$ 259,068,559	$ (67,860,411)	$ 47,125,159	$ 13,921,922	$ 46,971,730	$ 151,235,283	$ 67,674,876

VIRGINIA BAPTIST HOMES, INCORPORATED
D/BA LIFESPIRE OF VIRGINIA AND SUBSIDIARIES
COMBINING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT) OF OBLIGATED GROUP
YEAR ENDED DECEMBER 31, 2017

	Combined	Eliminations	Virginia Baptist Homes, Incorporated	Culpeper Baptist Retirement Community, Incorporated	Newport News Baptist Retirement Community, Incorporated	Lakewood Manor Baptist Retirement Community, Incorporated	The Glebe, Incorporated
UNRESTRICTED REVENUES, GAINS, AND OTHER SUPPORT							
Residential Services	$ 49,612,307	$ -	$ -	$ 4,711,446	$ 15,621,547	$ 18,221,148	$ 11,058,166
Health Care Services	20,300,407	-	-	3,756,083	5,013,985	9,055,411	2,474,928
Net Assets Released from Restrictions Used for Operations	284,329	-	-	2,775	26,725	214,377	40,452
Unrestricted Gifts and Donations	419,126	(251,145)	-	349,223	146,576	47,622	126,850
Investment Income	950,151	-	237,500	48,881	75,755	440,529	147,486
Other	1,572,556	(5,217,221)	5,262,592	174,421	530,446	311,231	511,087
Total Revenue, Gains, and Other Support	73,138,876	(5,468,366)	5,500,092	9,042,829	21,415,034	28,290,318	14,358,969
EXPENSES							
Salaries, Wages and Professional Fees	34,723,978	-	2,970,447	5,132,734	8,856,023	12,430,299	5,334,475
Provisions for Depreciation and Amortization	10,676,336	-	162,081	505,560	3,544,704	3,557,284	2,906,707
Interest	5,657,960	-	237,915	126,597	2,261,895	690,387	2,341,166
Other	20,189,794	(5,468,366)	2,011,911	2,902,955	8,023,350	8,652,321	4,067,623
Total Expenses	71,248,068	(5,468,366)	5,382,354	8,667,846	22,685,972	25,330,291	14,649,971
OPERATING INCOME (LOSS)	1,890,808	-	117,738	374,983	(1,270,938)	2,960,027	(291,002)
NON OPERATING INCOME (LOSS)							
Change in Value of Interest Rate Swap Agreements	(837,015)	-	-	(837,015)	-	-	-
Total Non-Operating Loss	(837,015)	-	-	(837,015)	-	-	-
EXCESS (DEFICIT) OF REVENUES, GAINS AND OTHER SUPPORT OVER (UNDER) EXPENSES	1,053,793	-	117,738	(462,032)	(1,270,938)	2,960,027	(291,002)

VIRGINIA BAPTIST HOMES, INCORPORATED
D/B/A LIFESPIRE OF VIRGINIA AND SUBSIDIARIES
COMBINING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT) OF OBLIGATED GROUP (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

	Combined	Eliminations	Virginia Baptist Homes, Incorporated	Culpeper Baptist Retirement Community, Incorporated	Newport News Baptist Retirement Community, Incorporated	Lakewood Manor Baptist Retirement Community, Incorporated	The Glebe, Incorporated
UNRESTRICTED NET ASSETS							
Excess (Deficit) of Revenues, Gains and Other Support Over (Under) Expenses	$ 1,053,793	$ -	$ 117,738	$ (462,032)	$ (1,270,938)	$ 2,960,027	$ (291,002)
Unrealized Gains (Losses) on Investments	1,650,630	-	70,051	-	134,854	1,460,434	(14,709)
Net Assets Released from Restrictions for Acquisition of Property, Plant, and Equipment	2,976	-	-	250	1,926	-	800
Increase (Decrease) in Unrestricted Net Assets	2,707,399	-	187,789	(461,782)	(1,134,158)	4,420,461	(304,911)
TEMPORARILY RESTRICTED NET ASSETS							
Gifts, Grants and Bequests	115,428	-	-	11,346	11,435	31,955	60,692
Net Assets Released from Restrictions	(287,305)	-	-	(3,025)	(28,651)	(214,377)	(41,252)
Increase (Decrease) in Temporarily Restricted Net Assets	(171,877)	-	-	8,321	(17,216)	(182,422)	19,440
PERMANENTLY RESTRICTED NET ASSETS							
Gifts, Grants and Bequests	417	-	-	-	-	417	-
Change in Present Value of Perpetual Trusts	946,348	-	575,746	33,438	23,325	70,680	243,159
Increase in Permanently Restricted Net Assets	946,765	-	575,746	33,438	23,325	71,097	243,159
INCREASE (DECREASE) IN NET ASSETS	3,482,287	-	763,535	(420,023)	(1,128,049)	4,309,136	(42,312)
Net Assets (Deficit) at Beginning of Year	(39,597,611)	-	4,013,563	(9,608,906)	(64,773,879)	37,070,097	(6,298,486)
NET ASSETS (DEFICIT) AT END OF YEAR	$ (36,115,324)	$ -	$ 4,777,098	$ (10,028,929)	$ (65,901,928)	$ 41,379,233	$ (6,340,798)

VIRGINIA BAPTIST HOMES, INCORPORATED
D/B/A LIFESPIRE OF VIRGINIA AND SUBSIDIARIES
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017

	Obligated Group	Non-Obligated Group	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Change in Net Assets	$ 3,482,287	$ 704,860	$ 4,187,147
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:			
Amortization of Deferred Revenue from Advance Fees	(11,732,913)	-	(11,732,913)
Proceeds from Advance Fees and Deposits	19,264,637	-	19,264,637
Amortization of Deferred Marketing Costs	40,491	-	40,491
Amortization of Deferred Financing Costs	142,799	-	142,799
Amortization of Bond Discount	39,571	-	39,571
Amortization of Bond Premium	(270,647)	-	(270,647)
Provision for Bad Debts	(146,064)	272,099	126,035
Provision for Depreciation	10,635,845	902	10,636,747
Decrease in Annuity Obligations	-	(60,158)	(60,158)
Proceeds from Contributions Restricted for Long-Term Investment	(115,845)	(114,872)	(230,717)
Net Realized and Unrealized Gains on Long-Term Investments	(1,712,795)	(595,766)	(2,308,561)
Change in Present Value of Trust Funds	946,348	-	946,348
Change in Value of Interest Rate Swap Agreements	837,015	-	837,015
Decrease (Increase) in Operating Assets:			
Accounts Receivable	116,261	(272,099)	(155,838)
Interest Receivable	27,656	-	27,656
Prepaid Expenses	105,563	1,898	107,461
Notes Receivable	(209,437)	2,979	(206,458)
Other Current Assets	(2,259,454)	(56,498)	(2,315,952)
Increase (Decrease) in Operating Liabilities:			
Accounts Payable	1,379,418	(659)	1,378,759
Deferred Revenue	146,853	-	146,853
Salaries and Wages	181,848	-	181,848
Interest Payable	66,249	-	66,249
Deposits from Prospective Residents	1,890,899	-	1,890,899
Net Cash Provided by (Used in) Operating Activities	22,856,585	(117,314)	22,739,271

VIRGINIA BAPTIST HOMES, INCORPORATED
D/B/A LIFESPIRE OF VIRGINIA AND SUBSIDIARIES
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

	Obligated Group	Non-Obligated Group	Total
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of Property, Plant and Equipment	$ (16,421,144)	$ -	$ (16,421,144)
Change in Investments and Assets Whose Use is Limited:			
Change in Cash and Cash Equivalents	(54,632,486)	(407,031)	(55,039,517)
Net Sales of Investments	7,040,787	401,121	7,441,908
Net Cash Provided by (Used in) Investing Activities	(64,012,843)	(5,910)	(64,018,753)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Contributions Restricted for Long-Term Investment	115,845	114,872	230,717
Refunds of Advance Fees and Deposits	(1,852,532)	-	(1,852,532)
Increase in Deferred Financing Costs	(2,608,394)	-	(2,608,394)
Issuance of Long-Term Debt	57,718,477	-	57,718,477
Bond Issue Premium on Long-Term Debt	2,058,279	-	2,058,279
Payments on Long-Term Debt	(3,231,448)	-	(3,231,448)
Net Cash Provided by Financing Activities	52,200,227	114,872	52,315,099
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,043,969	(8,352)	11,035,617
Cash and Cash Equivalents - Beginning of Year	24,914,930	873,320	25,788,250
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 35,958,899	$ 864,968	$ 36,823,867
SUPPLEMENTAL CASH FLOWS INFORMATION			
Property and Equipment Additions in Accounts Payable	$ 1,604,660	$ -	$ 1,604,660

Summary of Financial Information		
Culpeper Baptist Retirement Community, Inc., d/b/a The Culpeper		
As Of and For the Years Ended December 31, 2017 and 2016		
	Current Year	**Prior Year**
Total Assets	13,921,922	10,384,240
Total Liabilities	23,950,851	19,993,146
Total Net Assets	(10,028,929)	(9,608,906)
Total Revenues	9,042,829	8,480,849
Total Expenses	8,667,846	8,628,287
Operating Income (Loss)	374,983	(147,438)
Net Income (Loss)	(462,032)	(186,659)
Narrative on financial condition:		

Total Assets and Total Liabilities increased $3.5M and $3.9M, respectively, over last year, due primarily to construction and borrowing related to the replacement community, scheduled to open in early 2019. While Total Revenues increased 6.6%, largely from existing fee increases, Total Expenses only increased 0.5%, primarily due to excellent community leadership and stewardship; increases in staffing and employee benefits expenses were generally offset by favorable financial performance in most other areas during the year, resulting in a $522k improvement in operating income. Total Expenses include $506k and $479k of depreciation and amortization expense for 2017 and 2016, respectively. Please see the attached audited financial statements for further detailed information.

Occupancy Information:	Unit Capacity	Average Occupancy	Percentage Occupancy
Independent Living	63	57	90.9%
Assisted Living	41	33	80.8%
Nursing	37	34	91.0%

DISCLOSURE STATEMENT
OF
CULPEPER BAPTIST
RETIREMENT COMMUNITY, INC., DBA THE CULPEPER

THIS ACKNOWLEDGES RECEIPT OF THE DISCLOSURE STATEMENT OF CULPEPER BAPTIST RETIREMENT COMMUNITY, INC., DBA THE CULPEPER DATED April 27, 2018.

NAME OF RESIDENT: ______________________________

____________________________________ ________________
SIGNATURE: RESIDENT OR POA **DATE**