

C H O O S E

Dunwoody



**DUNWOODY
VILLAGE**

2012 ANNUAL REPORT

The LeadingAge Quality First Elements of Quality



Dunwoody Village participates in the LeadingAge Quality First program, which helps organizations to achieve excellence in aging services and earn public trust. By endorsing the Quality First principles, Dunwoody pledges to work in partnership with consumers and the government to create an environment of high-quality care and service.

About Dunwoody Village

Community

Dunwoody Village
3500 West Chester Pike
Newtown Square, PA 19073-4168

Community Description

The community is located in a suburban setting on 83 acres and contains a three-story apartment building with studio, junior, one and two bedroom apartments, one-story country houses with one and two bedrooms, and one-story country houses with two bedrooms and a den. There are 81 private Personal Care rooms and 81 private Skilled Nursing rooms on the campus. The community is masonry construction with heated and enclosed walkways. Common areas include an auditorium, board room, several dining areas, arts and crafts room, library, a swimming pool and Jacuzzi, fitness center, club room, computer station, woodworking shop, gift shop, hair salon, bank, and game room.

Licensed Provider

Dunwoody Village
3500 West Chester Pike
Newtown Square, PA 19073-4168

To Discuss Admissions Call or Write:

Elaine Kaiser
Director of Marketing and Admissions
Dunwoody Village
3500 West Chester Pike
Newtown Square, PA 19073-4168
610-359-4400 or 1-800-DUNWOODY
e-mail: marketing@dunwoody.org
web site: www.dunwoody.org

Hearing and Speech impaired may reach us via the PA Relay Center: 1-800-654-5984

Minimum Age for Admission

The minimum age for admission is 65.

Affiliates

Dunwoody Village does not have any affiliation with any religious, charitable or other not-for-profit organizations except for Dunwoody Homecare (d.b.a. Dunwoody Home Care) a private duty companion services provider. Dunwoody Village is the sole member of Dunwoody Homecare. Both organizations are Pennsylvania not-for-profit corporations and tax exempt under IRS Code 501 (c) (3).

The ten elements of quality are:

Commitment

Governance and Accountability

Leading-Edge Care and Services

Community Involvement

Continuous Quality Improvement

Human Resources Development

Consumer-Friendly Information

Consumer Participation

Research Findings and Education

Public Trust and Consumer Confidence

The Current Resident Population

The current resident population is 420.

Sample 2013 Fees

One-bedroom apartment: (Non-refundable option)

	SINGLE	DOUBLE
Entrance Fee	\$147,500	\$162,500
Monthly Fee	\$ 2,999	\$ 5,138

One-bedroom apartment: (50% Refundable option)

	SINGLE	DOUBLE
Entrance Fee	\$219,800	\$242,300
Monthly Fee	\$ 2,999	\$ 5,138

Investment Consultant

Dunwoody employs The Vanguard Group Inc. as the investment consultant who recommends investment managers. The Vanguard Group Inc. has funds under management in its consulting group, on a fee basis, of over \$1.8 trillion.

Disclosure Statement

The issuance of a certificate of authority by the Insurance Department of Pennsylvania does not constitute that Department's approval, recommendation or endorsement of the universal care facility, nor is it evidence of, nor does it attest to, the accuracy or completeness of the information set forth in this disclosure statement. The Springton Lake Village disclosure statement and fee schedule are located in the *Services for Non-Residents* section.

Statement of Intentions

1. To carry out our mission in ways that are always ethical and in the expressed spirit of our stated mission.
2. To create an atmosphere of caring that treats all residents in a dignified manner respecting individuality, privacy and personal choices.
3. To create health and wellness programs that serve residents along the full continuum of care.
4. To support a quality management program that identifies, develops and implements on-going performance improvement projects.
5. To cultivate teamwork in providing distinctive high quality services.
6. To provide a homelike and welcoming environment that is safe and secure.
7. To support our mission in a cost-efficient and effective manner.
8. To provide charitable Personal Care services to a limited number of qualified individuals, in keeping with the vision of our founder, William Hood Dunwoody.
9. To promote and develop strong community affiliations through residents, employees, and Trustees.
10. To create an atmosphere of growth and opportunity in order to attract and maintain employees who are committed to our Core Values of Teamwork, Respect, Integrity, Compassion and Quality.
11. To provide education and training for staff, residents and Trustees aimed at broadening knowledge related to the needs of Seniors.
12. To maintain an open door policy that encourages open channels of communication among all levels of employees, residents, families and Trustees.
13. To embrace the efficiencies and quality of life advantages delivered by new technologies.
14. To advocate for Seniors with law makers and regulators.



Living Well at Dunwoody Village





Residents at Dunwoody Village share many things, but most of all, a single priority: to live well. Dunwoody's setting in Newtown Square is as lovely as it is convenient. We are located only 14 miles away—just over a half-hour drive—from the cultural richness of Philadelphia. Nestled within a beautifully landscaped setting in the rolling hills of the Delaware Valley, all buildings are interconnected, so that the services and amenities are just a short stroll away. Everywhere you look, you can see attractively landscaped green spaces as well as warm, welcoming faces.

We enable residents to customize their living spaces to suit their varying tastes and styles. Life at Dunwoody means taking for granted amenities like lovely terrace views, roomy closets, and individual temperature controls. The walkways connecting the residences to the Community Building are fully enclosed, making it easy to get out and about, in any weather. When time outdoors is what you crave, you are just steps away from a nature walk on our pristine, 83 acre, wooded campus.

The residents who come to Dunwoody have led meaningful lives and enjoy varied opportunities to continue engaging their interests. Many residents still spend some time traveling. Others take advantage of Philadelphia's world-class museums, music, and cuisine. Some maintain their connections with the local community that has meant so much to them through volunteering, education, and family life. Neighbors or dining companions often discover they share a common history—perhaps a colleague, former classmate, or other connection. The thoughtful, lively conversations you hear as you walk down the hallways are in large part what make the Dunwoody community so special.

Dunwoody makes the essentials as manageable as possible so that residents can focus on all the other activities that bring meaning to their lives. We feature a gift shop, mailroom, hair salon, library, and bank—all conveniently located on site. Services include housekeeping and maintenance, catering for private parties, transportation and door-to-door mail delivery and pickup. The Passport to Wellness program, now in its second year, provides organized support for ongoing health issues: doctors' visits, medications, and treatment plans. Health maintenance profiles make it clear to residents, caregivers, and family members alike what appointments and procedures are recommended.

There's never a dull day at Dunwoody. From yoga, putting tournaments, and gardening to lectures, book clubs and film screenings, you'll find an activity to suit your interests. Our communal spaces have been thoughtfully designed: comfortable lounges for reading, card games, or socializing; an auditorium for town meetings, performances and special events; a Fitness Center and an indoor pool; and areas accommodating a wide range of crafts and hobbies. Each day you have the option to dine in the privacy of your own home, join friends for a meal in one of the dining rooms, or bring dinner back with you so you can watch the news or the big game.

As these pages reflect, the Dunwoody lifestyle is about living well, with ease and peace of mind. Our unparalleled amenities simplify and also enrich your daily life. We invite you to become one of the many individuals who have chosen the quality of life that is Dunwoody Village.



OUR Mission

Dunwoody Village is a not-for-profit organization that provides residential services and amenities, and healthcare-related services to age-qualified individuals. Our mission is to provide an environment that is safe and secure, promotes quality of life, dignity, respect and compassionate care for all residents.

OUR **Vision** is for Dunwoody Village to be the community of choice for residents, their families and employees.

Our 2013 Residents' Association Executive Committee members proudly welcome you.

Pictured from top left: Mally Riley, Corresponding Secretary; John Lubin, Member at Large; Pat McCarter, 2nd Vice President; Andy Bredikin, 1st Vice President; Lynn Kunz, Member at Large; ***Middle Row:*** Susan Bell, Recording Secretary; Norman Barr, Assistant Treasurer; ***Bottom Row:*** Jim Smith, Treasurer; Marilyn Caltabiano, President; Kit Staley, Member at Large.



A L E T T E R F R O M
The Chairman of the Board
Charles Ladner

One year from now Dunwoody Village will celebrate its fortieth anniversary. We are proud of this milestone, for during these many years, the community has been consistently recognized as among the very best of its kind.

You may wonder why Dunwoody is so well regarded and why Dunwoody has been so successful for such an extended period of time.

Today's Dunwoody

Well, consider this. In our region there are many fine retirement communities and most, like Dunwoody, provide superb amenities, such as comfortable independent living in apartments or cottages, wonderful recreational and entertainment facilities, country club quality dining, cultural enrichment opportunities and a lively social life. Yet, after all these years, Dunwoody still remains within

a select group at the upper tier of these communities. We believe that we have maintained this position not only because we provide the same high level amenities and benefits as the very best of this group, but also because we do so much more. In the newspapers and on television you may see many appealing advertisements for other communities, but looking beneath the surface, you will find that the differences between Dunwoody and most other communities are substantial and meaningful.

- First and foremost, Dunwoody is a single site not-for-profit organization. This is important. It means that all income stays at home for the sole benefit of the residents and nothing is forwarded to support a corporate headquarters or pay dividends to shareholders. It also means that residents and potential residents can rely on complete site-specific financial transparency.
- Second, Dunwoody is a Continuing Care Retirement Community (CCRC). This means that when an individual joins the community there is not just the assurance of a rich independent living experience, but also, if needed, there is the assurance that all future healthcare requirements such as Personal Care, Skilled Nursing, Physical Rehabilitation or Memory Assistance is available—at no extra cost—right here on the campus. Moreover, such care is available from our five-star rated Care Center—a citation awarded by the Centers for Medicare and Medicaid Services to only a small percentage of the nation's retirement communities.
- Third, there is Dunwoody's strong financial posture. The corporation has an investment grade bond rating which enhances borrowing capacity. It has substantial cash and liquid reserves and, unlike many

communities, it has no hidden liability for refundable fees. These financial advantages provide tangible support to our resident's well-placed trust that resources will be available to continue providing the high quality of life they have come to expect.

- Finally, Dunwoody and its residents have the benefit of a unique package of perquisites not available, in the same combination, anywhere else. These comprise: (1) the system of enclosed heated hallways which allows both our Country House and Apart-

Tomorrow's Dunwoody

This is Dunwoody as it is today. However, you may ask "What about the future?"

This question has been and always will be at the forefront of our Board's deliberations. The Board of Trustees and management are fully aware of their fiduciary obligations. And as such, they recognize that when a new resident enters the community, a contractual relationship is created whereby the organization is both morally and legally ob-

undertaking requires that a Board's outlook should be at least a decade or more out from the present. Fortunately, Dunwoody's Board has long recognized the necessity to orient itself towards the primacy of strategic planning as a matter of responsible governance. So in the interest of systematically managing the planning activity it established many years ago, a Strategic Planning Committee is one of only three standing committees of the Board. Strategic planning is thus a priority for Dunwoody and we are just now beginning to see the initial benefit of this effort.

...The fundamental promise of a CCRC... implies that resident services and facilities must be constantly renewed and refreshed.

ment residents to walk throughout the community in comfort no matter what the weather, (2) the onsite, whole campus, emergency generator which provides electricity whenever there are power interruptions, so that Dunwoody residents in their homes and public spaces are never adversely affected, (3) a multi-million dollar Residents' Reserve Fund which is a source of funds to provide assistance in the event an individual experiences financial distress, and (4) a geographic location that—while providing a pastoral environment on an 83 acre campus—is still so close to the town center that residents easily can walk to the supermarket, the drugstore or any one of a dozen other stores and restaurants.

ligated to provide, in all future years, the same quality of life and healthcare as exists today. This is the fundamental promise of a CCRC. It implies that resident services and facilities must be constantly renewed and refreshed, for with the addition of each new resident, this requirement rolls forward another twenty to thirty years. Moreover, to assure a continuous flow of new residents, the process of updating and modernizing must be sustained at the same pace as changing market conditions. People's preferences are different in 2013 than they were in 1993 and they will be different in 2033 than they are now.

This presents a big challenge—one that can be addressed best by a proactive strategic planning effort. Such an

One example is our recently established physical rehabilitation unit. This initiative was the direct result of the work of the Strategic Planning Committee. The concept of new services as a source of supplemental revenue, better using our excess physical capacity, emerged from a planning symposium organized by the committee to bring together the talents and insights of the broader universe of trustees, management and residents. The result of this cooperative effort was a new healthcare offering now made available to both our residents and the general public. It has been highly successful. Our residents benefit from an annual inflow of approximately \$1.0 million of incremental cash derived from income and fixed overhead absorption and such additional cash flow is used exclusively to help finance improvements to the community.

One of the improvements that internal cash flow helped to finance was the upgrade and replacement of much of the community's electrical infrastructure. This included, among other things, new substations, new underground distribution lines and the addition of the on-site emergency generator serving the entire village.

Presently we are engaged in planning for a multi-year project to completely modernize every part of the apartment building. Starting with the complete renovation of each

hallways. When this is all completed it will be as though the apartment building is an entirely new structure.

Soon we anticipate marketing another new project which is the direct result of our planning efforts. This will be the construction of new carriage homes. They will be of an entirely new design for Dunwoody and we believe they will be an extraordinary value. Furthermore, because we are able to take advantage of excess capacity in infrastructure and services, these new homes should produce incre-

protect the interests of residents, investors and employees. Much of the credit for the development and implementation of these policies is due my predecessor as Chair, Joseph N. Ewing.

One of the more important of these policies is that which is directed towards the avoidance of entrenched interests and the introduction of fresh thinking into the Board of Trustees. This is the policy defining term limits, wherein Board members are limited to a maximum of nine con-

All in all, we will spend about \$1.0 million a year for individual apartment renovations and approximately \$10.0 million on the infrastructure and hallways.

apartment as it turns over, we strip the bathrooms and the kitchen down to bare walls, install all new cabinets, counters, floors and appliances while adding dishwashers, and washers and dryers where they may not have existed before. At the same time the hallways and public spaces will be undergoing extensive renovation to include new and upgraded electrical lines, sprinklers, new lighting, carpeting, windows and air conditioning. Even the walls of the hallways will change with new framing and wallboard built to contain electrical and waterlines previously embedded in the concrete floors. All in all, we will spend about \$1.0 million a year for individual apartment renovations and approximately \$10.0 million on the infrastructure and

mental income to help support the cost of the apartment hallway project and other campus improvements. Thus, with the apartment building project and the new carriage houses, Dunwoody will be adding well over \$20.0 million of improvements without negatively affecting its strong financial posture.

Corporate Governance

Turning now to another subject, I should like to point out that among Dunwoody's hidden attributes is a comprehensive set of corporate governance policies. These are the rules and regulations that guide the Board and management in keeping the corporation in line. They serve to

secutive years and the Chair to five years. In April of this year, I will have served as Chair for five years and I am thus obligated to step down. During this period, I have been privileged to work with a dedicated Board of Trustees and a truly outstanding management team led by Sherry Smyth, Dunwoody's CEO since 2005. Although it is with considerable regret that I leave this position, I am highly confident that my successor will not just carry on with business as usual, but will help to lead Dunwoody further in its mission of excellence in all things.



Making *Fun* a Focus.

Mrs. Mardie Zehner is a busy person. In April she plans to head to Washington State to visit one son; in May she flies to London to see her grandson get his wings as a member of the Royal Air Corps. In the interim she has a subscription to the Philadelphia Orchestra and weekly commitments to her Unitarian church and to her music study club. Anyone who has been to her Country House knows about her inclination for music, as she has made room for a baby grand piano (which she says she “plays at”). A member of the Musical Coterie of Wayne, she says for activities within Dunwoody, “music is my draw.” And she finds plenty to enjoy on the event calendar.

Mardie has made the transition to residential life at Dunwoody while maintaining her active schedule. When she moved in 2012 from a townhouse in Wayne, having already downsized from a large house in Radnor, she looked forward to continuing all of her many activities as long as she could. Mardie’s mother lived at Dunwoody for a decade before her death at the age of 99, and Mardie says she came in part “as a gift to my three sons,” realizing that it meant they could worry less about her.

Last May she attended her 60th college reunion at Wellesley, and then made a trip to Dartmouth College in Hanover, NH, for her grandson’s graduation. The

day after she got back, the moving truck arrived to bring her to Dunwoody. “The people here are amazing,” she says. “They don’t hit you with it right away, but only after months of talking to someone, will it come out that their son holds a high-level public office!” She says she has told several of her friends, “Everyone is so friendly here at Dunwoody, and I have become so accustomed to their kindness, that now when I go out into the big, wide world, I find myself asking, ‘Why isn’t everyone like that?’”

Mardie finds life at Dunwoody to be relatively easy, free of the burdens of maintaining a yard or cleaning the house. One of the things she loves is the ability to garden. “2013 will be the first year I’ll have the chance to plan my garden for the entire spring,” she says. She also does a lot of cooking and hosts her son and two granddaughters for dinner every Sunday. In her “down time,” Mardie volunteers in the gift shop and takes part in the French Table in the Dining Room. It’s quite a well-rounded life.

She is still inspired by the motto of her alma mater, which emphasizes an important distinction: “not to be ministered, but to minister.” It’s clear that Mardie will continue to be involved in and contribute to her new life at Dunwoody Village.



“Everyone is so friendly here at Dunwoody, and I have become so accustomed to their kindness, that now when I go out into the big, wide world, I find myself asking, ‘Why isn’t everyone like that?’”



The Pearls of *Friendship.*

Stella and Dr. Tom Gabuzda, who have been Dunwoody residents since 2011, were delighted when they discovered that Marge and Dr. Tom Devlin would become their next door neighbors. The couples met when the Devlins came to take a tour of Dunwoody in January 2012. In a short time, they have forged the kind of friendship that seems to have developed over decades. Watching them interact in the Devlin's beautifully decorated Country House is remarkably like spending time with old friends.

While the two men discussed their shared interests and experiences, Stella and Marge began talking about books. "I told her I was interested in volunteering in the library," says Marge. Stella, who is co-chairman of the Dunwoody Library recalls filing that information away. "And when Marge moved in, I reached out to her right away."

Tom Gabuzda was a hematologist and an oncologist for over 30 years at Hahnemann, Thomas Jefferson, and Lankenau Hospitals; Stella was head librarian at the Ludington Library in Bryn Mawr. Tom Gabuzda was a board member at Dunwoody before he and Stella became residents.

Tom Devlin worked for Merck in New Jersey, after serving on the biochemistry faculty at Johns Hopkins University; Marge was a high school math teacher in Upper Moreland, Pennsylvania and Baltimore County, Maryland.

"I had been to Dunwoody several times before I moved in, to deliver flowers on behalf of my church," says Tom Devlin, "and even then I noticed how open and friendly people were. Everyone says hello in the hallways and in the dining rooms."

"One of the pleasures of living here is that the residents are such an interesting lot," Stella observes. "Everybody has a story, and many of them are well-traveled and well-read. You can sit down for dinner with just about anybody and have a good conversation." Stella has made a point to introduce the Devlins to other residents over dinner. "It helps to accelerate the process of feeling settled here," she says. Tom and Stella both volunteer as part of the Dunwoody Hospitality Committee.

"Even before we moved in," Marge recalls, "the Gabuzdas invited us to have dinner with them a few times, so we could take part in one of the evening programs." Stella adds that, "Now that they're here, about once a week I invite them join us along with another couple or resident whose company I think they would enjoy."

Tom Devlin noted how everyone makes an effort to learn people's first names. "For the first week of the month," he says, "we ask residents to wear name tags, to help people learn the new names." He adds, "When you talk with new residents, you often find out within a few minutes that you had a connection 50 years ago—or even multiple connections."

"At Dunwoody Village, residents get to have their cake and eat it too," Stella says. "They're able to maintain their old relationships and make new ones as well."



“One of the pleasures of living here is that the residents are such an interesting lot. You can sit down for dinner with just about anybody and have a good conversation.”



The *Comforts* of Home.

Outside the door to their apartment, Bob and Pat Haley, like many residents, have hung a painting of the lovely house from which they moved. Residents since May 2012, they were fortunate to visit Dunwoody just as a custom two-bedroom apartment was becoming available.

The layout of their sunny two-bedroom, two-bath apartment features a large central living space with an open kitchen and two balconies. “This layout is distinctive,” Pat says. “We like that we’re on the second floor, and there’s only one other floor below us, which makes it extremely quiet.”

Making the decision to leave their home was a process that took the Haleys about six months. They had a second home in Stuart, Florida, and had been living there for part of the year, spending the other part in Devon. “Our daughter’s husband talked to us about his parents,” Bob says, “and how difficult it had been for them to make the transition because they waited too long.”

“We saw how a move like this could be much more challenging than it needed to be,” says Pat. Having fallen prior to the move, she considered herself lucky to have suffered only a broken toe and two black eyes. “I was unable to drive,” she recalls. “Being here at Dunwoody makes things much easier—even routine chores. The services are great—when you need to have anything fixed, they come right away.”

“If you wait too long to make the move,” Bob adds, “then you can’t take advantage of all that a place like Dunwoody has to offer.” Having run 28 stores of the 100-year-old Finnaren and Haley Paint Company (named for his father), he enjoys his current responsibilities as chairman of the Hospitality Committee at Dunwoody—somewhat less stressful than running a business. He and the 30 other committee members meet with new residents and invite them to dinner, give guided tours, and make them feel at home. “It’s like a buddy system,” he says. Pat has also become active as a Dunwoody volunteer, in charge of the Holiday Bazaar raffle that raises money for entertainment within the community.

For the Haleys, Dunwoody was the right choice on many levels. “We looked at other places,” says Bob. “But we liked the location—it was close to where we had lived, and it was near our hospital and our doctors.” Four of their children live close by, and one in South Jersey. They have found a lot of the residents to be like-minded culturally, intellectually, and professionally.

“To our peers who are a few years behind us,” Bob says, “we’d offer the advice that they not wait too long to make the transition, given how much Dunwoody has to offer. Sooner is better than later.” Dunwoody Village offers the chance to contribute to a new community and create a new, comfortable and fulfilling life.



“We often offer the advice that people not wait too long to make the transition, given how much Dunwoody has to offer. Sooner is better than later.”



Peace of Mind for Residents and Loved Ones.

Mrs. Catherine Leisher has been a resident of Dunwoody since January, 2012, and her daughter Margaret Welsh could not be happier about what it has meant to have her nearby. Margaret, who lives in Haverford, just eight minutes away, now comes to visit her mother at least twice a week and every weekend. “Prior to the move, I was making the three hour trip down to Alexandria every week,” says Margaret, who works full time. The desire to see her mother more often became a priority.

Catherine’s transition to Dunwoody was a significant one. She had lived in her home in Alexandria, Virginia, for more than four decades, and had led an extremely active life in the D.C. area. This included taking the Metro into the District every Monday to volunteer at the Smithsonian Institution, as well as the White House and the Kennedy Center. When health issues presented some new challenges, her goal was to find a new home that would support her in continuing her vibrant lifestyle in a safe, supportive environment. Dunwoody turned out to be just the right solution.

“Having Mom here at Dunwoody means having peace of mind. I know she has the support she needs to stay active,” says Margaret. This is a welcome change, after a series of concerned calls from neighbors in Alexandria—for instance, that her mom was up on the ladder cleaning the gutters. “It’s important for her to be able to maintain her independence,” says Margaret, “while we are close by to enjoy and help her.”

For Catherine, coming to Dunwoody meant leaving one community and entering another. She decided to give up driving and take advantage of the transportation that Dunwoody offers, which is especially convenient for shopping and doctor’s appointments in Bryn Mawr. “Mom is very active in her

Presbyterian Church in Newtown Square,” says Margaret, “and she coordinates with other residents at Dunwoody to attend services and church activities.” At Dunwoody, Catherine works in the gift shop, exercises every day in group classes, and enjoys the cultural programs offered right on campus—“I especially love the Book Reviews that take place monthly,” she says.

Catherine is also familiar with the Care Center, due to a knee replacement in 2012. Margaret notes that an advantage of spending time in the Care Center here was that her mother could visit her apartment every day since everything at Dunwoody is connected. “I thought the care was very good,” Margaret recalls, especially compared to other care facilities. “I liked the continuity of care—that she didn’t have to go to a different building or work with an off-site physical therapist.”

Despite a considerable downsizing from her Alexandria house to her Dunwoody apartment, Catherine was able to recreate her living room and surround herself with the items she values the most. “Her apartment here is very private,” Margaret explains, “with a lovely terrace and view, which is essential to her, since she’s such a gardener.” Whenever the weather is the least bit bearable, Catherine can be found out on her patio, sweeping and landscaping while watching Dunwoody’s abundant wildlife.

Over the weekends, Catherine is glad to be close by so that she can spend time with Margaret and her family. “It’s great that Mom can come over to the house on Sunday evenings for dinner,” Margaret says. Catherine’s granddaughters—both in their 20s—are also happy to have their grandmother nearby. And Margaret is grateful to know that when she steps off the campus, her mom is free to focus on living well and enjoying herself.



“Her apartment here is very private,” Margaret explains, “with a lovely terrace and view, which is essential to her, since she’s such a gardener.”



Family Ties.

When, in October, 2012, Mrs. Barbara Cauffman moved to Dunwoody from Berwyn, it remained very much a family affair. The location is perfect for her, given that six of her seven children live in the area.

She had been on the list for about eight years, and when she got a call from Dunwoody saying they had a lovely place for her, she told her brother-in-law Hughes Cauffman, that he should come and look at it as well. “I was interested in the West Country Houses, and both of us found residences we liked,” she says. “I was pleased to find one on a corner, which was very private. It was so airy and I loved the view.”

Barbara’s country house is indeed bathed in bright light, even on a snowy March afternoon. Her home is filled with exquisite paintings and lovely decorative art, which has been tastefully arranged by her daughter Mary Hastings, an interior designer. “This is a great apartment,” Mary says. “And now we don’t worry, like before, when she was in that big house by herself.”

Her brother-in-law Hughes also chose a Dunwoody country house and they get together often. Barbara has also met a number of residents, whom it turns out, she’d known years ago. Her daughter has observed how many residents her mother enjoys as interesting dinner companions.

“It’s clear she appreciates having her own space, and can maintain her independence,” Mary says. “She gets the chance to entertain, without having to cook dinner.” Barbara enjoys taking her children to lunch and dinner in the Lincoln Dining Room where, she says, “the food is delicious.”

Mary adds that other retirement communities lack the convenience that Dunwoody residents enjoy, by being able to walk to dining rooms, fitness centers, and pool—all the while remaining indoors. “Elsewhere, you have to get in your car and drive—but here,” says Barbara, “it doesn’t make any difference what the weather is like. You can go anywhere.” She likes that this means plenty of walking, which is good exercise. Her daughter observes that her mother is probably in better physical shape since she moved here.

“Whatever you want, they have it here,” Mary says. “You can go to the library, or go exercise, and they have wonderful programs in the evening in the auditorium.” Barbara admits that, because she has been so busy trying to get her country house organized, she’s only just started to take advantage of all that Dunwoody has to offer. She looks forward to joining a bridge group.

Barbara is also content to be developing a new extended family in addition to the one that she already has nearby. “I’ve enjoyed meeting new people,” she says, “as well as reconnecting with people that I used to know.”



“Elsewhere, you have to get in your car and drive—but here, it doesn’t make any difference what the weather is like. You can go anywhere.”



The Poise of *Well-being.*

Jeanne Grace Jacobs is not only a gracious hostess but a natural ambassador. Sitting with her in her lovely room in Dunwoody's Personal Care area is a pleasure, with classical music playing and charming photographs of relatives around her.

The Dunwoody residents are fortunate to have her as President of the Personal Care Resident Council. Each month, in the day or two leading up to the meeting of all 81 Personal Care residents, she makes the rounds to visit and check in with everyone. She asks whether they have any concerns. ("Very often they don't," she says.)

"If I go to visit and someone looks unhappy, I try to come back. It's not an easy transition to need assistance," she says. "but I try to cheer people up and make them laugh." She's pleased that most residents come to the meetings. "It's good to be part of something," she observes.

Jean Grace is very happy with the care she receives at Dunwoody. And, she's an expert—she lived in the skilled nursing area for 15 months because she had suffered a number of falls while living in her apartment. She is now careful to use a walker, but if she leaves the room without it, the Personal Care staff are quick to remind her. "They're good," she says. "If I go to dinner without it, someone calls after me. It's wonderful. I say, 'Thanks! I forgot!' but I'm just kidding." She admits that, although she doesn't want to get too used to the walker, she knows her limitations, and is grateful for the help that is all around her.

Born in West Philadelphia, Jean Grace lived there for much of her life. For a period in her twenties, she pursued a career as an actress—and it's easy to see how her ease with people and her charisma would translate on the stage and screen. "I worked off-Broadway and I did some television," she says, "but not anything big." Jean Grace tries to share her peace of mind with her fellow residents at Dunwoody. "I've come to see that God has plans for you," she says, "and there's no sense in arguing with Him."

"Let's face it—for many of us, it's hard to admit that you need help," she says. "But I have found that the staff here makes it easier to ask." Jean Grace likes Dunwoody because Personal Care is set up as neighborhoods, with four rooms and a little parlor, rather than the long corridors she feels look more like a hospital. She has a strong sense of community. "One of the beauties of being at Dunwoody is that you don't think only of yourself," she says. "You think of the people around you—and also of your family, who no longer have to worry about you being safe."

"I tell people when they first come to Dunwoody, 'All you have to do is breathe. They do everything else for you.' And it's true, in a way," she says. "Some people are angry because, at 80 or 90, their lives aren't the same as they were. But since you're here, you might as well make the best of it!"

“One of the beauties of being at Dunwoody is that you don’t just think of yourself. You think of the people around you—and also of your family, who no longer have to worry about you being safe.”





Dunwoody is *Convenient.*

Since Mrs. Carol Savar became a resident at Dunwoody in June, 2012, her friends and neighbors comment to her “You are always on the go! Where do you go?” This is one of her favorite aspects about living at Dunwoody. “It is so convenient to everything: the city as well as the suburbs. It’s wonderful, really.”

Carol says she was attracted to Dunwoody a decade ago. “I knew people here,” she says, “and it was always first and foremost in my mind.” Because her husband spent many years in a nursing home, she became quite aware of the importance of excellent care and support services that were available in a community like Dunwoody. “I knew then that that this would be the place someday,” she says, “and now that I’m here, I’m grateful I had the foresight to see that Dunwoody would be such a good fit.”

Convenience is important to Carol, just as it was when she resided nearby in Malvern. “One of the things I love is that, since I lived in the area, it’s so easy to get back and see friends, or to go to my doctor’s visits at Paoli Hospital.” Like the towns where residents move from, Dunwoody creates a similar sense of connection for individuals like Carol, who are actively involved in all their community has to offer. A volunteer at Paoli Hospital (in the Palm Tree consignment store, which fundraises for the hospital), she talks about enjoying easy access to the same kinds of cultural resources as her peers who are living in Center City or in her old neighborhood in Malvern.

“I still drive,” says Carol, “but even for those who don’t, Dunwoody really offers you the best of both worlds. The accessibility is fantastic. If you want to

go into Philadelphia and enjoy museums or the orchestra, there’s a bus that does that, which is easy to use. I don’t drive to the Art Museum or the Orchestra anymore—why would I?” She says it’s a privilege to enjoy taking trips with my friends who live here, and focus on enjoying our lives rather than on navigating the traffic and the inconvenience of parking.

Among her many activities is taking courses at Villanova, which the university extends for free to seniors, who sit alongside undergraduates in any number of subjects that interest them.

“The opportunity to participate with the younger students is so neat,” she says with a smile, “and the professors love having seniors join in the discussions.” During the spring 2013 semester, Carol is taking a course in Postmodern Fiction and Theory, in which she is one of three seniors enlivening the discussions. This is another way that Dunwoody supports her lifestyle. “I’m that much closer now, in terms of a commute, than when I lived in Malvern,” says Carol. “I drive right up Bryn Mawr Avenue, which is great, given that this is an ongoing part of my schedule.”

“The activities they offer right here at Dunwoody are also terrific,” she says. “At our age, it’s essential that we focus not just on taking good care of ourselves and making time for loved ones, but that we live well. Dunwoody makes that easy.” She says this is an important part of what makes her feel lucky to call Dunwoody home. “The transition to living here has been a relatively easy one, because of all that the residents do here to create a sense of community.”



“At our age, it’s essential that we focus not just on taking good care of ourselves and making time for loved ones, but that we live well. Dunwoody makes that easy.”



Many of our residents take advantage of our transportation to Philadelphia’s many cultural attractions.

In addition to being next to a shopping center, Dunwoody Village also has a gift shop, mailroom, hair salon, library, and bank all onsite.



2012 Officers AND Board of Trustees



Charles Ladner
Chairman



Sherry L. Smyth
President / CEO



Michael J. Buongiorno



Patrick J. Burke



Marilyn Caltabiano
2012 President Of The
Residents' Association



Eugene Capaldi



Jane Gulick



Cas Holloway



James P. Kilcoyne
Second Vice Chairman



Edgar R. Kunz
First Vice Chairman



John W. Lear



Charles Rammel



Robert E. Schulz



Mary Anne M. Stetzer



Elizabeth K. Unger



*The Dunwoody Board and
Officers of the Corporation
have no equity or beneficial
interest in the Corporation.

No professional service, firm,
association, trust, partnership
or corporation provides goods, leases,
or services to the facility
in which a board member or
officer has any equity or
beneficial interest.*

Michael J. Buongiorno
Main Line Health, Inc.
950 Haverford Road, Suite 110
Bryn Mawr, PA 19010

Patrick J. Burke
The Vanguard Group
100 Vanguard Boulevard
Mailstop T21
Malvern, PA 19355

Marilyn Caltabiano
2012 President of the Residents' Association
Dunwoody Village
3500 West Chester Pike
Newtown Square, PA 19073

Eugene Capaldi, Ph.D.
707 Malin Road
Newtown Square, PA 19073

Jane Gulick, Ph.D.
Dunwoody Village
3500 West Chester Pike
Newtown Square, PA 19073

Cas Holloway
C. F. Holloway, III & Co.
110 Gallagher Road
Wayne, PA 19087

James P. Kilcoyne
Second Vice Chairman
Kilcoyne & Associates, LLC
Suite 121
Plymouth Meeting Executive Campus
630 West Germantown Pike
Plymouth Meeting, PA 19462

Edgar R. Kunz, Jr., D.D.S.
First Vice Chairman
Dunwoody Village
3500 West Chester Pike
Newtown Square, PA 19073

Charles Ladner
Chairman
1302 Meadow Lane
Berwyn, PA 19312

John W. Lear
363 Echo Valley Lane
Newtown Square, PA 19073

Charles Rammel
Dunwoody Village
3500 West Chester Pike
Newtown Square, PA 19073

Sherry L. Smyth
President / CEO
Dunwoody Village
3500 West Chester Pike
Newtown Square, PA 19073

Mary Anne M. Stetzer
767 Mount Pleasant Road
Bryn Mawr, PA 19010

Robert E. Schulz
126 Lakeside Lane
Media, PA 19063

Elizabeth K. Unger
513 Annadale Drive
Berwyn, PA 19312

CHAIRMEN EMERITI

Joseph Neff Ewing, Jr.
Dunwoody Village
3500 West Chester Pike
Newtown Square, PA 19073

Patricia P. McCarter
Dunwoody Village
3500 West Chester Pike
Newtown Square, PA 19073

TRUSTEES EMERITI

Henderson Supplee, III
180 Highland Lane
Bryn Mawr, PA 19010

Sara Spedden Senior
54 Merbrook Lane
Merion, PA 19066

Services FOR Non-Residents



You don't have to live at Dunwoody Village to take advantage of our Five-Star rated health care. Programs for non-residents include the following:

Short-Term Rehabilitation

Dunwoody Village's Short-Term Rehabilitation services are designed for patients recovering from joint replacement, cardiac surgery, stroke and other conditions, easing the transition between hospital and home. Our 21-private-room program includes occupational, physical and speech therapy, as well as nutrition management, recreation and Skilled Nursing care. For more information on Short-Term Rehabilitation Services, contact us at (610) 723-4787.

Respite Care

Our Respite Care service offers relief to caregivers seeking a temporary leave. Dunwoody Village's responsive staff quickly assesses the needs of each patient and provides compassionate care, attentive service and state-of-the-art medical treatment. For more information on Respite Care, contact us at (610) 723-4787.

Skilled Nursing/Personal Care/Memory Support

Dunwoody Village's Care Center provides Skilled Nursing Care, Personal Care and Memory Support (for patients with Alzheimer's and Dementia). For more information on Skilled Nursing, Personal Care and Memory Support, contact us at (610) 723-4787.



Springton Lake

Since November, 2003, Dunwoody Village has offered a Long Term Care Service Program to residents of Springton Lake Village (“Springton”), a housing community for individuals over the age of 62, located nearby in Media, Pennsylvania. Residents of Springton who elect to participate in the Long Term Care Service Program have access to Dunwoody’s Nursing and Personal Care services on a priority basis before individuals who do not reside at Dunwoody Village. The Residents of Springton who elect to participate in the program are required to pay monthly fees and certain additional fees on admission to the Health Care Center operated by Dunwoody Village. Springton participants also have access to companion services provided by Dunwoody Homecare, a subsidiary of Dunwoody Village.

Residents of Springton have to meet certain financial and health eligibility requirements in order to participate in the Long Term Care Service Program. The fees charged to participants will be in an amount sufficient to ensure that the program is financially self-sufficient. The amount of the fees charged to participants has been established in reliance on the opinion of an actuary. Dunwoody Village residents will continue to have priority access to the Dunwoody Village Care Center over the Springton residents who participate in the Long Term Care Service Program. Dunwoody Village is responsible for the maintenance, operation, financial solvency and liabilities which may arise from the Long Term Care Service Program. Dunwoody Village believes that it has adequate insurance to cover any potential liabilities and sufficient financial resources to cover any operational losses, which losses are not anticipated, which may arise from the Long Term Care Service Program.

Financial Provisions

Participant will be responsible to pay Community a Monthly Fee of \$469 in advance each month. In the event of a Co-Participant, a second person fee of \$162 shall also be paid in addition to the Monthly Fee. Statements will be issued monthly and will contain applicable Monthly Fee, Second Person Fee when necessary and all other miscellaneous charges incurred by Participant.

The Following additional fees associated with in-patient care are broken down as follows:

<i>Years</i>	<i>Payment by Participant</i>	<i>Daily Rate Credit</i>
0 to 5 years	95% of Daily Rate	5% of Daily Rate
5+ to 10 years	75% of Daily Rate	25% of Daily Rate
After 10 years	0% of Daily Rate	100% of Daily Rate

(As of January 1, 2013, the daily rates start at \$210 for Personal Care and \$329 for Skilled Nursing care, both subject to future increases.)

Dunwoody Homecare

Dunwoody Homecare is a proud subsidiary of Dunwoody Village. We have been providing non-skilled homecare services to the Greater Delaware Valley for over sixteen years. When the ordinary tasks of everyday living become more difficult, we offer individualized care that allows you to safely enjoy the comfort of home, in whichever place you call home. Whether it is a temporary or long-term solution, Dunwoody Homecare can alleviate this stress and enhance the quality of your life, your health and your happiness. Our services also allow family members respite from the day to day responsibilities of caring for loved ones. Our close affiliation with Dunwoody Village gives our caregivers access to a wealth of hands-on training, experience, knowledge and continuing education which enables them to provide the quality care you deserve. Dunwoody Homecare is here to accommodate your changing needs.

Audited Consolidated Financial Statements

And Other Financial Information

*Years ended December 31, 2012 and 2011 with
Report of Independent Auditors*

Independent Auditors' Report	25
Consolidated Balance Sheets	27
Consolidated Statements of Operations and Changes in Net Assets	29
Consolidated Statements of Cash Flows	31
Notes to Consolidated Financial Statements	32
2013 Consolidated Operating Budget	45
Contractual Arrangements	46

2012 DISCLOSURE STATEMENT AND ANNUAL REPORT

Dunwoody Village is a not-for-profit Continuing Care Retirement Community. The community has 178 apartments and 65 country houses clustered on a beautiful 83 acre tract of fields, woods, lawns and gardens in the center of Newtown Square, Pennsylvania. There are 81 private Personal Care rooms and 81 private Skilled Nursing rooms in the Care Center. Amenities include fully enclosed and heated walkways, two dining rooms, casual dining and “take-out” meals, lounges, an auditorium, a library, a board room, a swimming pool, a fitness center, a gift shop, a game room, a wood shop, a club room, a craft room, a bank, a hair salon, weekly housekeeping and linen service, transportation and door-to-door mail delivery.



CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Dunwoody Village
Newtown Square, Pennsylvania

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Dunwoody Village, which are comprised of the consolidated balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Board of Trustees
Dunwoody Village

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Dunwoody Village as of December 31, 2012 and 2011, and the results of their operations, changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
April 26, 2013

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,293,678	\$ 1,746,468
Assets Limited as to Use, Internally Designated	13,547,956	-
Assets Limited as to Use, Externally Designated	834,201	786,147
Accounts Receivable	1,687,907	1,192,732
Prepaid Expenses and Other	<u>500,553</u>	<u>497,272</u>
Total Current Assets	17,864,295	4,222,619
ASSETS LIMITED AS TO USE		
Internally Designated by Board of Trustees	2,294,041	15,474,526
Statutory Minimum Liquid Reserve	2,654,546	2,529,846
Externally Designated under Bond Indenture Agreement	896,190	912,821
Externally Designated by Donors	<u>1,000,000</u>	<u>1,000,000</u>
Total Assets Limited as to Use	6,844,777	19,917,193
PROPERTY AND EQUIPMENT, NET	30,345,237	29,538,687
DEFERRED FINANCING COSTS, NET	<u>302,920</u>	<u>338,293</u>
Total Assets	<u>\$ 55,357,229</u>	<u>\$ 54,016,792</u>

See accompanying Notes to Consolidated Financial Statements.

	<u>2012</u>	<u>2011</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Portion of Long-Term Debt	\$ 14,580,000	\$ 670,000
Accounts Payable and Accrued Expenses	2,758,022	4,085,085
Refundable Deposits from Prospective Residents	<u>509,400</u>	<u>410,135</u>
Total Current Liabilities	17,847,422	5,165,220
INTEREST RATE SWAP AGREEMENT	2,411,111	2,238,777
LONG-TERM DEBT, LESS CURRENT PORTION	6,710,642	21,291,443
DEFERRED REVENUE FROM ADVANCE FEES	<u>19,997,641</u>	<u>19,228,857</u>
Total Liabilities	46,966,816	47,924,297
NET ASSETS		
Unrestricted	4,811,537	2,470,851
Temporarily Restricted	2,578,876	2,621,644
Permanently Restricted	<u>1,000,000</u>	<u>1,000,000</u>
Total Net Assets	<u>8,390,413</u>	<u>6,092,495</u>
Total Liabilities and Net Assets	<u>\$ 55,357,229</u>	<u>\$ 54,016,792</u>

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
REVENUE, GAINS, AND OTHER SUPPORT		
Resident Care Fees	\$ 14,275,659	\$ 14,070,147
Medical Care Fees	9,718,572	8,371,792
Amortization of Deferred Entry Fees	3,449,252	2,773,985
Resident Services Fees	1,857,636	1,887,556
Investment Return	1,891,609	495,310
Gain from Settlement of Swap	200,000	-
Other	77,206	95,676
Net Assets Released From Restrictions	92,158	266,286
Total Revenue, Gains, and Other Support	31,562,092	27,960,752
EXPENSES		
Medical and Personal Care	10,718,781	9,885,272
Resident Services	1,196,120	1,229,439
Food Service	3,365,779	3,256,332
General and Administrative	4,241,793	4,028,075
Maintenance	2,135,438	2,103,314
Housekeeping and Laundry	1,548,709	1,564,603
Utilities	1,161,185	1,165,701
Real Estate Taxes	765,193	748,065
Depreciation and Amortization	2,979,670	2,631,460
Interest	936,404	939,362
Total Expenses	29,049,072	27,551,623
OPERATING INCOME BEFORE CHANGE IN VALUE OF INTEREST RATE SWAP		
	2,513,020	409,129
Change in Value of Interest Rate Swap	(172,334)	(444,696)
OPERATING INCOME (LOSS)	2,340,686	(35,567)

	<u>2012</u>	<u>2011</u>
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	10,625	8,962
Donations for Capital	38,765	55,865
Net Assets Released from Restrictions - Used for Operations	(47,781)	(220,658)
Net Assets Released from Restrictions - Used for Capital	<u>(44,377)</u>	<u>(45,628)</u>
Total Decrease in Temporarily Restricted Net Assets	<u>(42,768)</u>	<u>(201,459)</u>
INCREASE (DECREASE) IN NET ASSETS	2,297,918	(237,026)
Net Assets - Beginning of Year	<u>6,092,495</u>	<u>6,329,521</u>
NET ASSETS - END OF YEAR	<u><u>\$ 8,390,413</u></u>	<u><u>\$ 6,092,495</u></u>

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

DECEMBER 31, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 2,297,918	\$ (237,026)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Change in Value of Interest Rate Swap	172,334	444,696
Restricted Contributions	(10,625)	(8,962)
Depreciation and Amortization	2,979,670	2,631,460
Net Realized and Unrealized Loss on Investments	1,392,089	34,729
Amortization of Bond Discount and Premium	(801)	(950)
Amortization of Deferred Entry Fees	(3,449,252)	(2,773,985)
Proceeds from Resident Deferred Entry Fees and Advance Deposits	4,130,226	3,800,181
Proceeds from Resident for Apartment Refurbishment	212,075	81,850
Refunds of Deposits and Refundable Fees	(25,000)	(175,995)
(Increase) Decrease In:		
Accounts Receivable	(495,175)	112,595
Prepaid Expenses and Other	(3,281)	82,476
Decrease In:		
Accounts Payable and Accrued Expenses	(1,327,063)	(263,715)
Net Cash Provided by Operating Activities	5,873,115	3,727,354
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales (Purchases) of Investments, Net	(1,915,683)	3,729,086
Acquisition of Property and Equipment	(3,750,847)	(6,433,319)
Net Cash Used by Investing Activities	(5,666,530)	(2,704,233)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Long-Term Debt	(670,000)	(640,000)
Restricted Contributions	10,625	8,962
Net Cash Used by Financing Activities	(659,375)	(631,038)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(452,790)	392,083
Cash and Cash Equivalents - Beginning of Year	1,746,468	1,354,385
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,293,678	\$ 1,746,468
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 923,350	\$ 964,695

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements include the consolidated accounts of Dunwoody Village (Dunwoody), Dunwoody Homecare, and the Dunwoody Trust (the Trust).

Dunwoody is a Pennsylvania not-for-profit corporation that owns and operates a continuing care retirement community which provides residential, personal and medical care to its Residents, and provides similar personal and medical care to members living outside of the retirement community operating under the trade name of Dunwoody Long Term Care Services.

Dunwoody Homecare is a separate Pennsylvania not-for-profit corporation that primarily provides private-duty companion services to Dunwoody Residents.

The Trust provides funding for a portion of Dunwoody's charitable rates to community residents in financial need.

Principles of Consolidation

The consolidated financial statements include the accounts of Dunwoody, Dunwoody, Homecare and the Dunwoody Trust. All significant intercompany transactions have been eliminated in consolidation.

Mission Statement

The mission of Dunwoody is to have a dynamic community providing residential amenities and health care-related services to individuals over age 65 in a cost-effective manner.

Use of Estimates

The preparation of 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 liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Charity Care

Dunwoody provides charity care to Residents in the Trust program who meet certain criteria under the provisions of the William Hood Dunwoody Trust Under Will, provides financial assistance to residents in need through the Resident Reserve Fund, and provides financial assistance to residents in need that have depleted their funds in the Care Center. For the years ended December 31, 2012 and 2011 Dunwoody Village provided charity care of \$316,272 and \$272,326, respectively. These amounts represent the costs associated with providing this care. This charity care was funded by transfers from temporarily restricted net assets, contributions, and investment income and operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Dunwoody considers cash and cash equivalents to include cash in bank accounts and other liquid investments with original maturities of three months or less. Dunwoody deposits cash in financial institutions. The balances are insured by the Federal Deposit Insurance Corporations up to certain limits. At times, the cash in the bank may exceed FDIC insurable limits.

Allowance for Doubtful Accounts

Dunwoody provides an allowance for uncollectible accounts using management's estimate about the collectibility of past due accounts. 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 more than 30 days are individually analyzed for collectibility. When all collection efforts have been exhausted, the accounts are written off against the related allowance. Management believes that the allowance for doubtful accounts is adequate to provide for estimated uncollectible accounts associated with the accounts receivable balances. The allowance for doubtful accounts at December 31, 2012 and 2011 was \$485,000 and \$245,000, respectively.

Assets Limited as to Use

Assets limited as to use include assets set aside by the Board of Trustees for future capital improvements and other purposes over which the Board retains control, externally designated assets held by trustees under indenture agreements, and donor-restricted assets under will.

Investments in U.S. Government Securities, mutual funds and insurance contracts with readily determinable fair values are measured at fair value in the consolidated balance sheets. Investment return (loss) (dividends and interest income, realized and unrealized gains and losses on investments) is included in operating income unless the income or loss is restricted by donor or law.

Assets limited as to use that are required for obligations classified as current liabilities are reported as current assets. Assets limited as to use consist primarily of common stocks, U.S. Government obligations, corporate notes, mutual funds, and insurance contracts and are stated at market value.

Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near-term and that such changes could materially affect the amounts reported in the balance sheet.

Property and Equipment

In 1914, land and a trust fund of \$1,000,000 were received under the will of Mr. William Hood Dunwoody to establish Dunwoody. The land was not recorded at an accounting value.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

The Community capitalizes all expenditure for property and equipment with costs over \$1,000 and an estimated life greater than one year. The cost of maintenance and repairs are charged against operations as incurred. Property and equipment is stated at cost or at fair value at the date of donation. Land improvements, building and improvements, furniture and equipment, and vehicles are stated at cost. Depreciation is recorded using the straight-line method over the estimated useful lives of the respective assets, generally 5 to 40 years.

It is the policy of Dunwoody to capitalize interest cost incurred on borrowed funds during the period of construction of capital assets as a component of the cost of acquiring those assets.

Deferred Financing Costs

Deferred financing costs, which represent bond issuance costs, are amortized on a straight line basis over the term of the related indebtedness, which approximates the effective interest method.

Deferred Entry Fee Revenue

Entry fees are initially refundable upon receipt, but become nonrefundable at the rate of 2% per month until becoming fully nonrefundable after 50 months. At December 31, 2012 and 2011, the portion of entry fees subject to refund provisions amounted to \$7,738,064 and \$7,129,913, respectively. Entry fees are recorded as deferred revenue and amortized into operating revenue over the actuarially determined life expectancy of each Resident or Resident couple, adjusted annually. Upon death of a sole surviving resident, any remaining unamortized portion of the entry fee is recognized as revenue.

Refundable Deposits from Prospective Residents

Refundable deposits from prospective Residents represent waiting list deposits and partial payments made on entry fees. Such deposits by prospective Residents or resident couples are fully refundable and are credited toward the entry fee upon move in.

Obligation to Provide Future Services

Dunwoody calculates the present value of the cost of future services and use of facilities to be provided to current Residents and compares that amount with the balance of deferred entry fees to determine if a liability and corresponding charge to income need be recorded. As of December 31, 2012 and 2011, the present value of the net cost of future services and use of facilities does not exceed the balance of deferred entry fees and as such, no liability for the obligation to provide future services is required to be recorded in the accompanying consolidated balance sheets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest Rate Swap Agreement

Pursuant to the accounting guidance for derivative instruments, Dunwoody recognizes the derivative financial instrument in the balance sheets at fair value. The interest rate swap was not designated as a hedge for financial reporting purposes. As a result, the change in fair value is reported as a separate component of operating income in the consolidated statement of operations and changes in net assets.

Net Assets

Dunwoody reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted (subject to donor or time restrictions), and permanently restricted (principal maintained in perpetuity).

Temporarily restricted net assets are net assets whose use has been limited by donors to a specific purpose. These amounts are principally restricted to resident care. Gifts are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statement of operations and changes in net assets as other revenue.

Income Taxes

Dunwoody, Dunwoody Homecare and the Trust are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state codes.

Dunwoody follows the guidance in the income tax standard regarding the recognition and measurement of uncertain tax positions. The guidance clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. The guidance further prescribes recognition and measurement of tax provisions taken or expected to be taken on a tax return that are not certain to be realized. The application of this standard has no impact on the Dunwoody's consolidated financial statements.

Dunwoody's tax returns are subject to review by the taxing authorities. The tax returns for the years 2009 to 2011 are open to examination by federal authorities.

Fair Value Measurements

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

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

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

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

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

Operating Indicator

For purposes of display, the operating income (loss) is the operating indicator for Dunwoody. Included in the operating indicator is the change in the interest rate swap, since the swap has not been designated as a cash flow hedge. There are no other changes in unrestricted net assets that are excluded from the operating indicator.

Subsequent Events

In preparing these consolidated financial statements, Dunwoody has evaluated events and transactions for potential recognition or disclosure through April 26, 2013, the date the consolidated financial statements were issued.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

NOTE 2 ASSETS LIMITED AS TO USE

The functional composition of assets limited as to use internally designated by the Board and externally designated under bond indenture agreements and by donors at December 31, 2012 and 2011, is set forth below:

	2012	2011
Internally Designated by the Board of Trustees:		
Board-Designated Funds	\$ 10,036,571	\$ 10,408,273
Residents' Reserve Fund	2,877,890	2,449,828
Trust under Will	1,618,571	1,457,108
Dunwoody Homecare Board-Designated Fund	1,046,243	910,187
Other Dunwoody Funds	262,722	249,130
Total	15,841,997	15,474,526
Less: Current Portion - Internally Designated by the Board of Trustees	(13,547,956)	-
	2,294,041	15,474,526
Statutory Minimum Liquid Reserve	2,654,546	2,529,846
Externally Designated Under Series 2006 and 2003 Bond Indenture Agreements - held by Trustee:		
Bond Reserve Fund	1,037,779	1,037,779
Debt Service Funds	692,612	661,189
Total	1,730,391	1,698,968
Less: Current Portion - Externally Designated Under Bond Indenture Agreement	(834,201)	(786,147)
	896,190	912,821
Externally Designated by Donors:		
Trust under Will	1,000,000	1,000,000
Total	\$ 6,844,777	\$ 19,917,193

Assets designated for Resident care include the Trust Under Will and Residents' Reserve Fund. The Trust Under Will provides funds to help support the care of certain Residents in the Trust program. If a Resident of Dunwoody Village is unable to pay the monthly service fee due to circumstances beyond his or her control, the Resident will be evaluated for potential subsidy from the Residents' Reserve Fund.

Assets limited as to use externally designated by donors represent a charitable trust established under the will of Mr. William Hood Dunwoody. The income and gains earned by the trust are unrestricted and available for use as designated by the Board of Trustees.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

NOTE 2 ASSETS LIMITED AS TO USE (CONTINUED)

Under the provisions of the Pennsylvania Continuing Care Provider Registration and Disclosure Act (the Act), Dunwoody must maintain a statutory minimum liquid reserve that is equal to the greater of 10% of the total projected operating expenses for the next twelve months, exclusive of depreciation and amortization, or the total of all debt service (principal and interest) due during the upcoming twelve months 2013 debt service requirements. The statutory minimum liquid reserve requirement as of December 31, 2012 is \$2,654,546 based on 10% of the total projected operating expenses, exclusive of depreciation and amortization, for the next twelve months. Under the provisions and related amendments of the Act, cash and cash equivalents and investments of Dunwoody satisfy this requirement.

The statutory minimum liquid reserve requirement as of December 31, 2012 and 2011 is as follows:

	2012	2011
Projected Annual Interest Expense	\$ 996,837	\$ 978,664
Principal Payments Due on Long-Term Debt	705,000	670,000
Liquid Reserve Requirement	\$ 1,701,837	\$ 1,648,664
Projected Annual Operating Expenses	\$ 26,545,455	\$ 25,298,461
Minimum Rate	10%	10%
Liquid Reserve Requirement	\$ 2,654,546	\$ 2,529,846
Statutory Minimum Liquid Reserve	\$ 2,654,546	\$ 2,529,846

Management believes that Dunwoody is in compliance with all other requirements of the Act as of December 31, 2012 and 2011.

The composition of assets limited as to use at December 31, 2012 and 2011 is set forth in the following table. Insurance contracts represent Guaranteed Investment Contracts (GICs) invested on behalf of Dunwoody in accordance with the Series 2003 bond indenture agreements. These GICs maintain quarterly withdrawal provisions related to the 2003 Bonds with interest rates ranging from 4.63% to 5.03%. Investments are stated at fair value.

	2012	2011
Assets Limited as to Use		
Cash and Cash Equivalents	\$ 3,237,942	\$ 4,415,943
U.S. Government Securities	38,652	38,694
Mutual Funds - Fixed Income	5,710,964	3,253,100
Mutual Funds - Domestic Equity	8,395,455	8,148,815
Mutual Funds - International Equity	2,152,182	3,244,815
Insurance Contracts	1,691,739	1,601,973
Total Assets Limited as to Use	\$ 21,226,934	\$ 20,703,340

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

NOTE 2 ASSETS LIMITED AS TO USE (CONTINUED)

Investment income and gains (losses) on assets limited as to use and cash equivalents are comprised of the following for the years ended December 31, 2012 and 2011:

	2012	2011
Investment Return		
Dividends and Interest Income	\$ 499,520	\$ 529,589
Realized Gains on Sales of Securities	12,615	690,806
Net Unrealized Gains (Losses) on Investments	1,379,474	(725,085)
Total Investment Return	\$ 1,891,609	\$ 495,310

Financial assets carried at fair value as of December 31, 2012 and 2011 are classified in the table below in one of the three categories described above:

	Total Fair Value	Level 1	Level 2	Level 3
December 31, 2012				
Assets				
Cash and Cash Equivalents	\$ 4,531,620	\$ 4,531,620	\$ -	\$ -
U.S. Government Securities	38,652	38,652	-	-
Mutual Funds – Fixed Income	5,710,964	5,710,964	-	-
Mutual Funds – Domestic Equity	8,395,455	8,395,455	-	-
Mutual Funds – International Equity	2,152,182	2,152,182	-	-
Insurance Contracts	1,691,739	-	1,691,739	-
Total Assets	\$ 22,520,612	\$ 20,828,873	\$ 1,691,739	\$ -
Liabilities				
Interest Rate Swap	\$ -	\$ -	\$ 2,411,111	\$ -
	Total Fair Value	Level 1	Level 2	Level 3
December 31, 2011				
Assets				
Cash and Cash Equivalents	\$ 6,162,411	\$ 6,162,411	\$ -	\$ -
U.S. Government Securities	38,694	38,694	-	-
Mutual Funds – Fixed Income	3,253,100	3,253,100	-	-
Mutual Funds – Domestic Equity	8,148,815	8,148,815	-	-
Mutual Funds – International Equity	3,244,815	3,244,815	-	-
Insurance Contracts	1,601,973	-	1,601,973	-
Total Assets	\$ 22,449,808	\$ 20,847,835	\$ 1,601,973	\$ -
Liabilities				
Interest Rate Swap	\$ 2,238,777	\$ -	\$ 2,238,777	\$ -

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

NOTE 2 ASSETS LIMITED AS TO USE (CONTINUED)

Fair values for interest rate swap contracts are determined based upon good faith estimates of midmarket transactions using valuation models, such as bid-offer spreads and credit reserves, and accordingly, are classified as Level 2 inputs.

Insurance contracts are valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer, and accordingly, are classified as Level 2 inputs.

NOTE 3 PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2012 and 2011 follows: A summary of property and equipment at December 31, 2012 and 2011 follows:

	2012	2011
Property and Equipment		
Land Improvements	\$ 1,386,545	\$ 1,345,208
Buildings and Improvements	57,842,693	54,457,947
Furniture and Equipment	9,733,045	9,418,146
Vehicles	354,541	345,395
Construction in Progress	804,865	804,145
Total	70,121,689	66,370,841
Less Accumulated Depreciation	(39,776,452)	(36,832,154)
Total Property and Equipment, Net	\$ 30,345,237	\$ 29,538,687

Depreciation expense for the years ended December 31, 2012 and 2011 was \$2,944,297 and \$2,596,087, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

NOTE 4 LONG-TERM DEBT

Long-term debt consists of:

	2012	2011
Delaware County Authority Revenue Bonds, Series 2006	\$ 13,875,000	\$ 13,875,000
Delaware County Authority Revenue Bonds, Series 2003A, Including a Net Premium of \$5,642 and \$6,443, Respectively Series A of 2003 Serial Bonds, Due April 1 of Each Year Through 2012 with Interest Ranging from 4.375% to 4.80%	–	670,879
Series A of 2003 Term Bonds, with Sinking Fund Principal Payments Due April 1 Each Year Beginning in 2013 Through 2017 with an Interest Rate of 5.375%	3,915,642	3,915,564
Delaware County Authority Revenue Bonds, Series 2003B Adjustable Rate Reset Bonds, with Sinking Fund/Principal Payments due April 1 of Each Year Beginning in 2031 Through 2034 with an Interest Rate of 4.0%	3,500,000	3,500,000
Total	21,290,642	21,961,443
Less Current Portion	14,580,000	670,000
Total Long-Term Debt	\$ 6,710,642	\$ 21,291,443

Dunwoody issued \$13,875,000 variable rate revenue bonds under a fourth supplemental trust indenture dated November 1, 2006 (2006 Bonds). The 2006 Bonds require annual sinking fund principal payments ranging from \$805,000 in 2018 to \$1,380,000 in 2030. Interest for the 2006 Bonds was reset on a weekly basis and is payable semiannually each April 1 and October 1. In October 2010, Dunwoody elected to convert from a weekly interest rate set to a daily interest rate reset.

The 2006 Bonds are secured by an irrevocable letter of credit (Letter of Credit) totaling \$14,049,863 between Dunwoody and Citizens Bank (the Bank). The Letter of Credit is an obligation of the Bank to pay the Trustee amounts sufficient to pay the principal amount of and up to 46 days' accrued interest on the 2006 Bonds when due, whether at maturity, or upon acceleration or call for redemption, and amounts sufficient to pay the purchase price of any 2006 Bonds tendered for purchase and not remarketed. The Letter of Credit will expire November 16, 2013. Due to the expiration of the Letter of Credit in 2013, the Series 2006 Variable Rate bonds have been presented as a current liability in the balance sheet at December 31, 2012. Management intends to refinance this debt in 2013.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

NOTE 4 LONG-TERM DEBT (CONTINUED)

At December 31, 2012, no amounts have been drawn on the Letter of Credit. Under the provisions of the Loan Agreement, Dunwoody executed and delivered, to the Trustee, a mortgage on the real property comprising its facilities.

The 2003A Term Bonds require annual sinking fund principal payments through maturity ranging from \$705,000 in 2013 to \$865,000 in 2017. The Series 2003A Bonds are subject to redemption prior to maturity at the direction of Dunwoody on or after April 1, 2013 at a redemption price of 100% of principal.

The 2003B Bonds are due in annual maturities ranging from \$830,000 on April 1, 2031 to \$920,000 on April 1, 2034. The 2003B Bonds are subject to periodic rate changes subsequent to the initial reset date of April 1, 2006. The next scheduled reset date is April 1, 2015. The 2003B Bonds are subject to redemption at any time at a redemption price of 100% of principal.

Aggregate annual principal maturities for the Series 2006 and Series 2003 bonds, respectively, for each of the next five years and thereafter are as follows:

<u>Year Ending December 31,</u>	<u>Series 2006</u>	<u>Series 2003</u>	<u>Total</u>
2013	\$ 13,875,000	\$ 705,000	\$ 14,580,000
2014	–	740,000	740,000
2015	–	780,000	780,000
2016	–	820,000	820,000
2017	–	865,000	865,000
Thereafter	–	3,500,000	3,500,000
Total	<u>\$ 13,875,000</u>	<u>\$ 7,410,000</u>	<u>\$ 21,285,000</u>

Under the Series 2006 and 2003 Loan Agreement and the Letter of Credit agreement, Dunwoody must comply with certain restrictive covenants relating to liquidity and debt service coverage computed quarterly. As defined by the agreements, Dunwoody is required, among other things, to maintain a debt service coverage ratio of 1.20:1.00, and a liquidity requirement equal to 150 days' budgeted cash operating expenses. Management has represented that Dunwoody was in compliance with the debt service coverage and liquidity requirements at December 31, 2012.

The bonds are secured by the mortgage, the bond reserve and debt service funds, as well as Dunwoody's revenue and accounts receivable.

Dunwoody uses quoted market prices in estimating the fair value for the Series 2006 and 2003 Bonds. The fair value of long-term debt at December 31, 2012 and 2011 is approximately \$17,282,589 and \$18,091,483, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

NOTE 5 DERIVATIVE FINANCIAL INSTRUMENTS

Dunwoody entered into an interest rate swap agreement with Citizens/RBS in March 2009 in order to eliminate the exposure to interest rate fluctuations associated with the 2006 Bonds. The interest rate swap agreement effectively fixed the interest rate on these bonds at 3.65%. The notional amount of the interest rate swap agreement was \$13,875,000 and it matures on April 1, 2024. At December 31, 2012 and 2011, the fair value of this interest rate swap agreement represented a liability in the accompanying consolidated balance sheet of \$2,411,111 and \$2,238,777, respectively. The interest rate swap was not designated as a hedge for financial reporting purposes. As a result, the change in fair value is reported as a separate component of operating income (loss) in the consolidated statement of operations and changes in net assets.

Dunwoody had previously entered into an interest rate swap agreement with Lehman Brothers Special Financing, Inc. (LBSF) in October 2006 in order to eliminate the exposure to interest rate fluctuations associated with the 2006 Bonds. The interest rate swap agreement effectively fixed the interest rate on these bonds at 3.88%. The notional amount of the interest rate swap agreement was \$13,875,000 and it matures on April 1, 2030. The interest rate swap was not designated as a hedge for financial reporting purposes. LBSF and its parent company filed for bankruptcy in 2008, triggering an event of default under the interest rate swap agreement, resulting in termination of the swap.

As of December 31, 2011, Dunwoody had accrued \$1.2 million related to the potential settlement on the termination of the swap. During 2012, Dunwoody settled the termination of the swap for \$1 million and recorded \$200,000 of gain as a result of the settlement.

NOTE 6 PENSION PLAN

Dunwoody sponsors a defined contribution pension plan which covers substantially all employees and provides for an annual contribution based on total annual compensation and also provides a 50% match of employee contributions to a separate 403(b) savings plan up to a maximum of 6% of annual compensation. For the years ended December 31, 2012 and 2011, the annual contribution was 2% and 2.5%, respectively. Total pension expense for the years ended December 31, 2012 and 2011 related to this plan was \$368,308 and \$366,729, respectively.

NOTE 7 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31, 2012 and 2011:

	2012	2011
Resident Benevolence	\$ 2,493,308	\$ 2,539,762
Memorial Garden and Other	85,568	81,882
Total	\$ 2,578,876	\$ 2,621,644

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

NOTE 8 FUNCTIONAL EXPENSES

Dunwoody and Dunwoody Homecare provide services for the elderly. Expenses related to providing these services were as follows:

	2012	2011
Continuing and Long-Term Care	\$ 25,440,993	\$ 24,110,676
General and Administrative	3,608,079	3,440,947
	\$ 29,049,072	\$ 27,551,623

NOTE 9 COMMITMENTS AND CONTINGENCIES

Compliance

Laws and regulations governing the Medicare program are complex and subject to interpretation. Dunwoody believes it is in compliance with all other applicable laws and regulations and is not aware of any other current pending or threatened investigations involving allegations of potential wrongdoing. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare program.

Other

There are various legal actions that can occur in the ordinary course of business, and management is not aware of any such matters that would have a material effect on the financial condition or results of operations of Dunwoody. In the opinion of management, after consultation with legal counsel, these matters are expected to be resolved without material adverse effect to the Community's financial position.

NOTE 10 SUBSEQUENT EVENTS

Expansion and Renovation

Dunwoody Village is planning an expansion and renovation project which is anticipated to include 20 independent living units (referred to as "country houses") and various renovations to existing buildings, including hallway renovations, upgrades to fire alarm system, roofing projects, and other renovations (the Project). Dunwoody intends to issue approximately \$40,000,000 of rated, taxexempt, fixed and variable rate bonds (the Series 2013 Bonds). It is anticipated that the Series 2013 Bonds will be issued in mid-2013. From the proceeds of this issuance, \$20,580,000 of the proceeds from the Series 2013 issuance will be used to refund the outstanding balance of the Delaware County Authority's Revenue Bonds, Series 2006 and Series 2003. In addition, approximately \$20,000,000 of the proceeds will be used to fund the Project and the costs of issuance.

2013 CONSOLIDATED OPERATING BUDGET

	<u>Total Budget (000s omitted)</u>
REVENUE, GAINS, AND OTHER SUPPORT:	
Resident Care Fees	\$ 15,665
Medical Care Fees	8,655
Earned Entrance Fees	3,978
Resident Service Fees	2,027
Interest and Dividends	423
Other Revenue	96
Total Revenue	\$ 30,844
 EXPENSES:	
Medical and Personal Care	\$ 12,042
Resident Services	282
Food Services	3,445
General and Administrative	4,249
Maintenance	2,082
Housekeeping and Laundry	1,582
Utilities	1,206
Real Estate Taxes	811
Depreciation & Amortization	2,785
Interest	997
Total Expenses	\$ 29,481
Operating Income (Loss)	\$ 1,363

Note - All figures are in rounded thousand dollars.

CONTRACTUAL ARRANGEMENTS

Services Provided by Dunwoody

A. MEALS

Full Service Dining Choices

Dunwoody dining services are available for three meals per day with a choice of standard menus. The Monthly Fee includes the cost of one daily meal. Residents desiring additional meals may arrange for such meals at the charges currently in effect.

Guest Meals

Provisions are available for guest meals; reservations are preferred. The charge for guest meals is subject to change from time to time. Guests are expected to observe the dress code in effect for the selected dining room.

Missed Meals and Meal Options

Advance notice must be given to the reception desk if Resident will not be taking a scheduled dinner in order for the Resident to receive a Meal Option. Meal Options may be used by the Resident during the next thirty (30) days for breakfast or lunch, or by a guest for breakfast or lunch in the main dining room only. Meal Options are not transferable and conditions regarding their use are described in the Meal Options policy, which is subject to change from time to time.

Meal Allowance

If Resident will be away from Dunwoody for thirty (30) or more consecutive days, the Resident will be credited with a Meal Allowance at a rate to be set by Dunwoody. Arrangements for the Meal Allowance must be made in advance, as set forth in the Meal Allowance policy, which is subject to change from time to time.

Tray Service

When ordered by a Dunwoody Physician or the Health and Wellness Center, tray service will be provided to Resident during minor short term illnesses. A fee will be charged to the Resident for tray service not ordered by a Dunwoody Physician or the Health and Wellness Center.

Care Center Meals

When a resident transfers to the Care Center on a temporary or permanent basis, residents are required to be served three meals a day to comply with the applicable Commonwealth of Pennsylvania licensure regulations. Resident will be charged the rate currently in effect for additional meals unless reimbursed under the Medicare program.

B. HOUSEKEEPING SERVICES

The Resident agrees to maintain his or her Residential Living Unit in a clean, sanitary and orderly condition, and to be responsible for all usual light housekeeping tasks. Once a week, Dunwoody will furnish cleaning services, flat linen and towels.

Should the Resident be unable or unwilling to maintain his or her Residential Living Unit in a clean and orderly condition, or is unable to assume light housekeeping responsibilities, Dunwoody shall, after notice to the Resident, arrange for the provision of such services and the cost will be charged to the Resident. The Resident agrees to maintain his or her Residential Living Unit free of safety and health hazards as determined by Dunwoody. Should the Resident fail to do so, Dunwoody, upon notice to Resident, will make necessary arrangements to make the Residential Living Unit free of safety and health hazards and such costs will be charged to the Resident.

C. MAINTENANCE AND REPAIR SERVICES

Repair Responsibility

Dunwoody will repair, maintain and replace property and equipment owned by Dunwoody. The Resident is responsible for repairs, maintenance and replacement of the Resident's personal property and improvements.

Painting and Re-carpeting

The Resident may request to have his or her Residential Living Unit repainted or

re-carpeted at the expense of the Resident and will be charged according to the current Schedule of Charges. Subject to the approval of Dunwoody, after eight years of Occupancy in the same Residential Living Unit, the cost of painting and carpeting will be paid by Dunwoody.

D. GROUNDS SERVICES

Dunwoody will furnish basic grounds-keeping care including lawn service and snow removal as part of the Monthly Fee. If Resident occupies a ground-level Residential Living Unit, then Resident may plant and must maintain areas approved by Dunwoody adjacent to the Residential Living Unit in accordance with Dunwoody policy, which is subject to change from time to time. If the Resident fails to maintain his or her garden area, Dunwoody may maintain this area and charge the Resident an hourly fee for this service.

E. UTILITIES

Dunwoody will furnish hot and cold water, electricity, heating and air conditioning, basic cable service and one basic cable TV hook-up. Premium channel service charges and internet access are not included in the Monthly Fee and shall be paid by the Resident. Telephone wiring is available to each apartment; however, installation of telephones and monthly service costs are not part of the Monthly Fee and shall be the Resident's financial responsibility.

F. TRANSPORTATION OUTSIDE DUNWOODY

Dunwoody will provide limited transportation for medical appointments to the Dunwoody Physicians in accordance with Dunwoody policy, which is subject to change from time to time. Transportation is provided to the local shopping centers periodically, at no charge. On Sundays, Dunwoody provides transportation to a limited number of nearby churches. Private drivers are available on a fee-for-service basis. All transportation is provided in accordance with Dunwoody policy, which is subject to change from time to time.

G. TRANSPORTATION WITHIN DUNWOODY

Transportation by wheelchair within Dunwoody may be provided according to Dunwoody policy, which may be changed from time to time.

H. ADDITIONAL MISCELLANEOUS SERVICES

Other miscellaneous services, such as beauty and barber services and personal laundry, are available at an additional charge and are not included in the Monthly Fee.

I. CHANGES IN SERVICES

Dunwoody reserves the right, in its sole and absolute discretion, to provide additional services or delete existing services from those services included in the Monthly Fee. Thirty (30) days advance notice of any such changes in services shall be provided.

Health Care

A. ROLE OF DUNWOODY'S MEDICAL DIRECTOR

Dunwoody will appoint a medical doctor licensed to practice medicine in the Commonwealth of Pennsylvania as Dunwoody's Medical Director, to oversee the medical affairs of Dunwoody and to coordinate the provision of Personal Care services and Routine Nursing Care services to the Resident.

B. PHYSICIANS

Resident may choose a Dunwoody Physician as his/her primary physician or Resident may retain his/her own physician.

C. RESPONSE CALL SYSTEM/DUNWOODY MEDICAL RESPONSE

Dunwoody shall equip each Residential Living Unit with a twenty-four (24) hour response call system. Dunwoody does not provide Emergency Medical Services (EMS) or Emergency Medical Technicians (EMT). In the event of a medical emergency, Resident is required to contact 911 to obtain medical assistance. While the response call system may be used to inform Dunwoody of a medical emergency, Dunwoody disclaims any and all responsibility for responding to medical emergencies and for any liability for any injury or damages resulting from the mechanical failure of the response call system. In the event Dunwoody is notified of an accident or unexpected medical need of Resident on Dunwoody's property, a Nursing Evaluation will be provided. If the initial Nursing Evaluation indicates a need for additional medical assistance, Dunwoody shall contact appropriate health care providers.

D. PRESCRIPTION DRUGS

Resident is responsible for all prescription drug charges.

E. THE CARE CENTER

Dunwoody shall provide Routine Nursing Care and/or Personal Care services in the Care Center for temporary and permanent illnesses. Upon transfer to the Care Center, Resident shall sign a separate admission agreement. In the event that any payment provisions of the admission agreement for the Care Center are in conflict or inconsistent with any of the terms or provisions of this Agreement, then this Agreement shall control and govern the relationship between Resident and Dunwoody.

F. COSTS IN THE CARE CENTER

Single Occupancy

The Monthly Fee covers Routine Nursing Care or Personal Care services in the Care Center but it will be adjusted for the cost of meals in accordance with this Agreement and with the rules and regulations promulgated for the operation of the Care Center. The licensure regulations of the Commonwealth of Pennsylvania require a Care Center resident to be served three meals a day.

Double Occupancy

Upon transfer of one or both Co-Residents to the Care Center, the obligation to pay the Monthly Fee shall continue. The Monthly Fee covers Routine Nursing Care or Personal Care services, and may be adjusted, if necessary, for the cost of meals in accordance with this Agreement and with the rules and regulations promulgated for the operation of the Care Center.

If one of two Co-Residents occupying a Residential Living Unit has been permanently transferred to the Care Center, the Co-Resident in the Care Center will be billed one-half (1/2) of the Monthly Fee for Double Occupancy of the Residential Living Unit occupied prior to the time of the permanent transfer. The other Co-Resident shall be billed one-half (1/2) of the Monthly Fee for Occupancy of the Residential

Living Unit then being occupied. Both Co-Residents remain jointly and severally obligated to pay for these separately billed amounts. If the Co-Resident remaining in the Residential Living Unit transfers to a smaller Residential Living Unit, the charge for the Co-Resident in the Care Center will not be adjusted, but will remain at one-half (1/2) of the Monthly Fee for Double Occupancy of the Residential Living Unit occupied at the time of the permanent transfer. The Co-Resident remaining in the Residential Living Unit may move to a smaller Residential Living Unit, if available, and shall be obligated to pay one-half (1/2) of the Monthly Fee for Double Occupancy for the Residential Living Unit into which the Co-Resident transfers or the Studio rate if the Co-Resident transfers to a Studio. In the event the Co-Resident remaining in the Residential Living Unit transfers to a smaller Residential Living Unit, then no refund of any portion of the Entry Fee shall be paid.

Monthly Fee Coverage and Ancillary Charges

The Monthly Fee covers only Routine Nursing Care and Personal Care services. All miscellaneous charges and fees for Ancillary Services not included in Routine Nursing Care or Personal Care services are an additional charge and shall be paid by Resident. A description of Ancillary Services not covered by or included in Routine Nursing Care or Personal Care services is provided to Resident upon admission to the Care Center and upon any change in such charges, or upon request.

Exclusions

The following items are not covered by the Monthly Fee: prescription drugs, over-the-counter drugs, hospitalization, ambulance services, therapy or rehabilitation services, physician services, Medicare deductibles and co-payments, medical or diagnostic tests, psychotherapy and psychiatric consultations or services, diagnostic services, dental services, dental surgery, chiropractic services, massage therapy, transplants, private duty nurses or companions, podiatry, refractions, eyeglasses, contact lenses, hearing aids, orthopedic devices and appliances such as walkers, braces, wheelchairs, special beds or chairs, incontinence supplies, personal care supplies such as disposable under-pads, toiletries, digestive aids and over-the-counter pharmaceutical and other

health supplies, medical equipment and supplies, such as respirators, ventilators, intravenous equipment, catheterization materials, specialized treatment including ventilator dependent treatment, dialysis, and all services such as chemotherapy, blood transfusions, special rehabilitation services, or services in the Care Center in excess of Routine Nursing Care, and any other health or medical service not specifically set forth in this Agreement. Dunwoody at its discretion may provide any or all of the services not covered by the Monthly Fee at an additional charge, or refer Resident to another provider capable of providing higher acuity services.

G. OTHER HEALTH CARE SERVICES

Nursing or Companion Services

Subject to the approval of Dunwoody's Medical Director, Resident may utilize the services of private duty nurses or companions providing personal or health care services in the Living Accommodation. Such services must be approved in advance and in writing by Dunwoody. Resident is responsible to pay for all such services.

All private duty nurses or companions shall provide Dunwoody with a copy of their current license or certification, where applicable; a release and indemnification agreement, proof of workers compensation and liability insurance; proof or waiver of Hepatitis B vaccination; and proof, as determined by Dunwoody policy, that such nurse or companion is free of tuberculosis and/or any other contagious or communicable disease. Such nurses or companions must also submit proof that he or she meets criminal background check requirements and is not listed on any registry as being suspected of, or proved to have committed abuse, of any reportable nature. All companions in the Care Center must be Certified Nursing Assistants.

Dunwoody reserves the right to interview and approve all nurses and companions and to prohibit the use of such services. Any individuals approved as private duty nurses or companions are required to abide by Dunwoody policies.

The services of private duty nurses or companions may be used only for a defined period of time as defined by Dunwoody policy. Resident is required, at Dunwoody's

sole discretion, to provide proof that use of private funds to pay for such services will not imperil the financial resources of Resident. In exchange for Dunwoody's consent to Resident's request for the services of a private duty nurse, companion, or other assistant, Resident releases Dunwoody from any liability for the acts or omissions of any such individual providing services to Resident in the Living Accommodation. Furthermore, Resident is responsible to pay for any damages or injuries caused to Resident, other persons, residents or staff by any private duty nurses, companions or individuals providing companion, personal or nursing care services to the Resident in the Living Accommodation, and shall indemnify and hold Dunwoody harmless from any claims, actions, proceedings or damages of any kind, including attorneys' fees and legal costs, resulting from any of the actions or omissions of the private duty nurse or companion services utilized by Resident. **Dunwoody Village does not permit live-in companions.**

DUNWOODY EMPLOYEES, VOLUNTARILY OR INVOLUNTARILY SEPARATED FROM DUNWOODY, MAY NOT BE ENGAGED AS PRIVATE DUTY NURSES OR COMPANIONS WITHOUT THE APPROVAL OF DUNWOODY.

Hospitalization or Special Service Facility Care

Dunwoody does not provide hospital, or specialty medical care. Dunwoody will arrange for the transfer of Resident to a hospital or other Special Service Facility on order of a Dunwoody Physician. The charges for ambulance or emergency transportation for transfer to a hospital or other Special Service Facility and the charges of such care are not covered by this Agreement and shall be the responsibility of Resident. Resident shall continue to pay the Dunwoody Monthly Fee while residing at another facility unless this Agreement is terminated.

Accident or Illness Away From Dunwoody

In the event Resident suffers an accident or illness while away from Dunwoody, and Resident relies on health care and support services available in the area where the

accident or illness occurred, Resident's health insurance or other personal resources available must be used for payment for such services. Resident shall make every reasonable effort to notify Dunwoody of the accident or illness, and upon Resident's return to Dunwoody, Resident shall be entitled to all benefits under this Agreement.

Limitations on Care

The Care Center is not designed to care for persons who are afflicted with uncontrolled or untreated mental illness resulting in behavior contrary to the Conditions of Occupancy, active alcohol or drug abuse or who require specialized psychiatric care or services not authorized or permitted under the applicable licensure regulations. If Dunwoody determines that Resident's mental or physical condition is such that Resident's, or in the case of Double Occupancy, one Co-Resident's continued presence in Dunwoody is either dangerous or detrimental to the life, health, or safety of Resident, Co-Resident, or other residents or staff or the peaceful enjoyment of Dunwoody by other residents, Dunwoody may transfer Resident to an appropriate outside care facility. If the transfer is for a temporary period, then the Resident shall continue to pay the applicable Monthly Fee and also shall be responsible to pay for the cost of Resident's, or in the case of Double Occupancy, Co-Resident's care in such other facility. If the transfer is to be permanent, then the Termination provisions of this Agreement shall apply, except that only such notice of Termination as is reasonable under the circumstances shall be given in any situation where the Resident is a danger to self or others, or to the health, safety or peace of Dunwoody.

Limitation on Resident's Liability

If a health care provider seeks payment from Resident for health care services which are the responsibility of Dunwoody to pay under this Agreement, then Dunwoody shall hold Resident harmless from all loss or liability arising from such claims for payment.

General Information

PRICING HISTORY

The 5-year History of Entrance and Monthly Fees for a One-Bedroom Apartment (Non-refundable option) is listed below:

	ENTRANCE FEE		MONTHLY FEE	
	SINGLE	DOUBLE	SINGLE	DOUBLE
2013	\$ 147,500	\$ 162,500	\$ 2,999	\$ 5,138
2012	\$ 144,500	\$ 159,500	\$ 2,926	\$ 5,013
2011	\$ 144,500	\$ 159,500	\$ 2,855	\$ 4,891
2010	\$ 126,500	\$ 141,500	\$ 2,785	\$ 4,772
2009	\$ 122,850	\$ 137,850	\$ 2,704	\$ 4,633

The entrance fee is a one time fee paid by new residents upon completion of the admission process and is not subject to any change or increase during the duration of the agreed upon care. Entrance fees are adjusted annually based on market conditions. Monthly fees are adjusted annually based on operating costs.

MEDICAL DEDUCTION

A substantial portion of the Entrance Fee and Monthly Fee at Dunwoody Village is tax deductible. The deductible percentage has averaged approximately 33% over the last 5 years.

NOTICE OF RIGHT TO RESCIND

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

To rescind your Residence and Care Agreement, mail or deliver a signed and dated copy of this notice, or any other dated written notice, letter or telegram, stating your desire to rescind to the following address:

Dunwoody Village
3500 West Chester Pike
Newtown Square, Pennsylvania 19073-4168
Attention: President/CEO

Not later than midnight of _____ (last day for rescission).

DUNWOODY VILLAGE CANCELLATION FORM

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

PROSPECTIVE RESIDENT'S SIGNATURE

DATE



*To find out more about Dunwoody Village,
come visit us and see why we're at the leading
edge of senior living. Our residents are
proud to call Dunwoody Village home—
and they're proud to welcome you, too.*





**A Non-Denominational,
Not-for-Profit
Continuing Care
Retirement Community**

 **PET FRIENDLY**

3500 West Chester Pike
Newtown Square, PA 19073
1-800-DUNWOODY
www.dunwoody.org

