

AFROC

ANNUAL MEETING

JUNE 9, 2019



FALCONS LANDING
20522 FALCONS LANDING CIRCLE
POTOMAC FALLS, VIRGINIA

Tours of Founders Hall and Residences

The 2019 AFROC Annual Meeting and Open House began with tours of homes and apartments. Our resident ambassadors were on hand to greet visitors at nine residences and the Community Center. Following the AFROC Board Members Annual Reports, guests enjoyed a lavish reception in the Grand Dining Room.



Alexandria Cottage



Resident Ambassadors



Apartment Tour



Grand Dining Room



Grand Dining Room Reception

Photos by Denna Johnson

The Chairman's Report



Bill Timme, Chairman of the AFROC Board of Directors, welcomed members to the 23rd Annual Meeting.

One of our special guests this afternoon is our good friend Suzanne Volpe, who represents our district on the Loudoun County Board of Supervisors. Supervisor Volpe is a very familiar face at Falcons Landing, and we are grateful for her enthusiastic support of our community and our residents. Her vision and leadership on the Board of Supervisors is appreciated by us all and she is a valued friend, colleague and neighbor.

Throughout the years, Falcons Landing has had a succession of outstanding Resident Councils and this year is certainly no exception. The Resident Council advises Falcons Landing's management and the Board on issues of concern to residents, and their leadership, vision and insights are vital as we plan for the future. Members of the Council also participate in management and Board Committees and their participation ensures resident needs and desires are key considerations in every important decision. The Council President attends every Board meeting and presents a report to the Board on residents' concerns, issues, and significant events. The Council President regularly provides the "residents' perspective" during Board discussions on future plans and initiatives.

I would like to introduce the members of the 2019 council and identify their individual responsibilities.

Jim Hardy: President of the Resident Council, in addition to leading the Council and serving as their representative to the Board, he is the liaison for the Council

HEARings and the Resident Representative on the Board Strategic Planning Committee.

Phil Walsh: Council Vice President, resident representative to the Capital Projects Committee and Residents' Council liaison for Facilities Management, Transportation and Resident Activities Committee.

Rose Mary Hsu-Brooks: Residents' Council Secretary, liaison for The Store and Resident Representative to the Marketing & Membership Committee.

Hazel Plummer: Liaison for the Johnson Center and West Falls and a Resident Representative to the Continuum of Care Committee.

Irma Moke: Member of the Culinary Committee, the Chapel and Landscape Committee.

Dave Belden: Liaison for the Residents' Newsletter.

Jim Compton: Liaison for Wellness, Fitness and a Resident Representative to the Continuum of Care Committee.

Bill Hilsman: Council Treasurer, and the liaison for Human Resources, The Residents' Portal, Information Technology, Channel 1970 and leader of the Fire and Rescue Fund and the Employee Holiday Gift Fund this year.

Howard Schue: Liaison to Safety & Security Committee, Bioethics and is the resident representative to the Finance & Audit Committee.

On behalf of the AFROC Board, I thank each of the members of the Residents' Council for their tremendous support to management and the Board of Directors. We all benefit greatly from your willingness to serve the community.

The Chairman's Report (cont.)

We currently have eleven AFROC Board members and each brings many years of leadership experience and professional expertise to the table. I will highlight them at the end of the program, but now I would like to introduce the two newest members.

LTG Gen Flora Darpino (USA – retired) who served as the 39th The Judge Advocate General (TJAG), U.S. Army; and Lt Gen Dr. Douglas Robb (USAF – Ret) who spent over 20 years in the practice of aerospace medicine in support of Air Force, joint, and coalition aviation forces, was the Director for the Defense Health Agency and currently serves as the Medical Chair for the National Defense University.

Brig Gen Ed Rodriquez has been a Board Member for seven years, after graciously serving an additional year to overlap with his successor, General Darpino. This is Ed's last annual meeting and I want to thank him for his outstanding service to Falcons Landing. His legal expertise and counsel has been particularly critical during this dynamic period in our history.

This is also my last annual meeting. I am proud to have served Falcons Landing for 12 years, first as a member of the AFROC Board and, for the last seven years, as its Chair. I will hold my farewell remarks and my reflections on my time at Falcons Landing until after the committee reports.

Residents choose Falcons Landing because it is a premier community and your AFROC Board is committed to ensuring that Falcons Landing sets the standard for the best in senior living. We will never be content to maintain the status quo or simply keep up with the competition. We will uphold Falcons Landing's culture of Extraordinary Living for those who share the Common Bonds of service to our nation.

Committee Reports

~ Strategic Planning ~

Ted Bowlds



The Falcons Landing Strategic Plan serves as our guide for the future. The plan identifies goals and outlines strategies to achieve them.

Our Mission: **Extraordinary living to enhance the health and happiness of those who served.** Our mission is our purpose and the reason we exist.

Our vision: **A community where everyone thrives.** Our vision is an aspirational description of what Falcons Landing would like to achieve in the mid-term or long-term future.

There are four pillars to our success, and they are: Our residents, our staff, our facilities and our finances. We have four overarching goals, one focusing on each of these pillars. Our goals serve as a guide towards attaining our vision.

GOAL I – A community where residents thrive and enjoy their ideal quality of life.

GOAL II – Cultivate a high-performing and engaged workforce.

GOAL III – Facilities, Infrastructure and Grounds that promote high resident satisfaction and optimize marketability.

GOAL IV – Sustain long-term financial stability.

Throughout the strategic planning process, we are mindful of our fiduciary responsibilities to our members. We must balance the value of improvements and initiatives needed to sustain Falcons Landing into the future, with the potential burden of funding them.

In July, a draft 2020-2024 Strategic Plan will be presented to the **Strategic Plan Committee** for

review, and if accepted, will be referred to the Board for approval at the September AFROC Board meeting.

We will continue to look toward the future, define objectives, execute action plans, and evaluate results. I believe our Strategic Plan encompasses what we need to improve, refresh and renew our Community. Through execution of the strategic plan, we will ensure that Falcons Landings' residents continue to enjoy a vibrant lifestyle in a beautiful, well-maintained community.

~ Continuum of Care ~

Scott Custer



The purpose of this committee is to provide Board oversight of health care services at Falcons Landing. The committee's role is to monitor quality indicators and provide insight and recommendations on areas for improvement as needed.

Committee members include AFROC Board members, key staff and resident representatives. At our meetings, staff provides updates on new initiatives, results of regulatory surveys and investigations of incidents that were reportable to the Virginia Department of Health and the VA Department of Social Services. Agenda items may also include new programs, review of areas identified for improvement, recommendations for new policies or revisions to existing policies.

Falcons Landing offers a continuum of health services to residents. When we talk about health services, people tend to focus on care in The Johnson Center or at West Falls but the first stage in our continuum of health services is the health and wellness programs offered in Independent Living.

The activities and programs we offer in Independent Living are not only for resident enjoyment but also to promote an active, healthy and independent lifestyle. Fitness and wellness are key ingredients health and longevity. At our Fitness Center we offer health and fitness services including a gym and aerobics studio. These facilities were designed to give Independent Living residents access to state-of-the-art fitness equipment and classes, health care services and wellness education programs. The fitness center offers many different classes each week such as Balance, Strengthening for Fall Prevention, Chair Yoga and even a Fitness Boot Camp.

In our Wellness Center, we currently have 14 physicians and specialists with office hours at the Wellness Clinic each month. The specialties include internal medicine, podiatry, acupuncture, dentistry, urology, dermatology and orthopedics to name a few.

This year we completed conversion to electronic health records throughout our community to include our Wellness Clinic. That means a Resident's health record is available 24/7 to those staff members who need access to the information in the Wellness Clinic, the Johnson Center or at West Falls.

We carefully monitor resident falls at Falcons Landing and implement measures to decrease resident's fall risks. For Independent Living residents, we review falls at a monthly meeting to identify factors that influenced or caused the fall, evaluate actions taken to decrease the resident's future risk and determine if any further intervention is indicated. In Nursing and Assisted Living, falls are reviewed weekly by the Health Care Team.

Last October we welcomed a new Director of Health Service to Falcons Landing, Mr. John Loop. John has served in senior living facilities for 15 years in various operational capacities. He has a Bachelor of Science degree from Ohio State and a Masters in Health Care Administration from Valparaiso University. He is

a licensed nursing home administrator in both Virginia and Maryland. John's focus is to provide outstanding healthcare and a meaningful, vibrant lifestyle to residents.

This year John and the team worked closely with dining services to implement an All-Day Dining program in the Johnson Center, both in the nursing and assisted living units. Residents can order meals at any time, much like room service in a hotel. This is great for residents who may have an appointment during mealtime or who prefer to dine at an alternate time. The program has received positive reviews for quality, quick delivery and the variety of choices.

Our healthcare units are evaluated against regulatory performance standards every year. Our two assisted living communities are surveyed by the VA State Department of Social Services, and our Nursing unit by the VA State Department of Health. Last year, we did well on all surveys with only a few minor discrepancies that were easily corrected.

Our Nursing Unit maintains a Five-Star rating on the CMS Nursing Home Compare. The rating is based on survey results, outcomes on specific quality measures and staffing numbers.

We are proud of the outstanding health care and services we provide to our residents in The Johnson Center at West Falls. The AFROC Board and management team are united in our commitment to maintaining the highest quality programs and services across our continuum of care.

~ Capital Projects~

George Eichert



It has been my privilege to serve as the Chairman of the Capital Projects Committee for the past two years. The committee oversees the planning and execution of key capital projects.

Committee members include: Board Members, Scott Custer and Mary Lowe Mayhugh; Falcons Landing Residents, Margaret Quayle and Phil Walsh; and staff members, CEO Barb Brannon, Facilities Director Peter Plante and CFO Hardy Lister. Project managers from our architect, RLPS, and our general contractor, Whiting Turner, also attend the meetings.

We are currently in the final stages of our top-to-bottom renovation of the Grand Dining Room, which included renovating a section of the dining room to create additional seating for the Woodburn Café. As part of this renovation, both elevated dining sections in the Grand Dining Room were lowered to make them more accessible to all residents. In the next month, the café will be closed for renovations to improve the kitchen and service areas. Bob Besserer, our dining services director, and Executive Chef Jeffrey Potter, have worked with the contractors and architects on the dining renovations every step of the way to ensure the new areas will meet the needs of Falcons Landing. The dining room is 95% complete and back in service.

In addition to the Grand Dining Renovations, we are in the final weeks of a major renovation of the first floor of the Johnson Center. We renovated a wing of the Assisted Living unit and now have a beautiful new community. When it is complete, the Garden View Terrace will be a Memory Care community that will be home for 12 residents. The common areas in this wing were greatly expanded and now include a kitchen and dining area, an activities area, a living room with fireplace, a sunroom and, soon-to-come, an expanded garden area with walking paths. Each of the renovated residences now feature a large bay window and a new, individually climate-controlled, heating and air conditioning system. In addition to the work that has been done on that wing, the other rooms in the Assisted Living unit and the common areas are also being renovated and should be done in July 2019.

Still to come, is replacing the wall between the living room and the solarium with a foldable glass panel wall. This will allow natural light from the solarium windows in the main living room. The solarium can also be opened to the living room to increase seating for larger events. Lastly, the façade of the Johnson Center, the entrance and the reception area are all getting a major “makeover”.

We will barely have time to take a breath before construction begins on Hillside House, our stand-alone Memory Care Community, and on two Grissom Street Terrace Home Apartment buildings. This new construction will kick off in a few weeks, beginning with the demolition of 9 now-vacant cottages on the site of the future construction. The residents of those homes have all happily relocated to new homes and apartments of their choice.

The construction of the Memory House and the Terrace Home apartments will run concurrently and begin in the October timeframe. We project the Memory House and the first of the two apartment buildings will be ready for occupancy in mid-December 2020 and the second apartment building in February 2021.

The current cost estimate for the Memory Care House and the two Terrace Home Buildings is about \$45M. Final design has been completed and final pricing will be determined soon. The initial full occupancy of these 24 apartments will generate over \$16M in entrance fees, which will go toward paying off the construction loan.

These renovations and new construction projects will update, upgrade and enhance Falcons Landing for current residents and those to come. We believe this is essential for us to retain our reputation as a premiere, first-class senior living community.

You can see images of the new Terrace Homes on pages 13 and 14 of this report.

~ Marketing & Admissions ~

Flora Darpino



It has been another successful year for our Sales/Marketing team! This year, Leah and her team exceeded an Independent Living occupancy rate of 95% and were able to maintain an average occupancy rate of 93.5% for the year. That is

absolutely outstanding, given that the average occupancy across the senior living communities has been reported at just above 90%. In 2018, our entry fees totaled \$6M. That is truly phenomenal considering we had low inventory and we were relocating the residents who generously volunteered to move so the new construction could proceed. They are all happily enjoying their new homes.

Our financial position is strong as we get ready to break ground on our construction projects early this fall.

At our Open House last September, we hosted an impressive 112 visitors from outside of Falcons Landing, both AFROC Members and Non-AFROC Members. As a direct result of that event, we have two new residents, eight new AFROC Members and six wait-list deposits.

As most of you know, Falcons Landing is embarking on a new construction program this year to expand our already diverse portfolio of apartments and cottages. There will be two new Terrace Home Apartments Buildings, Grissom Street Terrace One and Grissom Street Terrace Two.

These stylish new apartment homes are very spacious with beautiful interiors and private terraces, for outdoor living. The Terrace Homes offer the amenities of a cottage and the social aspects of apartment living. With only four apartments on each floor, every home has multiple exposures that maximize natural daylight. Luxurious square footages range from the 1617 sq. ft. Franklin model to the 2192 sq. ft.

Buckingham and all feature an open concept, high ceiling, large windows, a gas fireplace and a spacious outdoor terrace.

Marketing for these Terrace Home residences has thus far included a survey of interest and an informational brochure sent to all non-resident AFROC members. You should have received those earlier in the year. If you are not yet a resident of Falcons Landing, and did not receive the survey or brochure, please contact Leah or one of her team members!

Social media continues to be an important way to make our presence known and it is a great way to communicate and advertise! When people are searching the internet for retirement living or using similar words, Falcons Landing pops up high on the list due to our social media presence. We want to increase our followers, so please check us out and follow us on Facebook, Pinterest, LinkedIn, YouTube, Twitter and Instagram. It keeps Falcons Landing in the news and you in the know!

I am sure it comes as no surprise that our prospective residents do their homework and spend hours learning about Falcons Landing before ever setting foot on our campus. For that reason, it is critical that our website and our advertising clearly represent who we are, what we have to offer and pique interest in seeing more. Our website is clearly a valuable tool in our marketing strategy.

It has been 23 wonderful years since the first residents moved into their "new community". Many of our original residents are well into their 90s, with three 99 years of age and two centenarians still in Independent Living. Falcons Landing residents credit the fun, friendships and active life at Falcons Landing for their longevity.

Many new residents say they wish they had moved in sooner. If you have Falcons Landing still in your future plans I ask you to consider,

"What are you waiting for?" There is no better time to take advantage of all that Falcons Landing has to offer: A fun-filled, vibrant, carefree, lifestyle; a lovely home; and the best neighbors you'll find anywhere.

~ Benevolence ~

Ed Rodriguez



The Benevolent Committee maintains and distributes the AFROC Benevolent Funds and provides financial support to any resident in need.

The Committee maintains a minimum of \$1 million in the Benevolent fund strictly for resident support. There is currently \$1.5M in that fund. The Committee also receives donations for designated purposes, to improve quality of life for the residents of Falcons Landing.

The President/CEO maintains a Wish List of items that would enhance the quality of life at Falcons Landing. Recommendations for the list come from both residents and department directors. Over the years, residents have contributed generously to fund Wish List items and many items from Barb's Wish List have been funded by our residents this year.

The total restricted donations for 2017 were \$413K. The total restricted donations for 2018 decreased to \$297K for the year.

At each Annual Meeting, we recognize residents who reach Falcon Flight status based on accumulated donations. This year, we recognized the largest, single donation we have ever received. We were notified a few weeks ago that we were bequeathed \$1M from the estate of Norm and Carlene Garrigus. Carlene, a Falcons Landing resident for more than five years, passed away early last year at the age of 93. We are very grateful for Mrs. Garrigus's tremendous gift.

Next, we recognized Robert Barr who, with his late wife Mary, has given over \$500,000 to the

community and was recognized as a Grand Benefactor at last year's annual meeting. He recently made an additional donation of \$75,000 for our Loudoun County High School Scholarship program for 2020.



2019 Scholarship Program Ceremony

Jim Compton received the Benefactor award for donating over \$250,000 to Falcons Landing. Glenn Carus achieved the Patron level with over \$100,000 in donations.

We recognized the Chapel Committee with the Diamond award for donations of \$75,000 and appreciate their wonderful generosity through the years. Bill and Jean Hilsman achieved the Diamond award level for donating over \$75,000 to Falcons Landing.

Achieving the Platinum Level for \$50K in donations are: H.T and Anne Johnson and Paul Wieland. Achieving the Gold Level this year for \$25K in donations is Sibyl Geiger.

In closing, it should be noted that Falcons Landing's Founders donated their time and talents to plan and create the wonderful community we all enjoy today. The very generous benevolent donations from our residents continue to enrich the quality of life and comfort for all residents and also provide support to many deserving citizens of Loudoun County.

~ *Falcons Flight Awards* ~

Founders Level \$1M



Leland Mahan, Barb Brannon, Bill Timme

Benefactor Level \$250K



Barb Brannon, Jim Compton, Bill Timme

Patron Level \$100K



Barb Brannon, Glenn Carus, Bill Timme

Diamond Level \$75K - Chapel Committee



Barb Brannon, Bob Manning, Bill Timme

~ *Falcons Flight* Awards ~

Platinum Level \$50K



Bill Timme, Paul Wieland, Barb Brannon

Gold Level \$25K



Barb Brannon, Sibyl Geiger, Bill Timme

Other recipients not pictured:

Robert Barr - Grand Benefactor Level \$500K

Bill and Jean Hilsman - Diamond Level \$75K

H.T. and Ann Johnson - Platinum Level \$50K



~ Finance & Audit ~

Kevin Green



We had a successful financial year in 2018 despite a great deal of disruption due to the wildly fluctuating stock market and the impact of our construction projects. We received \$6M in entrance fees, despite taking out nine potential external move-ins

to relocate residents of the cottages that will be demolished for the upcoming Terrace Home and Memory House project. Health Center and Independent Living revenue were both higher than 2017 even with residences taken out of inventory for the renovation project. And, for the first time in 12 years, operating expenses actually decreased from the previous year.

The Change in Net Assets reflects our overall financial performance for the year. In 2018, we had an increase in Net Assets of \$1.1M, down from the \$3.1M increase in 2017. The most significant factor in the Change in Net Assets is our Operating Net Income which compares operating revenues with operating expenses. In 2018, our Operating Net Income was \$4.2M, the highest of any year in Falcons Landing's history. Our Change in Net Assets was negatively impacted by a \$3.3M unrealized loss on our investments and we hope to see that reverse in 2019.

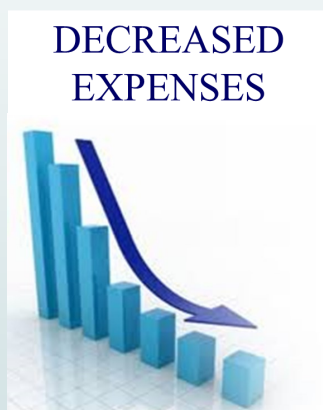
On the Revenue side, we received \$6M in cash entrance fees. The entrance fees were impacted by nine internal moves to relocate residents from cottages scheduled for demolition. If those internal moves had been external moves bringing new residents, we would have had over \$10M in cash entrance fees.



Monthly Service fee revenue of \$16.8M was a 2.2% increase over 2017. Independent living occupancy of 93.6% was slightly higher than 2017, despite the cottages that were vacant, pending demolition for the new construction.

Health Center fee revenue was \$9M which is 9.3% higher than 2017, despite 12 assisted living suites taken out of the inventory for renovations.

2018 Interest and Dividend Revenue was \$1.6M, \$400K more than 2017. The \$1.6M total included \$1.2M in end-of-year dividends and capital gains.



Benevolence Donations of \$327K were down from 2017. However, in 2019 we received a \$1M donation from a resident's estate, so 2019 will mark the largest amount of benevolent donations by far in Falcons Landing's history.

Operating expenses of \$24.1M represent a 1% decrease from 2017. The only other year we have had a decrease in operating expenses from the previous year was 2006, when we received a real and personal property tax exemption from Loudoun County that saved over \$600K. This year the largest decrease in operating expenses was for employee health insurance, as we moved from a self-insured plan to a fully-insured plan.

Interest expense increased slightly, from \$749K to \$760K, due to our bank loan interest rate which increased from 2.05% to 2.49%, due to the 2018 change in the tax law.

Our Cash Reserves decreased from \$25.8M in 2017 to \$23.5M in 2018. We had a large unrealized loss on our investments and renovations to the Johnson Center and Woodburn Café renovations also began, both of which are being funded from cash reserves.

In summary, 2018 was a strong financial year for Falcons Landing, despite our construction projects impact on occupancy and a turbulent stock market. We are well-positioned financially to begin construction of the Terrace Homes and the Memory House early this fall.

We had a very favorable annual Financial Audit for 2018. We received an unqualified (highest) audit opinion with no management letter for the 12th year in a row.

2018 AUDIT RESULTS



Further details of the FY 2017 and 2018 Balance Sheet and the FY 2017 and 2018 Income Statements are on page 12 of this report.

FY 2017 and 2018 Balance Sheets (In \$000)

<i>Assets</i>	<u>2018</u>	<u>2017</u>	<u>Change</u>
Cash and Investments	\$23,206	\$25,794	(\$2,588)
Property and Equipment	56,854	55,961	\$894
Other Assets	3,040	1,946	\$1,093
Total Assets	\$83,100	\$83,701	(\$601)
<i>Liabilities and Net Assets</i>			
Long Term Debt	\$28,055	\$30,155	(\$2,100)
Deferred Entrance Fees	59,212	59,273	(\$61)
Other Liabilities	4,893	4,465	\$428
Net Assets /(Deficit)	(\$9,060)	(\$10,192)	\$1,132
<i>Total Liabilities & Net Assets</i>	\$83,100	\$83,701	(\$601)

FY 2017 and 2018 Income Statements (In \$000)

<i>Revenue</i>	<u>2018</u>	<u>2017</u>	<u>Change</u>
Earned Entrance Fees	\$6,018	\$5,572	\$445
Monthly Service Fees	16,754	16,401	\$353
Health Center Fees	9,010	8,240	\$770
Investments/Other	2,314	2,191	\$122
Total Revenue	\$34,095	\$32,405	\$1,690
<i>Expenses</i>			
Operating	24,124	24,320	(\$196)
Depreciation/Amortization	4,980	4,825	\$155
Interest Expense/Other	760	749	\$11
Total Expenses	\$29,864	\$29,894	(\$31)
<i>Operating Gain/Loss</i>	\$4,231	\$2,511	\$1,721
Real Invest Gain/Loss	\$126	\$0	\$126
Unreal Invest Gain/Loss	(\$3,353)	\$855	(\$4,207)
Other Gains/Losses	\$52	(\$330)	\$382
<i>Change in Net Assets</i>	\$1,057	\$3,035	(\$1,979)

Terrace Homes - Exterior Images



The Vista Room



Skyview Lounge



Annual Meeting Photos





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