

Part 5. Disclosure Statement.

§ 58-64A-145. Definitions.

The following definitions apply to this Part:

- (1) Adjusted net operating margin ratio. – A profitability ratio that measures the margin generated from the core operations of a provider and net cash proceeds from entrance fees. The quotient shall be calculated by dividing the sum of resident operating income and net proceeds from entrance fees by the sum of resident revenue and net cash proceeds from entrance fees.
- (2) Average daily cash operating expenses. – The total expenses of a provider incurred in the conduct of the provider's business over a defined period of time, divided by the number of days in that period. For purposes of this definition, "total expenses" includes interest expense, but excludes depreciation expense, amortization expense, realized or unrealized nonoperating losses or expenses, bad debt expense, and other noncash expenses.
- (3) Capital expenditures as a percentage of depreciation ratio. – A capital structure ratio that indicates the level of capital reinvestment by a provider. The quotient shall be computed by dividing total purchases of property, plant, and equipment by total depreciation expense.
- (4) Cushion ratio. – A liquidity ratio that measures a provider's ability to pay its annual debt service using its unrestricted cash and investments. The quotient shall be computed by dividing unrestricted cash and investments by annual debt service.
- (5) Days cash on hand ratio. – A liquidity ratio that measures the number of days of cash operating expenses a provider could cover using its existing unrestricted cash and investments. The quotient shall be computed by dividing unrestricted cash and investments by average daily cash operating expenses.
- (6) Multi-entity organization. – A collection of distinct legal entities that are under common control.
- (7) Net operating margin ratio. – A profitability ratio that measures the margin generated from the core operations of a provider. The quotient shall be calculated by dividing resident operating income by resident revenue.
- (8) Operating ratio. – A profitability ratio that measures whether current year cash operating revenues are sufficient to cover current year cash operating expenses without the inclusion of cash from entrance fee receipts. The quotient shall be computed by dividing total operating expenses, excluding depreciation expense and amortization expense, by total operating revenues, excluding amortization of entrance fees and other deferred revenue.
- (9) Resale fee. – A contractual assessment by the provider against the proceeds from the sale of an independent living unit.
- (10) Resident expense. – Total operating expenses excluding interest expense, depreciation expense, amortization expense, and income taxes.
- (11) Resident revenue. – Total operating revenue excluding interest and dividend income, entrance fee amortization, and contributions.
- (12) Unrestricted cash and investments. – The sum of the provider's unrestricted cash, cash equivalents and investments, and any provider restricted funds that are available to pay debt or to pay operating expenses. For purposes of this definition, the assets serving as the operating reserve required by G.S. 58-64A-245 shall be considered unrestricted.

- (13) Unrestricted cash and investments to long-term debt ratio. – A capital structure ratio that (i) measures a provider's position in available cash and marketable securities in relation to its long-term debt and (ii) measures a provider's ability to withstand annual fluctuations in cash. The quotient shall be calculated by dividing unrestricted cash and investments by total long-term debt, less the current portion of long-term debt. (2025-58, s. 2.)