

**DISCLOSURE STATEMENT
(Information Booklet)**

**THE CYPRESS
OF RALEIGH**

**8801 Cypress Lakes Drive
Raleigh, North Carolina 27615
(919) 870-9007**

May 29, 2024

THE CYPRESS OF RALEIGH MUST DELIVER A DISCLOSURE STATEMENT TO A PROSPECTIVE MEMBER PRIOR TO OR AT THE TIME A PROSPECTIVE MEMBER EXECUTES A MEMBERSHIP AGREEMENT TO PROVIDE CONTINUING CARE, OR PRIOR TO OR AT THE TIME A PROSPECTIVE MEMBER TRANSFERS ANY MONEY OR OTHER PROPERTY TO THE CYPRESS OF RALEIGH, WHICHEVER OCCURS FIRST.

THE CYPRESS OF RALEIGH, LIKE ALL OTHER CONTINUING CARE FACILITIES IN THE STATE OF NORTH CAROLINA, IS SUBJECT TO AN ARTICLE CONCERNING LICENSURE AND DISCLOSURE BY CONTINUING CARE FACILITIES (THE "ARTICLE"). LICENSURE UNDER THE ARTICLE DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT OF THE CYPRESS OF RALEIGH BY THE DEPARTMENT OF INSURANCE OR THE STATE OF NORTH CAROLINA, NOR DOES SUCH LICENSURE EVIDENCE THE ACCURACY OR COMPLETENESS OF THE INFORMATION IN THIS DISCLOSURE STATEMENT.

Unless earlier revised, The Cypress intends for this Disclosure Statement to remain effective for a period of one (1) year and one hundred fifty (150) days after the date hereof through October 26, 2025. The delivery of the Disclosure Statement to a contracting party before the execution of a contract for the provision of continuing care is required by Chapter 58, Article 64 of the North Carolina General Statutes. Note: This Disclosure Statement has not been reviewed or approved by any government agency or representative to ensure accuracy or completeness of the information set out.

TABLE OF CONTENTS

Introduction5

I. THE PEOPLE 6

OVERVIEW 6

THE CYPRESS OF RALEIGH, LLC 6

THE CYPRESS MANAGEMENT GROUP, LLC..... 7

THE CYPRESS OF RALEIGH CLUB, INC..... 8

THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC..... 9

LIFE CARE SERVICES LLC 10

EXECUTIVE DIRECTOR 12

ADMINISTRATOR..... 12

MEMBER COMMITTEES 13

ORGANIZATION CHART 13

II. THE CYPRESS..... 14

THE LOCATION 14

THE CAMPUS 14

THE PERSONNEL..... 15

THE SERVICES 15

DESCRIPTION OF THE SERVICES 16

DEVELOPMENT TIME FRAME 22

III. THE PROPOSAL..... 23

THE CONTINUING CARE CONCEPT 23

ACCEPTANCE FOR RESIDENCY 23

THE MEMBERSHIP AGREEMENT 28

LEASE 33

IV. REGULATORY MATTERS..... 34

CONTINUING CARE RETIREMENT COMMUNITY LICENSURE 34

CONDOMINIUM ACT 34

CONTROLLING LAW 34

HEALTH CENTER LICENSURE 35

MEDICARE AND MEDICAID 35

ESCROW ACCOUNT 35

RESERVE ACCOUNTS 35

TAX DEDUCTION 36

V. FINANCIAL 37

FINANCIAL 37

TABLE OF CONTENTS
(continued)

VI. EXHIBITS

- A. Organization Chart
- B. The Cypress of Raleigh Club, Inc. – Financial Report (December 31, 2023 and 2022)
- C. The Cypress of Raleigh Owners’ Association, Inc. – Financial Report (December 31, 2023 and 2022)
- D. The Cypress of Raleigh Club, Inc. and The Cypress of Raleigh Owners’ Association, Inc. – Financial Report (December 31, 2023 and 2022)
- E. Material Variance Statements -- Narratives Regarding Annual Disclosure Statement Revision Pursuant to North Carolina General Statutes Section 58-64-30(a) for The Cypress of Raleigh Club, Inc. and The Cypress of Raleigh Owners’ Association, Inc. (Combined) and for The Cypress of Raleigh, LLC
- F. The Cypress of Raleigh Club, Inc. and The Cypress of Raleigh Owners’ Association, Inc. – Interim Financial Statements for Three Months Ended March 2024 (Consolidated Balance Sheet)
- G. The Cypress of Raleigh Club, Inc. and The Cypress of Raleigh Owners’ Association, Inc. – Interim Financial Statements for Three Months Ended March 2024 (Consolidated Operating Statement)
- H. The Cypress of Raleigh Club, Inc. and The Cypress of Raleigh Owners’ Association, Inc. – Interim Financial Statements for Three Months Ended March 2024 (Consolidated Statement of Cash Flow)
- I. The Cypress of Raleigh Club, Inc. – Forecasted Financial Statements for the Years Ended December 31, 2024 through 2028
- J. The Cypress of Raleigh Owners’ Association, Inc. – Forecasted Financial Statements for the Years Ended December 31, 2024 through 2028
- K. The Cypress of Raleigh Club, Inc. and The Cypress of Raleigh Owners’ Association, Inc. – Combined Forecasted Financial Statements for the Years Ended December 31, 2024 through 2028
- L. The Cypress of Raleigh, LLC – Audited Financial Statements for the Years Ended December 31, 2023 and 2022

- M. The Cypress of Raleigh, LLC – Forecasted Financial Statements for the Years Ended December 31, 2024 through 2028
- N. The Cypress of Raleigh, LLC – Interim Financial Statements for Three Months Ended March 2024
- O. Communities Planned, Developed and/or Managed by Life Care Services, LLC
- P. The Rosewood Health Center Room Rates (2024)
- Q. Average Rate Increases in The Rosewood Health Center Room Rates (from 2018)
- R. Annual Monthly Fee Increase Per Unit Type (from 2019)
- S. Membership Agreement
- T. Reserved
- U. Resale Purchase and Sale Agreement
- V. Agency Disclosure
- W. Health Care Licenses
- X. Charges for Additional Services Available to Members

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INTRODUCTION

The Cypress of Raleigh (“The Cypress”) brings, to those who are sixty-two (62) years of age and older, a style of retirement living known as “continuing care”. This concept offers active retirees a lifestyle which is designed to meet their unique needs while allowing them the freedom to pursue their personal interests. Continuing care communities such as The Cypress encompass these important components: a privately owned condominium Cottage or Villa, a wide array of personal services, and the security of an on-site licensed health care center (the “Health Center” or “The Rosewood”). The services provided to Members encompass meal preparation (personalized for the medical and nutritional needs of the Member), personal safety, socialization, transportation, and monitoring of other activities of daily living, and are part of a coordinated system of care and resources to address both medical and non-medical drivers of health outcomes associated with growing older.

One of the purposes of this Disclosure Statement (Information Booklet) is to explain to prospective Villa and Cottage purchasers and/or Members of The Cypress (sometimes referred to in this Disclosure Statement interchangeably as “Members”), their families, and their advisors who and what is involved in the operation of The Cypress. This Disclosure Statement was prepared on the basis of information available and assumptions which were believed to be realistic as of the publication date. Such information and assumptions are, of course, subject to change and, in particular, could be affected by changes in local and global market conditions, including changes in inflation and interest rates. Because of the possibility of future changes, modifications in the operation of The Cypress may be necessary.

If after reviewing the information contained in this Disclosure Statement a prospective Member would like additional information or would like to make inquiries regarding facilities or services, the marketing office should be contacted. A prospective Member or prospective Member's legal representative with a general power of attorney also has a right to ask for and receive information regarding reserve funding, experience of persons who will make investment decisions, a current actuarial study, if available, and information regarding persons having a five percent (5%) or greater ownership interest in The Cypress.

Because no technical language has been used in this Disclosure Statement, there may be differences between the text of this booklet and the language of the specific Purchase and Sale Agreement and Membership Agreement signed by a Member. If there are any such differences, the terms of the executed Purchase and Sale Agreement and Membership Agreement will govern.

We are pledged to the letter and spirit of U.S. policy for the achievement of equal housing opportunity throughout the Nation. We encourage and support an affirmative advertising and marketing program in which there are no barriers to obtaining housing because of race, color, religion, sex, familial status, disability or national origin, or any other specific classes protected by applicable law. The Cypress will endeavor to provide any reasonable accommodation and/or reasonable modification based upon disability-related need, provided that the person requesting such reasonable accommodation and/or reasonable modification may be responsible for the related expense.

I. THE PEOPLE

OVERVIEW

The Cypress is made up of several distinct legal entities, each with its own powers and responsibilities. The Cypress Management Group, LLC, has a controlling interest in The Cypress of Raleigh, LLC. The Cypress of Raleigh, LLC is the entity that planned, designed, and built The Cypress. The Cypress of Raleigh, LLC currently has no new inventory of homes for sale. However, in its ordinary course of business, The Cypress of Raleigh, LLC often acts as the listing agent for resales of Villa and Cottage residences, in which event it represents the interests of the seller. The Cypress of Raleigh Club, Inc. ("The Club") and The Cypress of Raleigh Owners' Association, Inc. (the "Association") are two distinct North Carolina non-profit corporations which have no affiliation with any religious, charitable or other non-profit organizations. The Cypress of Raleigh, LLC and The Club will enter into a Membership Agreement with each of The Cypress' prospective Members. Because The Cypress offers condominium ownership of a Cottage or Villa, the Association was formed to comply with North Carolina law regarding the ownership of commonly held property. In the event of a conflict among the CCRC Act and the North Carolina Condominium Act, a Member, by signing the Membership Agreement, evidences the Member's acknowledgement and agreement that the CCRC Act shall control, including specifically North Carolina General Statutes § 58-64-85(b). The Club, a 501(c)(4) non-profit entity, was organized to manage the various membership functions of The Cypress that are included in each Member's Membership Agreement, in accordance with The Club's obligations under the Management Agreement dated August 1, 2008 by and between The Cypress of Raleigh LLC and The Club. The financial and contractual obligations of the facility are the responsibility of The Cypress of Raleigh, LLC and The Club. The Cypress of Raleigh, LLC, The Club, and the Association are licensed by the North Carolina Department of Insurance to offer and provide continuing care at The Cypress.

THE CYPRESS OF RALEIGH, LLC

The Cypress of Raleigh, LLC (the "Company") is a North Carolina limited liability company formed for the purpose of developing and managing a continuing care retirement community. Its current principal business address is 7101 Creedmoor Road, Suite 142, Raleigh, North Carolina 27613. The Company has developed luxury condominium single-family Cottages and Villas for sale to individuals ages sixty-two (62) years and older who are capable of independent living, with or without reasonable accommodation or modification. In addition to developing luxury condominium Cottages and Villas, the Company has also developed all common areas of the retirement community, including the Clubhouse and Health Center. For its efforts in developing and managing the ongoing operations of the continuing care retirement community, the Company receives from The Club and the Association a payment equal to a percentage of actual costs of operating The Cypress. In addition, the Company is entitled to assess and collect from new Members a Membership Fee for services incidental to membership in The Club, which services are provided for in each new Member's Membership Agreement. As discussed in more detail on page 28, a Member's membership interest in The Club is separate and distinct from such Member's real estate interest in a Villa or Cottage.

Upon request, The Cypress shall make available the names and business addresses of the Company's members. The Company's sole Managing member is The Cypress Management Group, LLC, a North Carolina limited liability company. The Cypress Management Group, LLC is the only member of the Company that owns a five percent (5%) or greater equity or beneficial interest in the Company.

The Company has overall management responsibility for The Club. In its role as management agent, its primary duties shall include but not be limited to the review and approval of capital expenditures and operating budgets, and the monitoring of The Cypress' financial condition. Operational policies for The Cypress and criteria for membership admissions are subject to approval and periodic review. As the management agent, the Company also adopts and approves personnel policies for The Cypress' employees, annually reviews the insurance coverages on The Cypress' property and personnel, contracts for and supervises the provision of legal and accounting services for The Cypress, and actively monitors compliance with the budget and the performance of The Cypress and its management. These activities are carried out by means of reports, studies, regular meetings and frequent on-site inspections.

Operational management of The Cypress of Raleigh community (the "Community") is being performed by Life Care Services LLC ("Life Care Services") pursuant to a management contract with The Club. Life Care Services' responsibilities include: recruiting, employing, and training administrative personnel; supervising the licensing, equipping, and staffing of the Community; preparing annual budgets; establishing and operating a system of financial controls for the Community, including comparative analyses with other facilities; supervising the delivery of health care services which meet the guidelines of the Federal Medicare (Title XVIII) program; and overseeing the food service and quality accommodations provided by the Community. Life Care Services is not financially responsible for the contractual obligations or other obligations of The Club. The Company, in its capacity as manager of The Club, retains the ultimate responsibility for hiring managers and monitoring the operating costs, wages, salaries, expenses, fees, and overall fiscal viability of the Community. Life Care Services' business information and extensive experience in managing continuing care retirement communities is discussed in detail in pages 10 through 12 of this Disclosure Statement.

THE CYPRESS MANAGEMENT GROUP, LLC

The Cypress Management Group, LLC is a North Carolina limited liability company formed on May 24, 2005. As stated above, The Cypress Management Group, LLC is the only member of the Company that owns a controlling interest in the Company, and it is the sole manager of the Company. The sole member-managers of The Cypress Management Group, LLC are Michael G. Sandman, Craig C. Huggins and Mark T. Andrews. The Cypress Management Group, LLC's address is 7101 Creedmoor Road, Suite 142, Raleigh, North Carolina 27613.

Michael G. Sandman obtained a Bachelor of Science degree in finance from The American University in 1982, and a Juris Doctor degree from the University of North Carolina at Chapel Hill in 1985. Mr. Sandman has practiced residential and commercial real estate law and business law in Raleigh, North Carolina since 1986. Since 1991, Mr. Sandman has been a principal in more

than thirty (30) real estate ventures of various product types, including, residential subdivisions, residential and office condominiums, senior living, office, retail, multi-family housing, warehouses, and hotels. In addition to his business activities, Mr. Sandman is active in the Raleigh community. His community service has included board, committee and volunteer work for Temple Beth Or, Ravenscroft School, The New Bern Avenue Corridor Alliance, Together Raleigh, The North Carolina Museum of Art and Triangle Family Services. Mr. Sandman's office is located at 7101 Creedmoor Road, Suite 142, Raleigh, North Carolina 27613.

Mark T. Andrews hails from a real estate family in Western Pennsylvania. After receiving an engineering degree from Penn State University in 1984, Mark relocated to Raleigh-Durham and founded a commercial real estate firm called Property Resources. Over nine years, he grew Property Resources to 85 employees handling over 50 properties and 6,000,000 square feet of space. Property types included office, warehouse and retail spread across Raleigh-Durham, Greensboro and Richmond, Virginia. In 1996, Mr. Andrews sold Property Resources to CB Richard Ellis, the largest commercial real estate firm in the world, and served as Managing Officer for North and South Carolina for three years before transitioning out. In 1996, Mr. Andrews founded another company, now named TME Investments, focused on real estate acquisitions and development in the Raleigh-Durham area. TME has completed over 30 projects with an asset value of over \$400,000,000 including office, flex, warehouse and multifamily properties. Some notable projects include: The Paramount, a 10 story 81-unit condominium project in Downtown Raleigh; The Cypress of Raleigh, a 44-acre continuing care retirement community; and the Aloft Raleigh Hotel, a landmark property across the street from the historic NC State Bell Tower. Mark is a regular guest lecturer for MBA students at the Kenan Flagler Business School at The University of North Carolina. For more information about TME Investments and to view selected projects, please visit www.tmeinvestments.com. Mr. Andrews' office is located at 8521 Six Forks Road, Suite 106, Raleigh, North Carolina 27615.

Craig C. Huggins is a native of North Carolina and obtained a Bachelor of Science degree in Business Administration from the University of North Carolina at Chapel Hill in 1981. Mr. Huggins began his business career in Charlotte with Bank of America's Commercial Real Estate Lending Group and then joined Dickinson, Logan, Todd and Barber, a Raleigh based commercial mortgage banking firm, in 1984. Mr. Huggins formed Chandler Financial, Inc. in 1989 and began acquiring and developing residential and commercial properties in partnership with Michael Sandman. During the past 43 years, Mr. Huggins has developed, acquired, financed or handled the sale of a wide range of investment properties including residential condominiums, single family neighborhoods, apartments, office buildings, hotels, retail centers, warehouses, nursing homes and continuing care retirement communities. As a resident of Raleigh since 1982, Mr. Huggins has been active in the community through White Memorial Presbyterian Church, Step Up Ministry, the Boy Scouts of America, the Salvation Army and Wake County's Best Friends program. Mr. Huggins' office address is 7101 Creedmoor Road, Suite 135, Raleigh, North Carolina 27613.

THE CYPRESS OF RALEIGH CLUB, INC.

The Cypress of Raleigh Club, Inc. (the "Club") is a North Carolina non-profit corporation. Its principal business address is 8801 Cypress Lakes Drive, Raleigh, North Carolina 27615. The

Club was formed to serve as the management entity to carry out the purposes of The Cypress Membership Agreement, as described in this Disclosure Statement. The Club manages the commonly owned property of The Cypress, including the Clubhouse and Health Center, as well as the services provided at the Clubhouse and Health Center. All monthly payments made by Members, all other operating receipts, and all disbursements flow through The Club. As discussed above, The Club has contracted with Life Care Services to provide the day-to-day operational management services for the Community, with the Company and The Club's Board of Directors retaining the ultimate responsibility for hiring managers and monitoring the operating costs, wages, salaries, expenses, fees, and overall fiscal viability of the Community. Life Care Services' extensive experience in managing continuing care retirement communities is discussed in detail on pages 10 through 12.

The Club is recognized as a 501(c)(4) tax-exempt entity by the Internal Revenue Service. No member or entity has a ten percent (10%) or greater ownership interest in The Club. As of the date of this Disclosure Statement, the following individuals comprise The Club's board of directors: (1) Michael G. Sandman (address listed above); (2) Joe Steven Cline, whose address is 2210 Fairview Road, Raleigh, North Carolina 27608; (3) Dave Gospodarek, whose address is 1440 Hatherleigh Court, Raleigh, North Carolina 27612; (4) John R. Mitterling, whose office address is 909 Aviation Parkway, Suite 1500, Morrisville, North Carolina 27560; and (5) Mark T. Andrews (address listed above). The Club's officers are Mark T. Andrews (President), Michael G. Sandman (Vice President), and Tom Ford (Secretary/Treasurer). Mr. Ford's office address is 8801 Cypress Lakes Drive, Raleigh, North Carolina 27615.

As set forth in the Membership Agreement and the Declaration of Condominium for the Cypress of Raleigh Condominium recorded in Book 13240, Page 738, Wake County Registry (the "Declaration"), The Club shall pay the Company an overhead payment equivalent to ten percent (10%) of total operating costs, including those of the Association, as compensation for services provided by the Company, which services are described in part on pages 6 and 7 of this Disclosure Statement. The overhead payment and the services that the Company provides are described in detail in the Membership Agreement and the Declaration, as well as in the Management Agreement dated August 1, 2008 by and between The Cypress of Raleigh LLC and The Cypress of Raleigh Club, Inc.

THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.

The Cypress of Raleigh Owners' Association, Inc. was incorporated on July 1, 2005. Its principal business address is 8801 Cypress Lakes Drive, Raleigh, North Carolina 27615. Each Cottage or Villa owner at The Cypress will be a member of the Association as long as ownership of the Cottage or Villa is retained.

There shall be one membership in the Association for each Cottage or Villa owned. If Cottage or Villa ownership is vested in more than one person, then all owners of the Cottage or Villa will designate one of the co-owners to act as a member of the Association. Voting rights in the Association shall be as prescribed in the Declaration and Bylaws of the Association. An owner's membership in the Association will automatically terminate when ownership of the Cottage or Villa ceases. Members who transfer their units and move into the Health Center retain

their membership interest in The Club, and they shall pay monthly fees at the then applicable member rates.

The owners of Villas and Cottages will own the common property of The Cypress, including the Clubhouse and Health Center, and the Association will serve as the governing body for all issues related to the real estate aspects of the Cottages, Villas and common properties. All activities undertaken by the Association shall be for the sole benefit of the Cottage and Villa owners, and all funds received by the Association shall be used for the benefit of all Cottage and Villa owners. The Club shall serve as the managing agent for the Association. In that capacity, the Association has delegated to The Club the responsibility for the maintenance, repair, replacement, administration, and operation of The Cypress' property. Life Care Services carries out the day-to-day performance of these services for the Community pursuant to its contract with The Club. Life Care Services' extensive experience in managing continuing care retirement communities is discussed in detail on pages 10 through 12 of this Disclosure Statement.

The Association acts through its Board of Directors, which is elected by the Cottage and Villa owners at a regular annual meeting in accordance with the Bylaws of the Association. No member or entity has a ten percent (10%) or greater interest in the Association. As of the date of this Disclosure Statement, the following individuals comprise the Association's board of directors: (1) Mark T. Andrews (address listed above); (2) Jack Hogge, whose address is 8601 Cypress Lakes Drive, Unit 208, Raleigh, North Carolina 27615; and (3) Ray Reisert, whose address is 8601 Cypress Lakes Drive, Unit 404, Raleigh, North Carolina 27615. The Association's officers are Mark T. Andrews (President), Ray Reisert (Vice President), and Tom Ford (Secretary/Treasurer) (address listed above).

LIFE CARE SERVICES LLC

As stated above, The Club has retained Life Care Services LLC ("Life Care Services" or "LCS") to manage the Community. As the nation's third largest operator of senior living communities, Life Care Services serves more than 40,000 seniors in over 140 communities (see Exhibit O). With over 50 years of service, Life Care Services has developed expertise in nearly every facet of senior living management. For more information, visit Life Care Services' website: <https://www.lcsnet.com/management-services/management-services-overview>.

Principal officers of LCS include Mr. Joel Nelson, Mr. Chis Bird, Ms. Diane Bridgewater, Mr. Jason Victor, and Ms. Jill Sorenson.

Joel Nelson: As chief executive officer of LCS, Joel Nelson is responsible for executing the business strategy across all business lines in the LCS Family of Companies. Mr. Nelson provides leadership and direction for business growth, service excellence, and enhancing the company's stability and value among financial partners, property owners, and other stakeholders in the senior living field. Mr. Nelson joined LCS in 1986 and has held several executive roles during his long tenured career with LCS. Today, he is responsible for the oversight of serving nearly 40,000+ seniors and 27,000 employees.

Mr. Nelson serves as Chairman of the Board of Directors of LCS Holding Company, LLC, is a member of the compensation committee and is a trustee of the Company's 401(k) benefits program. Outside LCS, Mr. Nelson serves on various industry and community boards. Within the industry, Mr. Nelson is the current chairman of the Argentum Board of Directors, and a member of the National Investment Center operator advisory board and an executive member of the American Senior Housing Association. Mr. Nelson is active in the Des Moines community and serves as chair of the ChildServe Board of Trustees. As a past board member, he remains active with the Alzheimer's Association and the Central Iowa United Way Board of Directors.

Chris Bird: Capitalizing on his reputation as a change agent, Chris Bird brings his expertise to the communities LCS serves. By leading operations, building community occupancy, fostering capital partner relationships, and developing new business, Mr. Bird implements strategies to deliver on the expectations of owners and shareholders. As president and chief operating officer, Mr. Bird oversees Life Care Services, CPS, Legal, IT and onboarding operations. His ability to analyze issues, devise continuous process improvements, and incorporate business process initiatives drives performance improvement for LCS's overall operation.

At LCS, Mr. Bird mentors future leaders by providing guidance, expertise and resources to develop professional skills in the senior living industry. In addition, he is a member of the Board of Directors of LCS Holding Company, LLC. Mr. Bird is a member of the Argentum Advisory Council and the Argentum Chief Operating Officer Roundtable. He holds a bachelor's degree in history from the University of Memphis, Tennessee.

Diane Bridgewater: As a high energy, results-driven executive, Diane Bridgewater leads LCS Strategy, including oversight of strategic imperatives across the company resulting in strong financial performance and growth. In 2024 Ms. Bridgewater will begin transitioning chief financial and administrative responsibilities, including all financial and business operations, the company's insurance business line, information technology, compliance, regulatory, and legal matters, through a thoughtful succession plan.

At LCS, Ms. Bridgewater serves on the Board of Directors of LCS Holding Company, LLC and its related audit committee, compensation committee, investment committee, and retirement fiduciary committee.

Outside the organization, she is a member of Argentum. Ms. Bridgewater is a member of the board and chair of the audit committee at Guide One Insurance and recently completed her term on the board of Casey's having chaired the audit and nominating and governance committees. Ms. Bridgewater has been recognized as a Des Moines Business Record's Women of Influence, Deloitte CFO of the Year, and named to the Women Inc. magazine's 2023 Most Influential Corporate Board of Directors. She holds bachelor's degrees in accounting and French from the University of Northern Iowa.

Jason Victor: Jason Victor is senior vice president, treasurer and corporate finance officer for LCS. In this role, he provides oversight and direction for the organization's financial matters, ensuring its consistent and efficient fiscal performance. Mr. Victor has responsibility for the organization's corporate accounting, corporate payroll, community payroll, treasury and tax departments. He oversees all aspects of general accounting, cash management, billing and

receivables, accounts payable, payroll, consolidations, and financial reporting. In addition, he serves as a member of the LCS Audit Committee and provides leadership for LCS Risk Management, including the LCS Advantage insurance program and Hexagon, a captive insurance company.

Jill Sorenson: Leaning on her expertise to foster and maintain meaningful relationships, Jill Sorenson leads the regional team serving a portfolio of 36 Life Plan communities. Following her passion for serving seniors, Ms. Sorenson's responsibilities have grown during her career at LCS. From roles in accounting, information technology, and corporate resource development to receiving her nursing home administrator license, Ms. Sorenson is committed to serving others. Prior to her current position, Ms. Sorenson has a proven track record in successfully delivering on occupancy goals and achieving 4- and 5- star ratings from the Centers for Medicare and Medicaid Services.

To ensure Life Care Services is serving the customer first and foremost, Ms. Sorenson initiated client satisfaction surveys with client boards and owners to build stronger and more strategic relationships. Outside LCS, Ms. Sorenson has served on the San Diego Region for Aging Services of California and the Aging Services of California Board. She is a frequent presenter at national and state industry conferences on topics affecting the senior living industry and was selected for the Hall of Honor for McKnight's Women of Distinction program in 2023. Ms. Sorenson holds a bachelor's in business administration from Simpson College and an MBA from the University of Phoenix.

EXECUTIVE DIRECTOR

Tom Ford joined The Cypress as its Executive Director in December of 2022. Mr. Ford has worked in the Raleigh area for over thirty years and has extensive experience in the senior living industry. He is a licensed Nursing Home and Assisted Living Administrator. Prior to joining The Cypress, Mr. Ford most recently served as the Executive Director of The Cardinal at North Hills for approximately six years. He holds a bachelor's degree in business administration with an emphasis in health care management from Appalachian State University and a masters of public administration degree from North Carolina State University.

ADMINISTRATOR

Wyatt Pramann joined The Cypress of Raleigh in the fall of 2022 when he was promoted to the position of Administrator for The Rosewood Health Center by Life Care Services (LCS) after having served as an Assistant Administrator at The Cedars of Chapel Hill. Wyatt's passion for senior living was developed after serving as a volunteer in an assisted living community. This experience led him to become a licensed Medicine Tech in a Memory Care facility and to obtain a BS in Health Care Administration from the University of Wisconsin – Eau Claire. Upon graduation, Wyatt was selected to participate in Life Care Services' Professional Development Program, which ultimately brought him to The Cypress of Raleigh.

No officer or director of The Company, The Club, or the Association has been convicted of a felony or pleaded nolo contendere to a felony charge or been held liable or enjoined in a civil

action by final judgment for a felony or civil action involving fraud, embezzlement, fraudulent conversion or misappropriation of property; or is subject to a currently effective injunction or restrictive court order or within the past five years had any State or Federal license or permit suspended or revoked as a result of action brought by a governmental agency or department, arising out of the business of health care, including actions affecting a license to operate a foster care facility, nursing home, retirement home, home for aged, or facility subject to Section 58-64 of the North Carolina General Statutes, or similar law in another state.

MEMBER COMMITTEES

The Club has established Member Advisory Committees. The six (6) Member committees are finance, buildings and grounds, food and beverage, health and safety, library, and social and activities. Regularly scheduled meetings are held to enable the Members to ask questions and to permit the Cypress' administration to communicate with the Members for the purpose of free discussion of subjects as they apply to The Cypress, as well as proposed changes in policies, programs and services, or other issues for the good of The Cypress.

ORGANIZATION CHART

See Exhibit A attached hereto and incorporated herein by reference.

II. THE CYPRESS

THE LOCATION

The Cypress campus is located on approximately forty-four (44) acres of land bounded by Strickland Road on the north, Lead Mine Road on the west, Forum Drive on the south, and Harvest Oaks Drive on the east in Raleigh, North Carolina. It is surrounded by quiet, residential neighborhoods, but conveniently located to Raleigh's most prestigious commercial areas for shopping, dining and professional services. Rex Hospital, Wake Med North Healthplex and Duke Raleigh Hospital also are located nearby.

THE CAMPUS

The Cypress is a condominium continuing care retirement community designed to provide customized homes and services to accommodate persons sixty-two (62) years of age or older in a dignified setting and style. Phase I and Phase II (as described in the Declaration) opened in Fall 2008 and include thirty-four (34) free-standing Cottages with garages and one hundred sixty-eight (168) one (1) and two (2) bedroom single-story Villas located in three (3) mid-rise buildings (Buildings A, B and C). Phase III, which was completed in the fall of 2020, includes three (3) additional Cottages and two mid-rise buildings (Buildings D and E), which each contain fifty-seven (57) Villa homes. There are numerous different Villa floor plans for the following types of units: one bedroom, two-bedroom, corner two bedroom, and corner two bedroom with den. There are also four (4) different standard Cottage plans. All Villas and Cottages are furnished with washers and dryers, and fully equipped kitchens. The units also contain many safety features, including grab rails in the bathtub, an urgent call system monitored twenty-four (24) hours a day, and smoke alarms.

The Cypress condominium includes a Clubhouse of approximately 42,709 square feet and a sixty-one (61) bed Health Center. The Clubhouse serves as the hub for Community activities. The Clubhouse also includes formal and informal dining rooms, crafts and activities rooms, game room, private dining room, beauty and barber shop, exercise room, hobby shop, reading room, indoor lounges and an indoor exercise pool and spa. The Rosewood Health Center has a unit specializing in memory care programming for individuals with cognitive disorders. The Rosewood has private and semiprivate rooms, a physical therapy room, an arts and crafts therapy area, a dining room, and lounges. For Members who are able to do so, the Rosewood emphasizes restorative care and wellness for purposes of returning these Members to their Cottages or Villas.

The Cypress of Raleigh, LLC has sold all of the Villas and Cottages in Phases I, II and III. Accordingly, all sales of Cottages and Villas going forward will be resales pursuant to the terms of a Resale Purchase and Sale Agreement substantially in the form attached hereto as Exhibit U (referred to herein as a "Purchase and Sale Agreement"). The Cypress of Raleigh, LLC does not currently have plans to construct additional Villas or Cottages, but it reserves the right (but not the

obligation) to develop an additional phase of the Condominium consisting of up to one hundred eleven (111) units.

As of May 20, 2024, The Cypress of Raleigh had 504 Members.

THE PERSONNEL

As approved by The Club, Life Care Services employs an executive director and health care administrator for The Cypress. The Club or the Company employs all other personnel, although some services, such as landscape maintenance, may be out-sourced. A medical doctor, an occupational therapist, a physical therapist, and a speech and hearing therapist are available for consultation.

THE SERVICES

The decision to move into a continuing care retirement community demands careful consideration of many factors, including the services to be provided. A detailed description of the services to be provided by The Club is found below. A Member typically will purchase a fee simple interest in a Cottage or Villa for the Member's lifetime use. At the same time, the Member will sign a non-transferable Membership Agreement to obtain a membership interest in The Club, which, for a monthly payment, will entitle the Member to access the following services: (1) Club activities; (2) urgent call system; (3) a food service allowance; (4) availability of a private dining room; (5) weekly flat laundry; (6) weekly housekeeping; (7) scheduled maintenance of the Cottages, Villas, and common areas; (8) grounds care and gardening; (9) certain utilities; (10) scheduled transportation; (11) campus security; (12) mail delivery; (13) Health Center services; (14) Health Center activities; (15) Member committees; (16) monthly billing services; and (17) uncovered surface parking for Members and guests. The services provided pursuant to the Membership Agreement are part of a coordinated system of care to address both medical and non-medical drivers of health outcomes. As discussed in more detail on pages 28 and 29, the fee simple interest in a Cottage or Villa is separate and distinct from the membership interest the Member obtains in The Club.

Health Center services will be available to all Members of The Cypress, as stated in the Membership Agreement, and a Member may be admitted directly to the Health Center from his/her Cottage or Villa with proper physician's orders. Members who are able to do so will be encouraged to return to their Cottages or Villas as soon as possible. Members who are, however, unable to return to their Cottages or Villas, have the benefit of access to permanent care in the Health Center.

In furtherance of its efforts to meet the ongoing needs of its Members as they change over time, The Cypress of Raleigh has established a Level of Care Transitional Policy in accordance with the terms of the Membership Agreement. The Policy's goals include the following: (i) to uniformly enforce the terms of the Membership Agreement regarding a Member's ability to live independently in his or her Cottage or Villa in a safe and practical manner; (ii) to maximize the Members' independent functioning, allowing them to remain in their Cottages or Villas as long as possible; (iii) to provide options for Members who prefer to live independently in their Cottages

or Villas but need additional assistance with everyday tasks and/or require additional services to ensure their safety; and (iv) to determine the appropriate time to transition a Member to a higher level of care utilizing a standardized Level of Care Assessment, coupled with collaboration between the Member, his or her family and attending physician, and The Cypress of Raleigh's Medical Director and health care team.

Those Members who do not require care in the Health Center, but who need additional personal services to continue living in their Cottages or Villas, will be eligible for the assistance-in-living and/or home care program. Assistance-in-living and home care services will be provided by nursing staff and other staff members. Services such as bathing, dressing, shopping, personal laundry, additional housekeeping, in home care and special transportation will be available to the Members, on a fee for service basis. The Club received its own Home Care Agency License on August 25, 2009 (See Exhibit W). With this License, The Cypress of Raleigh Home Care agency is able to provide a broad range of home health care services to Members in their Cottages and Villas.

DESCRIPTION OF THE SERVICES

The services which are available to Members are listed and described in detail in the Membership Agreement. To explain the services further, the following descriptions have been prepared. The procedures to be followed in furnishing these services may be modified by the Company in order to best meet the needs of the Members. Members will be advised of any changes in these services through Member Committees and written and verbal communications. While the services are outlined herein separately, they are part and parcel of a coordinated system of care to address both medical and non-medical drivers of health outcomes.

SERVICES COVERED UNDER THE MONTHLY PAYMENT

The monthly payment made pursuant to a Member's Membership Agreement entitles the Member to the following services:

CLUB ACTIVITIES

A full-time Director of Community Life Services is employed by The Club who plans and organizes a variety of events tailored to the special interests of the Members. These programs are focused on wellness to meet the intellectual, physical, emotional, social and spiritual needs of the Members. Activities include cultural excursions, multiple lecture series, dance and art classes, card games, craft activities, tournaments, and shopping. Two full-time Wellness Coordinators are employed who plan and organize fitness and wellness programs such as Tai-Chi, yoga, aquatic, aerobic and strength and balance classes.

URGENT CALL SYSTEM

All Cottages and Villas have a two-way urgent call system. The purpose of this system is to summon help in an emergency. The urgent call system is connected to an indicator panel in the Health Center, which identifies the Cottage or Villa from which the signal was initiated. Licensed

nursing personnel with emergency training will respond to calls from the urgent call system and will summon any other appropriate emergency personnel that may be required.

MONTHLY FOOD SERVICE ALLOWANCE

Healthy eating and nutrition are central to a Member's well-being and are interrelated with health, personal safety, socialization, transportation and monitoring other activities of daily living that may not be apparent absent daily use of Cypress dining in the presence of trained staff. The excellence of The Cypress of Raleigh's dining program supports the coordinated system of care provided by The Club to address both medical and non-medical drivers of health outcomes.

As part of residency at The Cypress of Raleigh, Members receive meal services as described in this section. To assist in tracking meal usage and monitoring the health of Members, Members receive quarterly meal points, which may be used for food and beverage selections from a varied menu of favorites, seasonal and daily specials, giving the Members optimal choice and flexibility for their dining experience. A Member's meal points are designed to be allocated in the Member's discretion over the course of each calendar quarter and typically are sufficient for one meal per day. With four distinct dining venues, the Members can choose to use meal points on dining experiences in the formal or main dining venues or on quick grab-and-go menu items from the buffet-style bistro and bar menus. Home delivery and take-out meals are also available. A registered dietician is available for consultation. Charges for guest meals will be published by The Club and subject to change without prior notice based on variable food and labor costs. A Member's meal point allowance is not equivalent to dollars, cannot be exchanged for dollars, and does not reflect the actual cost of food and labor utilized for the delivery of food service as part of a Member's residency at The Cypress of Raleigh. Unused meal points will not carry over to the next calendar quarter. Additional meal points cannot be purchased. Any additional meals that may be requested by a Member in excess of their monthly meal points will be charged on a per-item basis to the Member at a dollar amount determined by The Cypress of Raleigh. To the extent required by law, appropriate sales and use taxes will be charged to Members and collected on sales of alcohol and guest meals.

PRIVATE DINING ROOM

A private dining room is available for use by Members and their guests for special family or social occasions. Catered events and wait staff may be available, upon request, for an additional charge. Advance reservations with the Director of Food & Beverage or Dining Room Manager are required. Standing reservations for groups and/or clubs are not available.

WEEKLY FLAT LAUNDRY

Members receive weekly flat laundry service, which includes sheets, pillow cases, towels, face cloths and dish cloths. The flat laundry will be washed, dried, folded and returned on a weekly basis at the next scheduled housekeeping visit. The Club reserves the right to charge a reasonable fee for additional services to those Members who utilize the flat laundry service in excess of typical Member usage.

WEEKLY HOUSEKEEPING SERVICES

Members will receive weekly housekeeping services. These services include kitchen and bathroom cleaning, surface cleaning, dusting, and vacuuming. Periodically, window washing, carpet cleaning and other additional housekeeping will be performed.

SCHEDULED MAINTENANCE OF COTTAGE OR VILLA AND COMMON AREA

Maintenance, as more particularly described in the Declaration of Condominium, will be provided for each Cottage and Villa, and The Cypress common areas. If a Member needs maintenance service, the Member may submit a request with the Facilities Coordinator or concierge.

GROUNDS CARE AND GARDENING

The Club's lawns, trees and shrubs will be maintained, as well as the interior and exterior of the Clubhouse, the parking areas, walks and exercise trails. In addition, gardening areas are available for Members' use and will be under the direction of the Director of Community Life Services on a first-come, first-serve basis.

CERTAIN UTILITIES

Electric, gas (if applicable), water, sewer, and basic cable services will be included in the monthly payment for owners of Villa Units. Owners of Cottage Units must pay a separate charge for electric and gas services.

SCHEDULED TRANSPORTATION

Scheduled transportation is available for The Cypress Members. Scheduled trips include nearby grocery stores, banks, shopping centers and select cultural events and activities. Special trips may be periodically scheduled at an additional cost to each participant.

CAMPUS SECURITY

The Cypress is a gated community with security staff personnel onsite twenty-four (24) hours a day. Additionally, cameras and a card access system provide security to all buildings and the Community.

MAIL DELIVERY

Once each business day, the U.S. Postal Service collects and distributes mail to each Member's personal mailbox. At the request of a Member, mail can be forwarded during the Member's absence from his/her Villa or Cottage.

ABSENCE CREDIT

If a Member provides prior written notice to The Club that the Unit will be unoccupied for a period of not less than fourteen (14) consecutive days, the Member may be entitled to an “absence credit” in an amount determined by The Club to be applied against the monthly payment.

INTERRUPTION OR DELAY OF SERVICES

If the Club is delayed, hindered, or prevented from delivering or performing any of the services described in the Membership Agreement by reason of any event or circumstance, whether or not foreseeable, not under The Club’s reasonable control, including without limitation any governmental restriction, scarcity of labor or materials, strike, riot, civil disorder, fire, natural disaster, extreme weather event, disease, medical epidemics or outbreaks, curtailment of transportation facilities or infrastructure, and/or threats or acts of terrorism, the delivery or performance of such services shall be excused for the period of delay, and the delivery or performance of any such services shall be extended as necessary to complete performance after the delay period.

THE ROSEWOOD HEALTH CENTER

The Club has secured a license from the North Carolina Department of Health & Human Services, Division of Facility Services to have an on-site Health Center, named The Rosewood, to provide nursing care services up-to and including skilled care to The Cypress Members (see Exhibit W). The Club provides its Members quality health care within the limits of its license. Licensure for hospital-level care cannot be obtained; and, therefore, hospital-level services are not provided within the Health Center. Such level of care must be provided by a hospital, and the costs related to hospitalization will be the responsibility of the Member.

A physician will be retained on a consulting basis to act as Medical Director for The Rosewood. Currently, the Medical Director is Amish Patel, M.D. with Raleigh Medical Group, PA. If the Medical Director determines, in consultation with the Member's attending physician, family or personal representative and the Member (to the extent possible), that the Member requires health care in The Rosewood, such care will be provided for up to forty-five (45) lifetime cumulative days at the regular monthly payment for Members signing Membership Agreements from and after January 1, 2025. Members who sign Membership Agreements prior to January 1, 2025 will receive up to ninety (90) lifetime cumulative days at the regular monthly payment. The 45 or 90 cumulative days to which a Member is entitled under the Membership Agreement are referred to herein as the “Cumulative Days”. The regular monthly payment will cover health care at the semiprivate room rate. In addition to the regular monthly payment, the Member will be responsible for the cost of two (2) extra meals per day, plus nursing supplies, therapies, pharmacy, special duty nurses, personal laundry, rental of equipment, and other services provided upon request. If the Member requires care at the Health Center beyond such Member’s Cumulative Days, the Member will be responsible for the monthly payment (reduced by the appropriate absence credit) in addition to the applicable Member rate for health care at the Rosewood and other charges, pursuant to the terms of the Membership Agreement.

Both private and semiprivate rooms are available in The Rosewood. Basic rates are based on a semiprivate room. A Member may elect to occupy an available private room for an additional

charge. Should only a private room be available, a Member who opts for a private room would pay the difference between the private and semi-private rate. Care in The Rosewood will include, but will not be limited to, basic nursing care, food service, housekeeping, and flat laundry service. If a Member would like to obtain additional nursing staff care while a resident in The Rosewood, arrangements may be made through The Cypress Home Care for an additional charge. Friends, relatives, or spouses may, at an additional charge, have meals with Members admitted to The Rosewood, so long as advance notice is given to The Rosewood. A schedule showing current room rates for The Rosewood is attached hereto as Exhibit P, and a schedule showing the average increase in those rates since 2018 is attached hereto as Exhibit Q.

If the Health Center is fully occupied, the Member will be provided health care services in, and agrees to relocate to, another health care facility. The Club will be responsible for any additional charges associated with the alternate health care accommodations so long as the Member continues to pay the monthly payment. The Member will be relocated to the Health Center when accommodations become available. The Membership Agreement (see Exhibit S) sets forth in greater detail the extent that health care services are provided and the terms for providing such services.

Members may be admitted to The Rosewood from a hospital or directly from their Cottages or Villas. Upon a Member's admission to The Rosewood, The Rosewood staff will determine the appropriate level of nursing care (as prescribed by a physician) required by the Member. As part of this determination, the Member's long-term ability to return to his/her Cottage or Villa is evaluated. The professional staff will provide an appropriate plan of care, the ultimate goal of which shall be, if at all possible, to return the Member to his/her Cottage or Villa as soon as practicable. If approved by the Member's physician, the Member may visit his/her Cottage or Villa with the assistance of volunteers as a part of the rehabilitation process.

Members who are unable to return to their Cottage or Villa have the benefit of permanent care in The Rosewood. If a Member who is the sole occupant of his/her Villa or Cottage is permanently assigned to The Rosewood, he/she will pay the monthly service fee at the then applicable Member rate reduced by an absence credit. In addition, after a Member has used all of the Member's Cumulative Days in The Rosewood, the Member will pay the standard applicable Health Center fee until the Cottage or Villa is resold. After the Cottage or Villa is resold, the Member will pay only the applicable Health Center fee. If two (2) Members occupy a Unit and one (1) of them becomes a permanent resident of The Rosewood, then the monthly payment for the Member continuing to occupy the Unit will be reduced to the single occupancy rate. The Member residing in The Rosewood will pay the applicable Member rate.

A Member will not be admitted to or treated in The Rosewood in the event that such Member requires care that cannot lawfully be provided at The Rosewood and/or the Medical Director determines in his or her reasonable opinion that such Member's mental or physical condition is such that his or her admittance or treatment at The Rosewood would present an unreasonable risk of injury or detriment to that Member or any other Member receiving treatment or residing at The Rosewood, including but not limited to, a situation in which the Member seeking admittance or treatment at The Rosewood has been or is suspected to have been infected with a communicable disease for which there is no readily available cure and/or vaccine.

HEALTH CENTER ACTIVITIES

An activities director is responsible for coordinating and directing the arts, crafts, social and recreational activities for Members staying in The Rosewood Health Center. The focus of these activities will be restorative care by enhancing the quality of life through physical, emotional, psychological and spiritual programs while catering to the individual needs of each Member.

MEMBER COMMITTEES

The Member Committees hold regularly scheduled meetings to promote communication between the Members and The Cypress' administration. The six (6) Member committees are finance, buildings and grounds, food and beverage, health and safety, library, and social and activities.

MONTHLY BILLING SERVICE

Monthly statements are placed in each Member's mailbox or other appropriate location on or before the fifth (5th) day of the month. Each monthly statement must be paid within seven (7) days after the delivery date of the statement. Payment may be made at the accounting office, accounting drop box or by mail. Payments made after the seven (7) day period may be subject to a late fee. A staggered billing system may be implemented in the discretion of The Club.

UNCOVERED SURFACE PARKING FOR MEMBERS AND GUESTS

The Cypress has surface parking for both the Members and their invited guests. In addition, all Cottages have a two-car garage. As discussed below, limited assigned covered parking and garage parking is available to Villa Members at an extra charge. In order to ensure that sufficient parking is available to all of our Members and their invited guests, Members are limited to keeping no more than one (1) vehicle on campus for each Member with an active driver's license, except as otherwise agreed to in writing by the Executive Director.

OTHER SERVICES NOT INCLUDED IN MONTHLY PAYMENT

Upon request, additional services may be provided to Members at an additional charge. The additional charges will be added to the Member's monthly statement. The additional services may include guest meals, additional meals in excess of those meals covered by the Member's monthly meal points, valet service, and such other reasonable services as may be requested. For a list of services for which there is an additional charge, see Sections 8 and 9 of the Membership Agreement (see Exhibit S) and the table attached hereto as Exhibit X. To explain some of the additional services further, the following descriptions have been prepared.

BEAUTY AND BARBERSHOP

Beauty and barbershop services are provided by professional beauticians and barbers at an extra charge. Space is provided in the Clubhouse and Health Center for this service.

COVERED PARKING AND GARAGE PARKING

Limited assigned covered parking and garage parking is available to Villa Members at an extra charge. A copy of the covered parking plan is available during normal business hours at The Cypress' marketing office. Additional surface parking is available to Villa Members at no charge as described above. All Cottages have a two-car garage.

HOME CARE AGENCY

Those Members who do not require care in the Health Center, but who need additional personal services to continue living in their Cottages or Villas, will be eligible for the assistance-in-living and/or home care program. Assistance-in-living and home care services will be provided by nursing staff and other staff members. Services such as bathing, dressing, shopping, personal laundry, additional housekeeping, in home care and special transportation will be available to the Members on a fee for service basis. As stated above, The Club has its own Home Care Agency License. This license enables The Cypress of Raleigh Home Care agency to provide a broad range of home health care services and to facilitate these services for Members in the comfort of their Cottages and Villas.

DEVELOPMENT TIME FRAME

The Cypress of Raleigh, LLC has completed Phases I, II and III of the Condominium and does not currently have plans to construct additional Villas or Cottages. However, The Cypress of Raleigh, LLC reserves the right (but not the obligation) to develop an additional phase of the Condominium consisting of up to one hundred eleven (111) units.

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III. THE PROPOSAL

THE CONTINUING CARE CONCEPT

The Cypress' continuing care concept ensures a Member lifetime ownership and/or occupancy of a Cottage or Villa, a wide array of personal services, and long-term nursing care in the on-site Health Center if he/she can no longer live independently (with or without reasonable accommodation or modification) in a Cottage or Villa. This concept has grown as the result of the increasing number of men and women reaching retirement age and the concern for providing an alternative to traditional retirement living. A Member typically will purchase a Cottage or Villa in accordance with the terms of a Purchase and Sale Agreement.

At the time of signing a Purchase and Sale Agreement for a Cottage or Villa, the Member will enter into a non-transferable Membership Agreement. Pursuant to the terms of the Membership Agreement, the Member will pay a monthly fee for the personal services the Member receives. This monthly fee/payment includes a monthly contribution to the Association.

ACCEPTANCE FOR RESIDENCY

Purchase and Sale Agreements and Membership Agreements are subject to acceptance by the Company. At the time of signing a Purchase and Sale Agreement and/or a Membership Agreement, the Member (or such Member's spouse) must be sixty-two (62) years of age or older. Each Member also must be capable of independent living (with or without reasonable accommodation or modification), free of communicable diseases, and able to pay the purchase price, Membership Fee, monthly payment, two (2) months of common expenses, twelve (12) months of hazard and flood insurance premiums, and a reserve deposit. After these payments, the Member must have sufficient financial resources to enable the Member to make the monthly payments, cover personal expenses which may be reasonably expected, and meet anticipated increases in the cost of living, including any increases in the monthly payment.

Prior to purchase of a Villa or Cottage, the Purchase and Sale Agreement may be terminated if the prospective Member fails to pay any of the sums due and owing under the Purchase and Sale Agreement and/or Membership Agreement. If all such sums are paid prior to purchase, but after the purchase closes the Member (or the Member's spouse, as applicable) is unable to live independently (with or without reasonable accommodation or modification) in the Villa or Cottage, the Member (or the Member's spouse, as applicable) will be admitted to the Health Center, so long as the Health Center can provide the level of care required by the Member. If, prior to closing on the purchase, a prospective Member dies or becomes incapable of living independently (with or without reasonable accommodation or modification) in a Villa or Cottage, the prospective Member or his/her estate, as applicable, may terminate the Purchase and Sale Agreement and receive a refund of all earnest money.

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2024 PRICES, MEMBERSHIP FEE AND MONTHLY FEES

<u>HOME TYPE</u>	<u>Prices Set By Sellers</u>		<u>2024 MONTHLY FEES</u>	
	Estimated Gross Sales Prices	Approx. Size Including Balcony	1 Person	2 People
<u>Bldg. B Villas</u>				
The Alexander	\$350,000+	813 sf	\$3,260	\$5,106
The Arbor	\$360,000+	993 sf	\$3,490	\$5,336
The Ascot	\$450,000+	1261 sf	\$3,897	\$5,743
The Bayberry I	\$595,000+	1377 sf	\$4,112	\$5,958
The Bayberry II	\$525,000+	1465 sf	\$4,112	\$5,958
The Camden	\$695,000+	1637 sf	\$4,485	\$6,331
The Covington	\$575,000+	1623 sf	\$4,485	\$6,331
The Dogwood	\$695,000+	1626 sf	\$4,429	\$6,275
The Rosewalk	\$750,000+	1867 sf	\$4,738	\$6,584
<u>Bldgs. A & C Villas</u>				
The Indigo I	\$395,000+	1070 sf	\$3,608	\$5,454
The Indigo II	\$395,000+	1122 sf	\$3,608	\$5,454
The Park	\$595,000+	1627 sf	\$4,454	\$6,300
The Azalea I	\$725,000+	1871 sf	\$4,738	\$6,584
The Azalea II	\$795,000+	2021 sf	\$4,738	\$6,584
The Gallery I	\$895,000+	2296 sf	\$5,074	\$6,920
The Gallery II	\$1,200,000+	2472 sf	\$5,074	\$6,920
The Osprey I	\$1,200,000+	2597 sf	\$5,429	\$7,275
The Osprey III	\$1,200,000+	2472 sf	\$5,429	\$7,275
<u>Bldgs. D & E Villas</u>				
The Ashcroft	\$475,000+	1368 sf	\$4,112	\$5,958
The Bradford I	\$595,000+	1386 sf	\$4,112	\$5,958
The Bradford II	\$540,000+	1465 sf	\$4,112	\$5,958
The Caldwell	\$625,000+	1652 sf	\$4,485	\$6,331
The Danbury	\$775,000+	1779 sf	\$4,612	\$6,458
The Newport	\$750,000+	1950 sf	\$4,738	\$6,584
The Prescott	\$900,000+	2152 sf	\$4,908	\$6,754
<u>Cottages</u>				
The Holly	\$1,200,000+	2210+ sf	\$5,536	\$7,382
The Laurel	\$1,400,000+	2427+ sf	\$5,690	\$7,536
The Poplar	\$1,400,000+	2502+ sf	\$5,690	\$7,536
The Magnolia	\$1,500,000+	2779+ sf	\$5,981	\$7,827

Note 1: THE GROSS SALES PRICES INCLUDE THE 10% MEMBERSHIP FEE. **Note 2:** Some plans may be modified from the original plan. Finishes and upgrades will vary. **Note 3:** The monthly fees shown are for 2024 and will be adjusted annually. In 2022, the Condominium Fee represented approximately 22% of the total Monthly Fee, and the Service Fee represented approximately 78 % of the total Monthly Fee. In 2023 the Condominium Fee represented approximately 22.6% of the total Monthly Fee, and the Service Fee represented approximately 77.4% of the total Monthly Fee **Note 4:** The Gross Sales Prices are not specific and are only meant to be an indication of 2024 “STARTING PRICES”. Resales will be priced individually by sellers and based on custom modifications and location. All Gross Sales Prices and monthly fees are subject to change. **Note 5:** Covered and garage parking rights may be assigned independent of the

home. **Note 6:** The monthly fee includes many services, amenities, wellness and healthcare benefits which are outlined in the Membership Agreement.

ANNUAL MONTHLY FEE INCREASE PER UNIT TYPE (FROM 2019)

See Exhibit R attached hereto and incorporated herein by reference.

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THE PURCHASE AND SALE AGREEMENT

In this portion of the Disclosure Statement, the basic terms and conditions for purchasing a Cottage or Villa are summarized based upon the more prevalent transaction wherein the purchaser and prospective Member are one and the same. Variations are common and discussed elsewhere in this Disclosure Statement. The prospective purchaser of an existing Unit enters into a Purchase and Sale Agreement, typically depositing fifteen percent (15%) of the home's gross purchase price. In the event of any conflict between this Disclosure Statement and the Purchase and Sale Agreement, the terms of the Purchase and Sale Agreement shall control.

The basic terms and conditions for purchasing a Cottage or Villa under the Purchase and Sale Agreement are summarized as follows:

1. Purchase Price. At the time of signing a Purchase and Sale Agreement, the prospective Member typically will pay a deposit equal to fifteen percent (15%) of the purchase price for the Cottage or Villa selected. The deposits provided under the Purchase and Sale Agreement typically will be placed in the Company's Escrow Account at First Citizens Bank & Trust Company. At closing, the Member will pay the balance of the purchase price for the Cottage or Villa selected.

2. Membership Fee. At the time of signing a Purchase and Sale Agreement, the prospective Member will also sign a Membership Agreement. The terms of the Membership Agreement will govern the Member's membership interest in The Club. Membership in The Club is not an estate or interest in land and is not incidental to the ownership of a real property interest in a Villa or Cottage. The cost of Membership is a separate, non-refundable Membership Fee calculated as ten percent (10%) of the gross purchase price, which is payable to the Company. This Membership Fee is not a traditional entrance fee and thus is treated as income by The Company when received and not amortized. The Membership Fee entitles a Member to that certain license or collection of rights, coupled with the corresponding responsibilities and obligations, associated with permanent residency within The Cypress. Only membership (as distinguished from ownership of a Unit) gives a Member the right to use the Club Facilities and the right to live in the Health Care Center when (s)he is no longer capable of independent living.

3. Special Warranty Deed. The Company or Member owner will convey good and marketable title to purchaser at the time of closing.

4. Monthly Payment. Effective as of the closing, the Member must make the monthly payments to The Club. The monthly payments cover the cost of various services provided by The Club, which are part of a coordinated system of care to address both medical and non-medical drivers of health outcomes. As a matter of convenience, the monthly payments also cover the monthly contribution to the Association, known as the condominium fee.

5. Common Expenses; Hazard Insurance. At closing, the purchaser of a Villa or Cottage must also pay to the Association a non-refundable working capital fund contribution equal to two (2) months of purchaser's assessment for common expenses of the Association, as well as a payment equal to twelve (12) months hazard and flood insurance premiums for the Villa or Cottage they are purchasing.

6. Reserve Deposit. The State of North Carolina Department of Insurance, in accordance with Chapter 58, Article 64 of the North Carolina General Statutes (the “CCRC Act”), requires that all continuing care facilities maintain operating reserves equal to fifty percent (50%) of the total operating costs forecasted for the twelve (12) month period following the period covered by the most recent annual statement filed with the Department. Facilities that maintain an occupancy level in excess of ninety percent (90%) shall only be required to maintain a twenty-five percent (25%) operating reserve upon approval of the Commissioner.

Each Purchase and Sale Agreement signed on or before December 31, 2011 required the purchaser (each a “Pre-2012 Purchaser” and collectively the “Pre-2012 Purchasers”) to pay to The Club an operating reserve deposit in the sum of \$9,000 (each a “\$9,000 Operating Reserve Deposit” and collectively the “\$9,000 Operating Reserve Deposits”). The \$9,000 Operating Reserve Deposits will be held in a separate capital management account (the “Operating Reserve Account”), with interest and dividends, less fees, on such deposits accruing for the benefit of the Pre-2012 Purchasers. So long as it is not necessary for The Club to use proceeds or assets from the Operating Reserve Account, interest and/or dividends earned on the \$9,000 Operating Reserve Deposits shall be paid to each Pre-2012 Purchaser on a prorata basis in February of each year. Upon resale of a Pre-2012 Purchaser’s Villa or Cottage any unused portion of the \$9,000 Operating Reserve Deposit paid by such purchaser shall be returned to purchaser with available interest and/or dividends earned on such deposit prorated since the latest distribution from the account.

Each Purchase Document signed on and after January 1, 2012 requires the purchaser (each a “Post-2011 Purchaser”, and collectively the “Post-2011 Purchasers”) to pay to The Club an operating reserve deposit in the sum of \$14,000 (each a “\$14,000 Operating Reserve Deposit” and collectively the “\$14,000 Operating Reserve Deposits”). The \$14,000 Operating Reserve Deposits will be held in the Operating Reserve Account, with earnings on such deposits accruing for the benefit of The Club. Upon resale of a Post-2011 Purchaser’s Villa or Cottage any unused portion of the \$14,000 Operating Reserve Deposit paid by such purchaser shall be returned to purchaser.

For purposes of this Disclosure Statement, we have attached as Exhibit U a Purchase and Sale Agreement substantially in the form used on and after January 1, 2012, which form reflects the \$14,000 Operating Reserve Deposit obligation described above. Purchase and Sale Agreements signed prior to January 1, 2012 were substantially in the form attached as Exhibit P to the Disclosure Statement filed by The Cypress of Raleigh with the Department of Insurance on or around May 28, 2010, which form reflects the \$9,000 Operating Reserve Deposit obligation described above.

7. Taxes. After closing, the Unit owner will be responsible for the real estate taxes due and owing on his/her Villa or Cottage. At closing, real estate taxes will be prorated on a calendar year basis in accordance with the Purchase and Sale Agreement.

8. Purchaser's Right to Terminate or Cancel. **In the event of Purchaser’s cancellation of the Purchase and Sale Agreement within the Cancellation Period defined below, all payments made by Purchaser prior to such cancellation shall be refunded to Purchaser in accordance with N.C.G.S. §58-64-25(a)(3). Notwithstanding the fact that N.C.G.S. §47C-4-108 provides for a seven (7) day cancellation period for condominium acquisitions, the Purchase and Sale**

Agreement provides for a longer cancellation period as follows. A Purchaser shall have the absolute right to cancel the Purchase and Sale Agreement at any time by delivering written notice to the seller during the thirty (30) calendar day period immediately following the later of (i) the full execution of the Purchase and Sale Agreement or the Addendum, as applicable, or (ii) the date the Disclosure Statement is delivered to Purchaser (the "Cancellation Period"). Purchaser's cancellation during the Cancellation Period is without penalty, and all payments made by the Purchaser before such cancellation shall be refunded by the seller within ten (10) days after the expiration of the Cancellation Period. The Purchase and Sale Agreement also shall be automatically terminated in the event of a purchaser's death or incapacity prior to closing. If the Purchase and Sale Agreement is terminated in such manner, all deposits will be refunded to purchaser, less the reasonable costs incurred by The Cypress, within ten (10) days after The Cypress receives the termination notice.

9. Resale of Cottage or Villa. When the owner of a Cottage or Villa wishes to sell his/her Cottage or Villa, and a bona fide offer has been received from a third party, the owner shall then offer it for sale to the Company for the same price as the highest bona fide offer received. If the Company fails to exercise its option to purchase the Cottage or Villa within thirty (30) days after receipt of the offer, the owner may sell the Villa or Cottage to the third party, subject to all covenants, restrictions, limitations, affirmative obligations and other agreements referenced and contained in the Purchase and Sale Agreement (see Exhibit U) and Membership Agreement. Upon the resale of a Cottage or Villa, the new purchaser or Designated Member (as discussed below) will pay to the Company a Membership Fee, as detailed in the Purchase and Sale Agreement.

10. Counterparts; Electronic Signatures. To facilitate execution and delivery of the Purchase and Sale Agreement, the parties may execute and exchange executed counterparts by facsimile or e-mail in a PDF file to the other party or to the other party's counsel. Electronic, facsimile or signatures in a PDF file shall have the same legal effect as original signatures.

THE MEMBERSHIP AGREEMENT

Typically, when one purchases a Villa or Cottage at The Cypress of Raleigh they are buying two separate and distinct property interests. First, they are buying a real property interest in the Villa or Cottage. Second, they are buying membership in The Cypress of Raleigh Club. The interest in the real estate is transferrable, but the membership is not. In some situations, a Villa or Cottage is purchased by someone who will not be residing in the home and will not be a Member of The Club. In such an instance, the purchaser must designate the person(s) who will use the membership interest, which must be acquired at the time the Villa or Cottage is purchased (the "Designated Member"), and the Designated Member will sign a Membership Agreement (see Exhibit S). The Designated Member must: (a) meet the basic eligibility requirements for membership in The Cypress; (b) be approved by the Company; (c) execute the Membership Agreement; and (d) comply with the terms of the Membership Agreement, including, without limitation, assurances regarding the monthly payments (as described below). The Designated Member's membership in The Club will terminate when the Designated Member ceases to reside at The Cypress. Any subsequent residents of the Villa or Cottage, including the purchaser, must acquire their own membership in The Club prior to occupying the Villa or Cottage. The

Membership Fee for the membership will be assessed at the then applicable rate for future Members and must be paid to the Company prior to occupancy of the Villa or Cottage. As outlined in the Membership Agreement, only membership entitles the purchaser or Designated Member to use the Clubhouse facilities, receive specific services, and receive health care in the Health Center when the Member is no longer capable of independent living, with or without reasonable accommodation or modification. The Membership Agreement requires a monthly payment which covers the cost of the various services and features provided at The Cypress. The monthly payment also includes the monthly contribution to the Condominium Association for the purchaser's Cottage or Villa.

1. Monthly Payment. Pursuant to the terms of the Membership Agreement, the purchaser or Designated Member must begin making monthly payments upon the earlier of the date on which the purchaser or Designated Member occupies the Villa or Cottage, or the closing date specified in the Purchase and Sale Agreement. Thereafter, the monthly payment will be payable on the seventh (7th) day of each month. The monthly payment varies depending upon the type of Cottage or Villa purchased. The monthly payment includes the cost of services provided to Members by The Club, as described herein. The amount of the monthly payment for the calendar year in which the Purchase and Sale Agreement is executed will be stated in the applicable agreement. The total monthly payment, which is higher when a second person shares a Cottage or Villa, will also be stated in the applicable agreement. The monthly payment can be adjusted annually, in accordance with the consumer price index formula set forth in the Membership Agreement.

As a matter of convenience, the monthly payment also includes the condominium fee and services fee, as defined in the Membership Agreement. The condominium fee is the Member's pro rata share of the Association's common expenses (actual costs of operating, maintaining and repairing The Cypress' common elements, together with a reserve for replacements). The services fee covers the cost of the various services provided to Members of The Club. The condominium fee and the services fee are included in the monthly payment as a convenience for the Members (so Members will not have to make multiple payments).

The monthly payment for the first full year of operations (calendar year 2009) was based upon estimated costs of operations provided by an experienced continuing care operator. Thereafter, the monthly payment has been, and will continue to be, determined after each full year of operations based on the actual cost of operations and the cost of providing the services described herein. After the second full year of operations (calendar year 2010), with respect to services provided by The Club, the formula for determining the maximum increase permitted for that portion of the monthly payment has been, and will continue to be, based on the higher of: (a) the annual percentage increase of the Consumer Price Index, U.S. City Average, All Items (1967 - 100) (hereinafter "C.P.I.") issued by the U.S. City Average, Labor Statistics in its monthly report entitled "The Consumer Price Index, U.S. City Average" and its monthly report entitled "The Consumer Price Index, U.S. City Average and Selected Areas," or (b) the annual percentage increase of the Medical Care Component of the C.P.I. An additional three (3%) percent may be added to the higher of the annual percentages. This formula went into effect after the second full year of operations (calendar year 2010). The Members shall receive sixty (60) days advance notice of any monthly payment adjustment.

Each month The Club will provide an itemized billing statement which includes the first person monthly payment, the second person monthly payment, if applicable, and any additional charges not included in the monthly payment. For a list of services included in the monthly payment, see Section 7 of the Membership Agreement.

Each Member must make the monthly payment until his/her Cottage or Villa has been sold, transferred, or otherwise conveyed to a new Member, and the new Member assumes the ownership rights and obligations of membership in The Club with respect to the Cottage or Villa and the monthly payment. Provided, however, the Company shall pay only the condominium fee portion of the monthly payment for Cottages or Villas owned by the Company.

2. Additional Charges. A Member may, for an additional charge, request optional services which are not included in the monthly payment. The optional services may include, but will not be limited to, additional meals not covered by the Member's monthly meal points, additional housekeeping, beauty parlor, barbershop, home health, and assistance-in-living services in the Member's Cottage or Villa. Additional charges may also be assessed for special health services and supplies. The special services may include, but will not be limited to, therapies, pharmacy, special duty nurses, and medical treatment by an attending physician or the medical director. The additional charges for optional services will be payable on the seventh (7th) day of the month following the month in which the optional services were obtained. For a list of services for which there is an additional charge, see Sections 8 and 9 of the Membership Agreement and the table attached hereto as Exhibit X.

3. Adding a Member After Initial Occupancy; Occupancy Limited to Two Members. After initial occupancy of a Cottage or Villa by a Member, circumstances can arise in which the Member wants an additional person to have a right to occupy the Cottage or Villa. For example, the Member may get married and the couple may wish to make the Cottage or Villa their home, or the Member may wish to have a close family member move into the Cottage or Villa with him or her. Unless such additional person already is a Member, he or she may not occupy a Cottage or Villa without the express written approval of The Club. The additional person must go through The Cypress' admission procedures, and the acceptance of any such additional person will be in accordance with the current policies governing all other admissions. If the additional person is accepted for admission, he or she shall sign a Membership Agreement and pay a Membership Fee to the Company based on the fair market value of the Cottage or Villa, as determined by an appraiser. The approved additional person shall also pay a second person monthly fee. If the additional person does not meet The Cypress' requirements for residency, he or she will not be permitted to occupy the Cottage or Villa for more than thirty (30) days (except with the express written approval of The Club), or the Membership Agreement may be terminated. Each Cottage or Villa shall be occupied by no more than two (2) individuals, each of whom must be a Member.

4. Marriage between Existing Members. In certain instances, two existing Members who each own a Unit may wish to marry and live in one Unit (the "Occupied Unit") and to sell the other Unit (the "Vacated Unit"). In that event neither Member would be required to pay an additional Membership Fee to the Company. However, until the Vacated Unit has been sold, the owner of the Vacated Unit would continue to be charged the Monthly Fee applicable to that Unit. For so long as the Member who owns the Vacated Unit is paying these Monthly Fees, he or she

would not be required to pay a second person fee for the Occupied Unit. In the event that the married couple wishes to retain ownership of both of their Units, each Member would continue to be charged the Monthly Fee applicable to his or her Unit. Because both Members would have been admitted to The Cypress previously under separate Membership Agreements, each of their Membership Agreements would remain in effect separately.

5. Financial Hardship. It is intended that The Club will operate as a non-profit organization which will seek to avoid terminating a Membership Agreement solely because a Member is financially unable to pay the monthly payment and other charges. The Member will be permitted to remain at The Cypress at a reduced monthly payment based on the Member's ability to pay for a period of ninety (90) days after default in payment. The ninety (90) day period may be extended if: (a) The Club determines that the deferral of payment can be granted without impairing the ability of The Club to operate on a sound financial basis, (b) the Member can justify the deferral of the charges, and (c) the Member has the ability to secure repayment of the deferred charges. If charges are deferred, the Member will sign a promissory note for the amount deferred, which note will be secured by a deed of trust on the Cottage or Villa. Notwithstanding the foregoing, if a Member's ability to meet his or her financial obligations is impaired as a result of the Member making unapproved gifts or transfers, The Company may terminate the Member's Membership Agreement.

6. Member's Termination Rights. In accordance with Section 11 of the Membership Agreement, a Member may terminate the Membership Agreement at any time for any reason by giving the Company thirty (30) days prior written notice thereof. In such event, the Member's obligations under the Membership Agreement shall continue until the Cottage or Villa is transferred, sold or otherwise occupied by a successor Member, and the new Member assumes the obligation of the monthly payment. Transfer under the last will and testament of a deceased Member, other than to his/her estate, is a conveyance upon which a new Membership Fee must be paid if the devisee or beneficiary elects to become a Member of The Club. In the event of death, the estate of the Member will remain liable for all Membership obligations provided under the Membership Agreement until the deceased Member's Cottage or Villa is transferred, sold or otherwise occupied by a successor Member, and the new Member assumes the obligations of membership. If the Member is not also the owner of the Cottage or Villa, the owner of the Cottage or Villa and the deceased Member's estate shall be jointly and severally responsible for obligations under the Membership Agreement.

In addition, pursuant to Section 18 of the Membership Agreement, the Membership Agreement may be rescinded by the Member within thirty (30) days following the later of the execution of the Membership Agreement or the receipt of a Disclosure Statement prepared in accordance with North Carolina law; and the Member will not be required to close on the purchase of his/her Unit prior to the expiration of the thirty (30) day period. If a Member dies before closing on the purchase of a Unit or is unable to occupy a Unit due to illness, injury, or incapacity that renders him/her ineligible for Membership, then the Membership Agreement will automatically be terminated and all deposits returned to the Member or his/her estate. If there is more than one purchaser of the Unit, the Membership Agreement will continue to be binding on the surviving or eligible purchaser. The Membership Agreement will also be automatically terminated if a Member sells his/her Unit and does not reside in the Unit or the Health Care facility. If the Membership

Agreement is rescinded or canceled pursuant to Section 18, the Member or his/her legal representative shall receive a refund of all money or property transferred to the Company, less (i) non-standard costs specifically incurred by the Company at the request of the Member, as described in any contract amendment signed by the Member or the Owner; (ii) any non-refundable fees or costs specified and described herein; and (iii) a reasonable service charge not to exceed the greater of one thousand dollars (\$1,000.00) or two percent (2%) of the Membership Fee.

7. The Company's Termination Rights. The Company may terminate a Membership Agreement only for the reasons set forth in Section 12 of the Membership Agreement. The Company shall not terminate the Membership Agreement without just cause. Just cause shall exist if: (a) the Member fails to pay any charges due under the Membership Agreement, (b) the Member creates a disturbance within The Cypress which is detrimental to the health, safety, comfort, or peaceful lodging of the Members, (c) the Health Center cannot, within the limits of its license, provide the health care services which the Member requires, or (d) the Member refuses medical treatment which is medically required. Before terminating the Membership Agreement, The Club will give the Member written notice of the reasons for termination, and the Member will have thirty (30) days after the notice to correct the problem. If the problem is corrected within the thirty (30) day period, the Membership Agreement shall remain in effect. If the problem is not corrected within the thirty (30) day period, the Membership Agreement will be terminated, and the Member must leave The Cypress. However, if it is determined that the thirty (30) day waiting period is detrimental to the Member, other Members, or the staff of The Cypress, this waiting period will be waived.

8. Electronic Signatures. To facilitate execution and delivery of the Membership Agreement, the parties may execute and exchange executed counterparts by facsimile or e-mail in a PDF file to the other party or to the other party's counsel. Electronic, facsimile or signatures in a PDF file shall have the same legal effect as original signatures.

RESALE LISTING PROCESS

As described elsewhere in this Disclosure Statement, each resale of a Unit at The Cypress of Raleigh involves both the corresponding purchase of a fee interest in real estate and the purchase of a membership in The Club. Membership in The Club is not incidental to the ownership of a home; however, the occupancy of a home and access to and use of the common elements and services provided by The Club are restricted to a qualified Member or Designated Member, as the case may be. And, as elsewhere described in this Disclosure Agreement, membership in The Club is subject to the age, financial and medical qualifications set forth herein and more fully described in the Membership Agreement. Due to the complex and dual nature of each resale, The Company expends ongoing and considerable resources in marketing the Community (as shown in The Company's audited financial statements attached hereto as Exhibit L), including hiring consultants, purchasing third party professional reports, collecting and reviewing data analytics specific to senior citizens, and maintaining Priority Reservation Agreements with individuals who have expressed an interest in the Community and have delivered refundable deposits so that they may be advised of Community resales when they occur. As well, employees of The Company are well-versed in both the sale of real estate and the qualifications of membership in The Club (including a HIPPA certification to protect the confidential information required to be delivered

for consideration of admission as a Member). As part and parcel of this effort, The Company offers its services to owners at the time of a resale at a commission rate considered to be at or below a market rate for the sale of real estate and with no additional consideration for assisting with the membership admission process. Owners are not required to engage The Company for resales, nor is admission of membership contingent on the use of the Company for the resale of a home. However, in such cases where an owner elects to sell a home without engaging The Company, The Cypress may impose reasonable restrictions on access to the home and common elements for purposes of ensuring the safety and well-being of The Cypress residents. The Company also may charge the owner a \$1,000 administrative fee per prospective member, payable to the Company in advance, to reimburse The Company for the time and expense of assisting with the membership admission process. This administrative fee shall be non-refundable, whether or not such prospective member is admitted for membership at The Cypress and/or closes on the sale of a Unit. In such instances, an owner and its agent(s) should engage legal counsel experienced in transactions of this nature, and they shall be responsible for all elements of disclosure required by the CCRC Act and the Condominium Act. The owner and its agent(s) shall be required to execute an indemnification agreement in favor of The Company, The Club and The HOA covering any liability arising out of the failure to comply with the CCRC Act, the Condominium Act and the requirements set forth in this Disclosure Statement.

LEASE

The Company may lease any Cottage or Villa which it owns on a short or long-term basis. The owner of a Cottage or Villa may lease his/her Cottage or Villa only to a family member; and no timesharing or interval ownership will be permitted. Anyone who leases a Cottage or Villa must meet the residency requirements set forth in The Cypress' Membership Agreement, including payment of a new Membership Fee. In addition, the authorized tenant must sign a Cypress Membership Agreement and a guaranty agreement which evidences the joint responsibility of the owner and the tenant for the monthly payment. The tenant will be entitled to all rights and privileges with respect to use of the Cottage or Villa, except voting rights, which will remain with the owner of the Cottage or Villa. The Association shall have the right to terminate the lease and evict the tenant in the event of a default.

IV. REGULATORY MATTERS

CONTINUING CARE RETIREMENT COMMUNITY LICENSURE

Continuing care retirement communities in the State of North Carolina are governed by the CCRC Act (North Carolina General Statutes Chapter 58, Article 64), which empowers the Commissioner of the Department of Insurance to regulate the Registration, Disclosure Contract and Financial Monitoring Requirements for continuing care facilities.

With respect to the Villas and Cottages in Phases I, II and III, The Cypress has obtained the following permits and approvals: (i) a Start-Up certificate which enabled it to enter into binding Reservation Agreements; (ii) a Preliminary Certificate which permitted construction of the condominium; and (iii) a Permanent License for continuous operation.

In accordance with the CCRC Act, The Cypress will deliver a Disclosure Statement to each prospective Member upon the earlier of the execution of a Membership Agreement, or the transfer of any money to The Cypress. Further in accordance with the CCRC Act, The Cypress will file with the Department of Insurance, within one hundred fifty (150) days after the end of each fiscal year, a revised annual Disclosure Statement which will include updated financial information.

CONDOMINIUM ACT

The Cypress, as a condominium community, is subject to the North Carolina Condominium Act (North Carolina General Statutes Chapter 47C) (the "Act"). Pursuant to the Act, the Association conducts the business and affairs of the condominium created by the Declaration which is recorded in the Office of the Register of Deeds for Wake County. The Declaration is the document by which the condominium aspects of The Cypress are governed and subjected to the provisions of the Act. The business and affairs of the condominium will be conducted by The Cypress of Raleigh Owners' Association. Issues pertinent to the Association are included in the recorded Declaration, a copy of which will be provided to each prospective purchaser.

CONTROLLING LAW

As stated above, the purchase, sale and ownership of a Unit at The Cypress and membership in The Club are subject to the provisions of the CCRC Act and the North Carolina Condominium Act. North Carolina also has a law prohibiting transfer fees (North Carolina General Statutes Chapter 39A). In the event of a conflict among these laws, a Member, by signing the Membership Agreement, evidences the Member's acknowledgement and agreement that the CCRC Act shall control, including specifically North Carolina General Statutes § 58-64-85(b) which provides:

(b) Facilities and providers licensed under this Article that also are subject to the provisions of the North Carolina Condominium Act under Chapter 47C of the General Statutes shall not be subject to the provisions of Chapter

39A of the General Statutes, provided that the facility's declaration of condominium does not require the payment of any fee or charge not otherwise provided for in a resident's contract for continuing care, or other separate contract for the provisions of membership or services.

HEALTH CENTER LICENSURE

When it opened in 2008, The Club held a license from the North Carolina Department of Health and Human Services, Division of Facility Services, for thirty-six (36) skilled nursing beds and four (4) adult care home beds. In the fall of 2020, The Cypress of Raleigh completed an expansion of the Health Center, which included adding twenty-one (21) additional skilled nursing beds, as well as additional common area and dining spaces.

MEDICARE AND MEDICAID

Certain beds in The Cypress' Health Center are certified by the federal government, and the facility is able to receive reimbursement from Medicare. It should be noted that the determination of a Member's Medicare eligibility is subject to Federal regulation; and, therefore, not all Health Center stays will be eligible for Medicare reimbursement.

The Cypress has chosen not to participate in the Medicaid program. In accordance with Paragraph 12(b) of the Membership Agreement (see Exhibit S), it will be The Cypress' policy to not terminate residency of a Member solely by reason of his/her inability to pay the monthly payment or other Health Center charges.

ESCROW ACCOUNT

Upon a prospective Member signing a Purchase and Sale Agreement, all earnest money deposits will be placed in the Company's special escrow account with First Citizens Bank, 4300 Six Forks Road, FCC-16, Raleigh, North Carolina 27609. Upon proper notification to the Department of Insurance, the Company may open one or more earnest money deposit accounts at other financial institution in accordance with the requirements of the CCRC Act.

RESERVE ACCOUNTS

A Replacement Reserve Account will be funded by non-refundable payments made by each Member at the closing on his/her Cottage or Villa (each a "Reserve Payment"). The Reserve Payment will be equal to two (2) months of the Member's pro rata share of Association common expenses. The Replacement Reserve Account is a restricted working capital account, and any interest earned on funds held in the Replacement Reserve Account shall be included in The Cypress working capital fund. As of March 31, 2024, the balance of the Replacement Reserve Account was \$7,930,946.

Pursuant to the CCRC Act, The Cypress is required to maintain operating reserves in restricted accounts equal to twenty-five percent (25%) of the total operating costs forecasted for the twelve (12) month period following the period covered by its most recent Disclosure Statement filed with the Department of Insurance (the “Minimum Operating Reserve Balance”). Accordingly, The Club requires each purchaser to deposit an Operating Reserve Deposit when they purchase a Unit at The Cypress of Raleigh. Each purchaser who signed a Purchase Agreement prior to January 1, 2012 has deposited a \$9,000 Operating Reserve fund deposit which, if unused, may be refunded, with interest, upon the resale of the Unit. Each purchaser who signed a Purchase Agreement on or after January 1, 2012 has deposited a \$14,000 Operating Reserve fund deposit, which, if unused, may be refunded, without interest, upon the resale of the Unit. The State of North Carolina must give approval for the release of operating reserve funds. As of March 31, 2024, the current Operating Reserve Fund was \$5,313,457. All reserve funds will be invested in accordance with the requirements of the CCRC Act, with investment decisions made by Michael G. Sandman, Craig C. Huggins and/or Mark T. Andrews.

Currently, the funds in the Replacement Reserve Account and the Operating Reserve Fund are professionally managed by First Citizens Bank.

To ensure that the Minimum Operating Reserve Balance is maintained, such sums are and will be reserved and restricted from the Replacement Reserve Account as may be necessary from time to time to cause such restricted funds, when added to the funds on deposit in the Operating Reserve Account, to meet the Minimum Operating Reserve Balance. The beneficial ownership of the Replacement Reserve Account and the Operating Reserve Account are aligned and under the common management of The Club, and the reservation and restriction of funds from the Replacement Reserve Account as described herein is consistent with its purpose, which is to protect and benefit the property and assets of The Cypress of Raleigh.

TAX DEDUCTION

Members of The Cypress may be allowed a tax benefit. A percentage of the monthly payment may be taken as a medical expense deduction each year. In February of each year, The Club will provide Members with the percentage of the prior year's monthly payment that has been determined to be attributable to the operations of the Health Center. This medical deduction is, of course, subject to limitations imposed by the Internal Revenue Code. It is advisable that the Members seek the advice of tax counsel before taking this deduction. The percentage of the monthly payment that was permitted to be taken as a medical expense deduction for 2023 was 35.37%.

V. FINANCIAL

FINANCIAL

See the financial statements (with narrative assumptions and explanations) for the Company and The Club attached hereto as Exhibit B through Exhibit N.

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EXHIBIT A
ORGANIZATION CHART

{ATTACHED}

THE CYPRESS OF RALEIGH
 A Continuing Care Retirement Community
Entities Comprising The Cypress of Raleigh

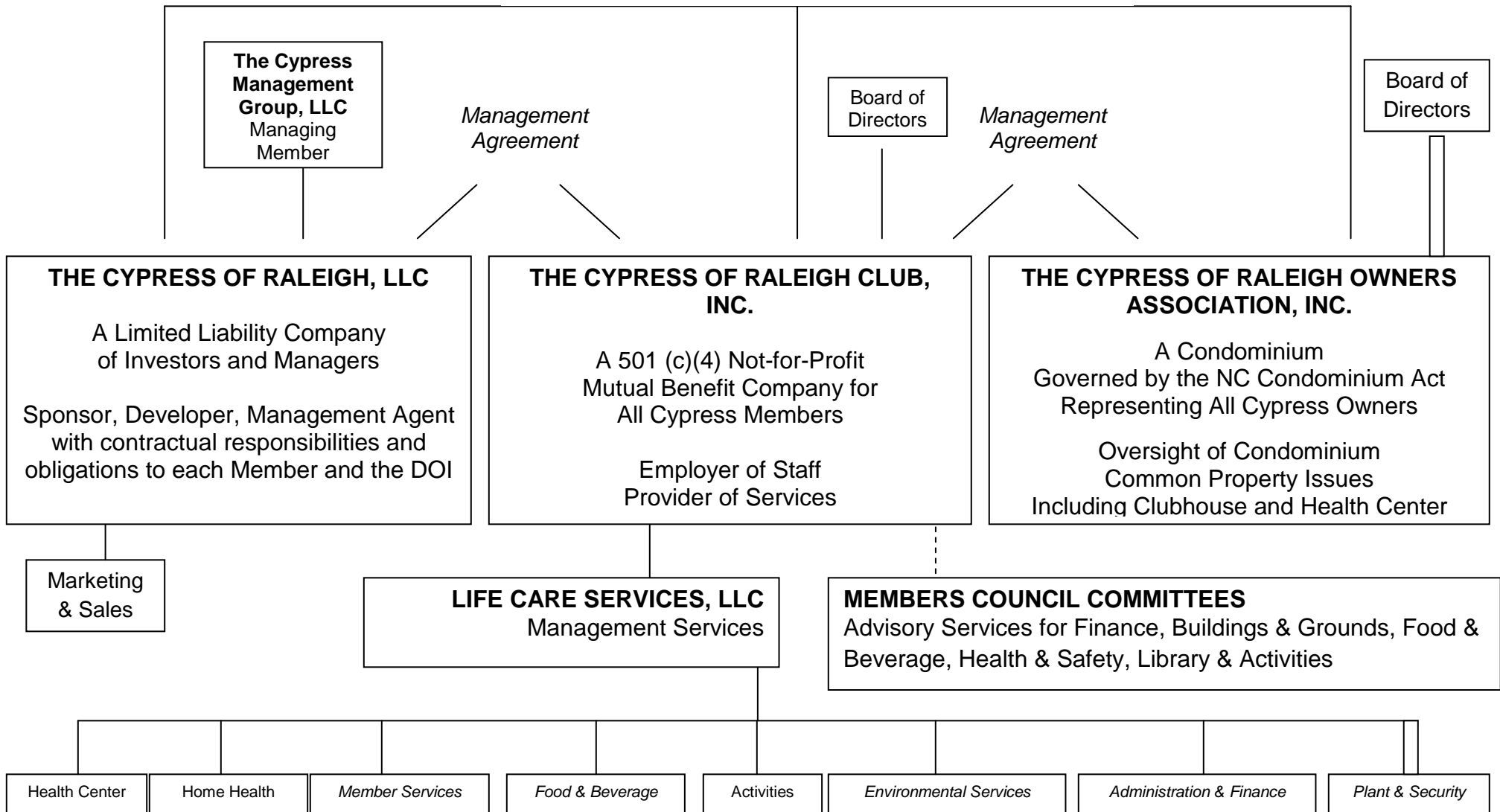


EXHIBIT B

**THE CYPRESS OF RALEIGH CLUB, INC.
FINANCIAL REPORT (DECEMBER 31, 2023 and 2022)**

{ATTACHED}

THE CYPRESS OF RALEIGH CLUB, INC.
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS:	
Statements of financial position	3
Statements of activities	4
Statements of changes in net assets	5
Statement of functional expenses – December 31, 2023	6
Statement of functional expenses – December 31, 2022	7
Statements of cash flows	8
Notes to financial statements	9-26



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Cypress of Raleigh Club, Inc.
Raleigh, North Carolina

Opinion

We have audited the accompanying financial statements of The Cypress of Raleigh Club, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Cypress of Raleigh Club, Inc. as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Cypress of Raleigh Club, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Cypress of Raleigh Club, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Cypress of Raleigh Club, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Cypress of Raleigh Club, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Dreher Martin CPAs, P.A.

Raleigh, North Carolina
April 2, 2024

THE CYPRESS OF RALEIGH CLUB, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

ASSETS		<u>2023</u>	<u>2022</u>
Current Assets			
Cash and Cash Equivalents	\$	721,736	\$ 145,389
Cash and Cash Equivalents - limited as to use		3,198,708	95,259
Accounts Receivable		886,595	754,004
Accounts Receivable - other		-	26,314
Inventory		117,357	132,146
Prepaid Expenses		159,118	273,592
Total Current Assets		<u>5,083,514</u>	<u>1,426,704</u>
Assets Limited as to Use			
Restricted Reserves Required by State Statute, cash equivalents		217,025	121,126
Restricted Reserves Required by State Statute, investments		4,949,825	4,397,090
Asset Replacement Reserve, investments		4,478,999	3,909,110
Total Assets Limited as to Use		<u>9,645,849</u>	<u>8,427,326</u>
Property and Equipment, Net		<u>1,443,931</u>	<u>1,399,388</u>
Other Assets			
Due (to) from Affiliates		(6,787,067)	(5,710,260)
Refundable Deposits		62,327	62,327
Right-of-use Assets - Operating Leases		73,182	164,812
Total Other Assets		<u>(6,651,558)</u>	<u>(5,483,121)</u>
Total Assets		<u>\$ 9,521,736</u>	<u>\$ 5,770,297</u>

LIABILITIES AND NET ASSETS

Current liabilities			
Accounts Payable	\$	633,928	\$ 872,142
Accrued Expenses		1,090,994	953,855
Due to Members		31,498	15,786
Line of Credit		-	395,000
Current Portion of Notes Payable		27,785	28,091
Current Portion of Operating Lease Liability		61,404	91,630
Current Portion of Finance Lease Liability		60,987	22,019
Total Current Liabilities		<u>1,906,596</u>	<u>2,378,523</u>
Long-term Debt			
Notes Payable, Net of Current Portion		31,056	58,782
Operating Lease Liability Net of Current Portion		11,778	73,182
Finance Lease Liability Net of Current Portion		108,847	39,757
Total Long-term Liabilities		<u>151,681</u>	<u>171,721</u>
Total Liabilities		<u>2,058,277</u>	<u>2,550,244</u>
Net Assets, Without donor restrictions		<u>(4,316,248)</u>	<u>(4,796,316)</u>
Net Assets, Without donor restrictions - Designated for asset replacement		<u>7,677,707</u>	<u>4,004,369</u>
Net Assets, With donor restrictions		<u>4,102,000</u>	<u>4,012,000</u>
Total Liabilities and Net Assets		<u>\$ 9,521,736</u>	<u>\$ 5,770,297</u>

See Accompanying Notes and Independent Auditors' Report

THE CYPRESS OF RALEIGH CLUB, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2023 AND 2022

Net Assets Without Donor Restrictions:	2023	2022
OPERATING REVENUES, GAINS AND OTHER SUPPORT		
Member fees and Assessments	\$ 12,496,084	\$ 11,154,706
Health Center	5,733,629	5,222,875
Home Health	2,496,091	2,223,115
Miscellaneous	871	91
Net assets released from restriction	14,699	216,966
Total Operating Revenues, Gains and Other Support	<u>20,741,374</u>	<u>18,817,753</u>
 OPERATING EXPENSES		
Program Services		
Housekeeping	1,992,957	1,795,593
Food and Beverage	5,023,005	4,805,095
Health Center	5,841,451	5,368,206
Community Home Health	2,469,485	2,258,023
Resident Services	929,713	810,206
Plant	472,011	458,713
	<u>16,728,622</u>	<u>15,495,836</u>
Supporting Services		
General and Administrative	3,630,292	3,450,754
Management Fees	681,467	632,673
	<u>4,311,759</u>	<u>4,083,427</u>
Total Operating Expenses	<u>21,040,381</u>	<u>19,579,263</u>
Excess of Operating Expenses Over Revenue	(299,007)	(761,510)
 OTHER CHANGES		
Contributions	4,090,861	-
Net Investment Income (Loss)	1,531,070	(1,484,489)
Other Expenses	(504,651)	(535,359)
Interest Expense	(28,927)	(18,971)
Gain/Loss on Sale of Assets	(39,272)	(1,437)
Change in net assets without donor restrictions	<u>4,750,074</u>	<u>(2,801,766)</u>
 Net Assets With Donor Restrictions:		
Reserves Required by State Statute Deposited	90,000	51,000
Contributions	14,699	216,966
Net assets released from restriction	(14,699)	(216,966)
Change in net assets with donor restrictions	<u>90,000</u>	<u>51,000</u>
 Change in Net Assets	<u>\$ 4,840,074</u>	<u>\$ (2,750,766)</u>

See Accompanying Notes and Independent Auditors' Report

THE CYPRESS OF RALEIGH CLUB, INC.
STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>Total Net Assets</u>
Net Assets Without Donor Restrictions	
Net Assets Without Donor Restrictions, January 1, 2022	\$ (2,405,059)
Asset purchases transferred to Owners' Association	(900,197)
Change in net assets	<u>(1,491,060)</u>
Net Assets Without Donor Restrictions, December 31, 2022	\$ (4,796,316)
Asset purchases transferred to Owners' Association	(703,191)
Change in net assets	<u>1,183,259</u>
Net Assets Without Donor Restrictions, December 31, 2023	<u>\$ (4,316,248)</u>
 Net Assets Without Donor Restrictions -Designated	
Net Assets Without Donor Restrictions - Designated -January 1, 2022	\$ 5,143,418
Developer contribution transferred to Association	100,000
Amounts transferred to Association for reserves	71,657
Change in net assets without donor restriction - designated	<u>(1,310,706)</u>
Net Assets Without Donor Restrictions - Designated -December 31, 2022	\$ 4,004,369
Amounts transferred to Association for reserves	106,523
Change in net assets without donor restriction - designated	<u>3,566,815</u>
Net Assets Without Donor Restrictions - Designated -December 31, 2023	<u>\$ 7,677,707</u>
 Net Assets With Donor Restrictions	
Net Assets With Donor Restrictions -January 1, 2022	\$ 3,961,000
Change in net assets with donor restrictions	<u>51,000</u>
Net Assets With Donor Restrictions -December 31, 2022	\$ 4,012,000
Change in net assets with donor restrictions	<u>90,000</u>
Net Assets With Donor Restrictions -December 31, 2023	<u>\$ 4,102,000</u>
Net Assets	<u><u>\$ 7,463,459</u></u>

See Accompanying Notes and Independent Auditors' Report

**THE CYPRESS OF RALEIGH CLUB, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Housekeeping	Food & Beverage	Health Center	Community Home Health	Resident Services	Plant	Total Program Service	General and Administrative	Total
Salaries and Wages	\$ 1,364,274	\$ 2,601,754	\$ 4,011,583	\$ 1,969,922	\$ 531,356	\$ 194,178	\$10,673,067	\$ 581,933	\$ 11,255,000
Pension Expense	15,004	13,234	28,273	21,090	8,430	1,969	88,000	13,348	101,348
Other Employee Benefits	345,579	386,898	509,473	267,992	78,254	28,181	1,616,377	140,152	1,756,529
Payroll Taxes	105,563	203,516	298,063	157,462	39,117	15,209	818,930	44,084	863,014
Accounting and Legal	-	-	-	-	-	-	-	71,173	71,173
Travel	575	920	6,228	-	2,719	45	10,487	11,510	21,997
Worker's Comp Insurance	14,653	28,691	39,244	25,125	4,907	2,068	114,688	1,091	115,779
Food Expense	-	1,526,295	-	-	-	-	1,526,295	-	1,526,295
Rent	-	36,913	10,951	-	4,900	54,696	107,460	747	108,207
Supplies	85,870	194,583	30,525	650	4,556	7,045	323,229	59,133	382,362
Licenses and Fees	-	11,117	11,874	8,951	4,764	2,121	38,827	7,280	46,107
Repairs and Maintenance	47,342	4,822	1,682	-	2,635	48,690	105,171	15,772	120,943
Vehicle Expense	-	-	-	-	-	63,258	63,258	-	63,258
Utilities	-	-	-	-	-	53,320	53,320	-	53,320
Activity Expenses	-	-	16,065	-	103,916	-	119,981	-	119,981
Other Employee Expense	12,564	9,897	6,188	(50)	13,450	409	42,458	78,877	121,335
Medical Supplies	-	-	170,395	1,854	-	-	172,249	-	172,249
Other Medical Expenses	-	-	574,389	-	-	-	574,389	-	574,389
Training	1,533	1,609	4,635	3,364	4,539	822	16,502	17,689	34,191
Professional Dues	-	2,756	4,788	2,925	-	-	10,469	10,234	20,703
IT Expense	-	-	-	-	-	-	-	176,019	176,019
Telephone	-	-	-	10,200	-	-	10,200	52,936	63,136
Other Expense	-	-	-	-	-	-	-	11,583	11,583
Printing and Postage	-	-	-	-	-	-	-	10,855	10,855
Management Fee	-	-	-	-	-	-	-	681,467	681,467
Insurance	-	-	-	-	-	-	-	110,012	110,012
Other Fees	-	-	117,095	-	126,170	-	243,265	266,967	510,232
Depreciation	-	-	-	-	-	-	-	301,588	301,588
Overhead Fee	-	-	-	-	-	-	-	1,647,309	1,647,309
TOTAL	\$ 1,992,957	\$ 5,023,005	\$ 5,841,451	\$ 2,469,485	\$ 929,713	\$ 472,011	\$16,728,622	\$ 4,311,759	\$ 21,040,381

See Accompanying Notes and Independent Auditors' Report

THE CYPRESS OF RALEIGH CLUB, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Housekeeping	Food & Beverage	Health Center	Community Home Health	Resident Services	Plant	Total Program Service	General and Administrative	Total
Salaries and Wages	\$ 1,241,709	\$ 2,488,956	\$ 3,684,387	\$ 1,824,618	\$ 455,366	\$ 172,887	\$ 9,867,923	\$ 525,364	\$ 10,393,287
Pension Expense	12,388	8,252	27,878	17,303	6,299	1,493	73,613	11,459	85,072
Other Employee Benefits	302,514	351,829	486,802	225,937	66,116	27,544	1,460,742	144,550	1,605,292
Payroll Taxes	97,186	191,922	257,620	142,682	34,133	13,776	737,319	39,929	777,248
Accounting and Legal	-	-	-	-	-	-	-	53,228	53,228
Travel	-	1,962	9,518	469	307	-	12,256	6,286	18,542
Worker's Comp Insurance	16,537	20,637	34,506	20,805	4,398	1,991	98,874	2,135	101,009
Food Expense	-	1,441,486	-	-	-	-	1,441,486	-	1,441,486
Rent	81	33,543	304	-	3,605	69,748	107,281	572	107,853
Supplies	81,968	237,345	65,622	4,526	3,926	6,845	400,232	98,673	498,905
Licenses and Fees	-	11,566	9,472	6,389	11,897	1,470	40,794	6,854	47,648
Repairs and Maintenance	36,321	517	3,985	-	1,687	44,114	86,624	19,667	106,291
Vehicle Expense	-	-	-	-	-	68,797	68,797	-	68,797
Utilities	-	-	-	-	-	49,114	49,114	-	49,114
Activity Expenses	-	-	12,801	-	75,530	-	88,331	-	88,331
Other Employee Expense	6,135	9,071	5,149	5	11,283	694	32,337	79,131	111,468
Medical Supplies	-	-	156,720	642	-	-	157,362	7,188	164,550
Other Medical Expenses	-	-	491,374	-	-	-	491,374	-	491,374
Training	754	40	1,058	781	714	240	3,587	5,676	9,263
Professional Dues	-	6,019	352	2,826	-	-	9,197	9,444	18,641
IT Expense	-	-	-	-	-	-	-	153,414	153,414
Telephone	-	-	-	11,040	-	-	11,040	48,085	59,125
Other Expense	-	-	-	-	-	-	-	15,003	15,003
Printing and Postage	-	-	-	-	-	-	-	13,738	13,738
Management Fee	-	-	-	-	-	-	-	632,673	632,673
Insurance	-	-	-	-	-	-	-	99,531	99,531
Other Fees	-	1,950	120,658	-	134,945	-	257,553	317,565	575,118
Depreciation	-	-	-	-	-	-	-	264,779	264,779
Overhead Fee	-	-	-	-	-	-	-	1,528,483	1,528,483
TOTAL	\$ 1,795,593	\$ 4,805,095	\$ 5,368,206	\$ 2,258,023	\$ 810,206	\$ 458,713	\$15,495,836	\$ 4,083,427	\$ 19,579,263

See Accompanying Notes and Independent Auditors' Report

THE CYPRESS OF RALEIGH CLUB, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net change in net assets	\$ 4,840,074	\$ (2,750,766)
Adjustments to Reconcile Increase (Decrease) in Net Assets		
To Cash Provided by Operating Activities		
Depreciation	301,588	264,779
Gain/Loss on sale of assets	39,272	1,437
Realized and Unrealized Gains/Losses	(867,342)	1,599,519
Reduction in the carrying amount of right-of-use assets - operating leases	91,630	103,972
Changes in working capital components:		
(Increase)decrease in:		
Accounts and Other Receivables	(106,277)	9,405
Inventory	14,789	4,037
Prepaid Expenses	114,474	(23,239)
Due from affiliate	1,076,807	1,109,417
Refundable deposits	-	(150)
Increase (decrease)		
Accounts payable	(238,214)	166,255
Accrued Expenses	137,139	112,374
Refundable Advance	-	(127,245)
Due to Members	15,712	(39,953)
Lease Liability	(91,630)	(103,972)
	<u>5,328,022</u>	<u>325,870</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
INVESTING ACTIVITIES		
Purchase of Investments	(9,453,514)	(4,924,280)
Proceeds from Sales of Investments	9,198,234	5,157,153
Proceeds from Sales of Property and Equipment	55,000	-
Purchase of Property and Equipment	(987,995)	(1,076,708)
	<u>(1,188,275)</u>	<u>(843,835)</u>
NET CASH USED BY INVESTING ACTIVITIES		
FINANCING ACTIVITIES		
Transfers (to) from Owners' Association	106,523	171,657
Proceeds on Line of Credit	165,000	745,000
Payments on Line of Credit	(560,000)	(425,000)
Payments on notes payable	(28,032)	(25,301)
Payments on Finance Lease Payable	(47,543)	(19,623)
	<u>(364,052)</u>	<u>446,733</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	3,775,695	(71,232)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR	361,774	433,006
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	\$ 4,137,469	\$ 361,774
CASH CONSISTS OF:		
Cash and cash equivalents	\$ 721,736	\$ 145,389
Cash and cash equivalents - without donor restrictions, designated	3,198,708	95,259
Restricted cash included in assets limited to use	217,025	121,126
	<u>\$ 4,137,469</u>	<u>\$ 361,774</u>
SUPPLEMENTAL DISCLOSURE		
Schedule of Noncash Investing and Financing Transactions		
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	\$ -	\$ 19,334
Finance lease obligations for the use of equipment	\$ 155,601	\$ -
Transfer of property and equipment to Association	\$ 703,191	\$ 900,197
Note payable for vehicle purchased	\$ -	\$ 67,961
	<u>\$ 28,927</u>	<u>\$ 18,971</u>
Cash paid for interest		

See Accompanying Notes and Independent Auditors' Report

THE CYPRESS OF RALEIGH CLUB, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

The Cypress of Raleigh Club, Inc. ("Club") was organized as a not-for-profit corporation under the laws of the State of North Carolina to manage the operations and membership services provided to owners of units in The Cypress of Raleigh ("Cypress" or "community"), a condominium continuing care retirement community organized under the North Carolina General Statutes.

Affiliates

The Cypress of Raleigh Owners' Association, Inc. ("Association") was created in accordance with the North Carolina Condominium Act to comply with North Carolina law regarding the ownership of commonly owned property of The Cypress. The Association serves as the governing body for all issues related to the real estate aspects of the units and the common areas of The Cypress. The Association has delegated to the Club all of the Association's responsibilities with respect to investment management and the maintenance of the common areas of The Cypress, including the clubhouse and health center.

The Cypress of Raleigh, LLC (the "Company") is the entity that originally planned, designed and built The Cypress. Phase I of The Cypress opened in Fall 2008 and included a Clubhouse, Health Center, 34 cottages with garages and 168 single-story villas in 3 mid-rise buildings. In 2010, Phase II of the development was completed, and the community added three cottages bringing the total number of cottages to 37 and the total number of units to 205. In September 2018, the Company completed construction on the first Villa building of Phase III (the "Villa D Building"), which contains fifty-seven units ("Villa D") and was ready for occupancy in 2018. The final building, Villa E, was constructed and completed in late 2020. The 57 units in Villa E have been sold and the community now has a total of 319 homes. There is currently no future development planned. The Club and Association engage in various transactions with the Company, which is an affiliated entity.

A summary of the Club's significant accounting policies follows:

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, other liabilities and prepaid expenses.

Contributions and Net Assets

Funds received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of the funding restrictions. When a restriction expires (that is, when a stipulated time restriction ends or when the purpose of the restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

All restrictions on long-lived assets are released from restriction when the asset is placed in service, unless there are explicit donor restrictions indicating otherwise.

THE CYPRESS OF RALEIGH CLUB, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(continued)

The Club follows the recommendations of the Financial Accounting Standards Board in its FASB ASC 958, “Not-for-Profit Entities.” Under FASB ASC 958, the Club is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Accordingly, net assets of the Club and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Club and/or the passage of time or net assets subject to donor imposed stipulations that must be maintained in perpetuity by the Club.

Cash and Cash Equivalents and Restricted Cash

For purposes of the statement of cash flows, the Club considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Restricted cash consists of funds that have donor or contractual restrictions for long-term purposes. The cash restricted, either by donor or contractually, is reflected in net assets with donor restrictions.

Investments

Investments consist of mutual fund investments, exchange traded funds and bonds. Consistent with FASB ASC 958-320, FASB 820-10 and FASB ASC 825-10, these investments are stated at fair value based on market quotes from identical investments or similar instruments in active markets.

Accounts Receivable

The Club records accounts receivable at total unpaid balance, which approximates fair value as of December 31, 2023 and 2022. The Club determines past-due status of individual accounts receivable based on terms of the original contract (or based on how recently payments have been made, for example). The Club estimates an allowance for doubtful accounts based on a combination of factors, including the Club’s historical loss experience and any anticipated effects related to current economic conditions, as well as management knowledge of the current accounts receivable. Delinquent accounts are written off when deemed uncollectible. The Club’s management considers all accounts currently collectible and does not establish an allowance for uncollectible accounts at this time.

THE CYPRESS OF RALEIGH CLUB, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(continued)

Assets Limited as to Use

Assets limited as to use primarily include assets designated by the Board of Directors for specific purposes, assets restricted by donors for future capital improvements and assets limited under state statute.

North Carolina General Statute Chapter 58, Article 64, requires continuing care retirement communities to maintain an operating reserve equal to a statutorily required percentage of total forecasted operating costs (less certain expenses) for a specific period. This operating reserve is not Board-controlled and cannot be used without the prior approval of the commissioner of the North Carolina Department of Insurance pursuant to GS § 58-64-33(c). At December 31, 2023 and 2022, this reserve totaled \$5,166,850 and \$4,518,216, respectively.

Inventory

The Club values its inventories at the lower of cost (average cost method) or market.

Prepaid Expenses

Prepaid expenses consist of prepaid insurance, which is amortized over the periods to which it applies.

Property and Equipment

Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Property and equipment are depreciated over estimated useful lives of seven to thirty-nine years. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. The Club's policy is to capitalize property and equipment over \$1,000. Expenditures for maintenance and repairs, which do not improve or extend the life of the respective assets, are charged to expense as incurred. Club equipment is capitalized at cost.

Leases

The Club determines if an arrangement is a lease at inception. All leases are recorded on the statement of financial position except for leases with an initial term less than 12 months for which the Club made the short-term lease election.

THE CYPRESS OF RALEIGH CLUB, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(continued)

Operating lease right-of-use assets (ROU) and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. ROU assets also include adjustments related to lease payments made and lease incentives received at or before the commencement date. Finance lease ROU assets are included in Property and equipment, net, and the related liabilities are included in lease liabilities in the statements of financial position. At lease commencement, lease liabilities are recognized based on the present value of the remaining lease payments and discounted using the Club's risk free rate. Operating lease cost is recognized on a straight-line basis over the lease term as rent expense and printing and postage expense on the statement of functional expenses. Lease and non-lease components of lease agreements are accounted for separately. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option.

Revenue Recognition

Member fees represent amounts charged to residents under the terms of the Membership Agreement. Services are provided to members on an ongoing basis throughout the year and as a result revenue is recognized monthly at the time of billing.

Health Center and home health revenue is reported at the estimated net realizable amounts from residents, third-party payers and others for room and board and services/supplies received. Revenue is recognized monthly at the time of billing.

Revenues under third-party payer agreements are subject to audit and retroactive adjustment. Provisions for estimated third-party payer settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement.

Contribution revenue includes conditional and unconditional contributions from the CARES Act, FEMA reimbursement of healthcare expenses and Employee Retention Credit (ERC) refunds. Revenue from conditional contributions is recognized in the period the conditions are met. Amounts received prior to incurring qualifying expenditures are reported as refundable advances. Revenue from unconditional contributions is recognized in the period received.

THE CYPRESS OF RALEIGH CLUB, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(concluded)

Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Individual expenses are reviewed and charged directly to each program based on time and effort and actual usage.

Income Taxes

The Club is a not-for-profit organization that applied for exemption from income taxes under Section 501(c) 4 of the Internal Revenue Code. The Club received its tax-exempt status on April 28, 2005.

Obligation to Provide Future Services

The Club annually calculates the present value of the net cost of providing certain future services to current members. If the present value of the cost of providing these services exceeds the present value of the anticipated revenues, a liability is recorded (obligation to provide future services) with a corresponding charge to income. The obligation is discounted at 3.113%, based on the expected long-term rate of return on government obligations. For December 31, 2023 and 2022, this net present value computation is expected to yield a surplus and, accordingly, no liability has been recorded.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform to current year presentation.

New Accounting Pronouncement

In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Club that are subject to the guidance in FASB ASC 326 were trade accounts receivable.

The Club adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements.

**THE CYPRESS OF RALEIGH CLUB, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 2 - CONCENTRATIONS OF CREDIT RISK

The Club maintained its cash balances in two financial institutions located in Raleigh, North Carolina in 2023 and 2022.

The account balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2023 and 2022, the Club had uninsured cash balances of \$606,013 and \$0, respectively. The Club also maintained investments in three brokerage accounts that are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000 per customer. At December 31, 2023, the Club had total investments amounting to \$12,836,619, resulting in deposits of \$12,336,619 in excess of the SIPC insured amount. At December 31, 2022, the Club had total investments amounting to \$8,306,200, resulting in deposits of \$7,806,200 in excess of the SIPC insured amount.

The Club grants credit without collateral to its residents, some of whom are insured under third-party payer agreements. At December 31, the Club had the following concentrations of receivables from members:

	<u>2023</u>	<u>2022</u>
Self-pay	86%	85%
Medicare	12%	11%
Other third-party payers	<u>2%</u>	<u>4%</u>
	<u>100%</u>	<u>100%</u>

THE CYPRESS OF RALEIGH CLUB, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 3 - LIQUIDITY AND AVAILABILITY

The table below represents financial assets available for general expenditures within one year at December 31:

Financial assets at year-end:	2023	2022
Cash and cash equivalents	\$ 721,736	\$ 145,389
Accounts receivable	886,595	780,318
Financial assets available to meet general and program expenditures within one year	\$ 1,608,331	\$ 925,707

The Club has certain board-designated and donor-restricted assets limited to use which are designated for future capital expenditures and an operating reserve. These assets limited to use are more fully described in Notes 8 and 14 and are not available for general expenditure within the next year. However, the board-designated amounts could be made available, if necessary.

Additionally, the Club has two lines of credit available for a total of \$1,500,000, as discussed in Note 11, to meet cash flow needs.

NOTE 4 - FINANCIAL RESULTS AND MANAGEMENT'S OPERATIONAL PLAN

The Club's operating expenses in excess of revenues include all operating revenues and expenses that are an integral part of its programs and supporting activities and net assets released from donor restrictions to support operating expenditures. The measure of operations includes support for operating activities from donor-restricted net assets. The measure of operations excludes contributions from receipt of the Employee Retention Credit. It also excludes expenses related to the refurbishment of member's residences which is included in other expenses.

NOTE 5 - INVESTMENTS

The Club's investments as of December 31, 2023, consist of stocks, mutual funds and bonds recorded at market value and are summarized as follows:

	Cost	Fair Market Value
Mutual Funds	\$ 4,014,135	\$ 4,590,859
ETFs	4,793,261	4,837,965
	\$ 8,807,396	\$ 9,428,824

**THE CYPRESS OF RALEIGH CLUB, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 5 - INVESTMENTS (continued)

The Club's investments as of December 31, 2022, consist of stocks, mutual funds and bonds recorded at market value and are summarized as follows:

	Cost	Fair Market Value
Mutual Funds	\$ 5,285,276	\$ 4,739,741
ETFs	3,645,241	3,566,459
	\$ 8,930,517	\$ 8,306,200

FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1- measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3- measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) for identical investments in active markets.

Level 2 inputs are quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Level 3 inputs are model derived valuations in which one or more significant inputs or significant value drivers are unobservable.

In certain cases, the inputs to measure fair value may result in an asset or liability falling into more than one level of the fair value hierarchy. In such cases, the determination of the classification of an asset or liability within the fair value hierarchy is based on the least determinate input that is significant to the fair value measurement.

**THE CYPRESS OF RALEIGH CLUB, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 5 - INVESTMENTS (concluded)

The following table represents investments that are measured at fair value on a recurring basis at December 31, 2023:

Fair Value Measurements at December 31, 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Mutual Funds	\$ 4,590,859	\$ -	\$ 4,590,859
ETFs	4,837,965	-	4,837,965
	<u>\$ 9,428,824</u>	<u>\$ -</u>	<u>\$ 9,428,824</u>

The following table represents investments that are measured at fair value on a recurring basis at December 31, 2022:

Fair Value Measurements at December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Mutual Funds	\$ 4,739,741	\$ -	\$ 4,739,741
ETFs	3,566,459	-	3,566,459
	<u>\$ 8,306,200</u>	<u>\$ -</u>	<u>\$ 8,306,200</u>

NOTE 6 - INVENTORY

Inventory at December 31, 2023 and 2022 consists of the following:

	<u>2023</u>	<u>2022</u>
Food and Beverage	\$ 46,693	\$ 58,930
Housekeeping supplies	26,819	29,639
Plant supplies	<u>43,845</u>	<u>43,577</u>
	<u>\$117,357</u>	<u>\$132,146</u>

THE CYPRESS OF RALEIGH CLUB, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2023</u>	<u>2022</u>
Building and Improvements	\$ 101,280	\$125,780
Furniture & Fixtures	35,314	35,314
Housekeeping Equipment	59,923	57,761
Healthcare Equipment	196,490	182,453
Clinic Equipment	28,300	28,300
Office Equipment	83,382	77,389
IT Equipment	451,990	439,231
Communications Equipment	531,709	524,929
Kitchen Equipment	585,967	488,967
Maintenance Equipment	162,285	154,014
Laundry Equipment	82,996	39,529
Vehicle	<u>470,590</u>	<u>366,656</u>
	2,790,226	2,520,323
Less accumulated depreciation	<u>1,346,295</u>	<u>1,120,935</u>
	<u>\$1,443,931</u>	<u>\$1,399,388</u>

Depreciation related to property and equipment totaled \$301,588 and \$264,779 for the years ended December 31, 2023 and 2022, respectively.

NOTE 8 - NET ASSETS

Net assets with donor restrictions were available for the following purposes as of December 31:

	<u>2023</u>	<u>2022</u>
Resident deposits	<u>\$ 4,102,000</u>	<u>\$ 4,012,000</u>

Net assets released from restrictions for the year ended December 31 were as follows:

	<u>2023</u>	<u>2022</u>
COVID expenses & lost revenue	<u>\$ 14,699</u>	<u>\$ 216,966</u>

**THE CYPRESS OF RALEIGH CLUB, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 9 - TRANSACTIONS WITH AFFILIATE AND RELATED PARTY

The Company receives an overhead fee of 10% of the operating costs from the Club and Association. During 2023 and 2022, a total of \$1,647,309 and \$1,528,483 was paid as management fees to the LLC, respectively. The amount due to the Company was \$0 at December 31, 2023 and 2022.

During 2023 and 2022, the Club paid Michael G. Sandman, Attorney at Law \$17,449 and \$17,501, respectively, for legal services. At December 31, 2023 and 2022, the amount due was \$1,983 and \$4,648, respectively.

NOTE 10 - LEASES

The Club rents various equipment and vehicles under operating leases, which expire through November 2025. The Club's financing leases expire through August 2027.

The right-of-use asset and corresponding liability associated with future lease payments at December 31, 2023 are shown below:

	<u>Operating</u>	<u>Financing</u>	<u>Total</u>
Right-of-use assets	\$ 73,182	\$ -	\$ 73,182
Property and equipment	\$ -	\$ 130,774	\$ 130,774
Lease liability	\$ 73,182	\$ 169,834	\$ 243,016
Weighted average:			
Discount rate	2.3%	4.5%	
Remaining lease term (years)	1 year	3 years	

THE CYPRESS OF RALEIGH CLUB, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 10 - LEASES (continued)

The right-of-use asset and corresponding liability associated with future lease payments at December 31, 2022 are shown below:

	<u>Operating</u>	<u>Financing</u>	<u>Total</u>
Right-of-use assets	\$ 164,812	\$ -	\$ 164,812
Property and equipment	\$ -	\$ 89,114	\$ 89,114
Lease liability	\$ 164,812	\$ 61,776	\$ 226,588
Weighted average:			
Discount rate	2.1%	6%	
Remaining lease term (years)	2 years	3 years	

Lease cost reported on the statement of activities for the year ended December 31 is as follows:

	<u>2023</u>	<u>2022</u>
Operating lease cost	\$ 94,243	\$ 107,299
Finance:		
Amortization of right-of-use assets	47,105	22,278
Interest on lease liability	6,983	4,387
Short-term lease cost	8,385	8,206
Total lease cost	<u>\$ 156,716</u>	<u>\$ 142,170</u>

The following lease payments are expected to be paid for each of the following years ending December 31:

	<u>Operating</u>	<u>Financing</u>	<u>Total</u>
2024	\$ 62,421	\$ 67,282	\$ 129,703
2025	11,974	58,907	70,881
2026	-	42,156	42,156
2027	-	12,756	12,756
	74,395	181,101	255,496
Less amount representing interest	(1,213)	(11,267)	(12,480)
Present value of lease liabilities	<u>\$ 73,182</u>	<u>\$ 169,834</u>	<u>\$ 243,016</u>

THE CYPRESS OF RALEIGH CLUB, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 10 - LEASES (concluded)

The following summarizes cash flow information related to leases for the year ended December 31:

	<u>2023</u>	<u>2022</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 94,243	\$ 107,299
Operating cash flows from finance leases	\$ 6,983	\$ 4,387
Financing cash flows from finance leases	\$ 47,543	\$ 20,740

NOTE 11 - LINE OF CREDIT

The Club has two lines of credit at one financial institution with a total credit limit of \$1,500,000 to fund upgrades and enhancements to the Club. The interest rate on both lines was LIBOR + 1.5%, with all principal and accrued interest due January 15, 2023. The lines are secured by the asset replacement investment account. At December 31, 2023 and 2022, the balance due was \$0 and \$395,000, respectively.

On February 22, 2023, the Club renewed its two revolving lines for \$1,500,000 with First-Citizens Bank, with an interest rate on each line of credit of SOFR + 1.75%. The maturity date was extended to February 22, 2025.

**THE CYPRESS OF RALEIGH CLUB, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 12 - NOTES PAYABLE

Notes payable at December 31, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
<p>Note payable to Ally Bank, with 60 monthly payments of principal and interest of \$1,085 beginning November 1, 2019 and one final payment due on October 1, 2024. The note is secured by a vehicle and carries an interest rate of 7.04%.</p>	\$ 10,499	\$ 22,300
<p>Note payable to BB&T Commercial Equipment Capital, with 60 monthly payments of principal and interest of \$326 beginning January 21, 2020 and one final payment due on January 21, 2025. The note is secured by golf carts and carries an interest rate of 6.35%.</p>	4,084	7,613
<p>Note payable to Ally Bank, with 60 monthly payments of principal and interest of \$1,312 beginning February 26, 2022 and one final payment due on January 26, 2027. The note is secured by a vehicle and carries an interest rate of 5.84%.</p>	<u>44,258</u> 58,841	<u>56,960</u> 86,873
<p>Less current portion</p>	<u>(27,785)</u> <u>\$ 31,056</u>	<u>(28,091)</u> <u>\$ 58,782</u>

**THE CYPRESS OF RALEIGH CLUB, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 12 - NOTES PAYABLE (concluded)

Future maturities of long-term debt are as follows:

2024	\$ 27,785
2025	14,663
2026	15,198
2027	<u>1,195</u>
	<u>\$ 58,841</u>

NOTE 13 – COVID-19 PANDEMIC

The Club received federal funds passed through the North Carolina Department of Health and Human Services (NCDHHS) of \$0 and \$127,245 as of December 31, 2023 and 2022. Funds received from NCDHHS can be used for employee COVID-19 testing. The Club recognized \$0 and \$127,245 as contribution revenue for the year ended December 31, 2023 and 2022, respectively, to the extent the conditions for entitlement to such funding for COVID-19 testing have been met, resulting in the simultaneous release of restrictions.

The Club recognized revenue of \$14,699 and \$89,721, respectively, from the Federal Emergency Management Agency (FEMA) for personal protective equipment and member COVID-19 testing reimbursement during the year ended December 31, 2023 and 2022.

In February 2023, the Club concluded its evaluation of eligibility for the Employee Retention Credit (“ERC”) under the CARES Act. The Club filed for refunds of the employer’s share of social security tax allocable to 2021 which is accounted for prospectively since the conditions for recording revenue were met in 2023, when uncertainty regarding qualification was resolved. The amount of the refund included in contribution revenue is \$4,090,861.

NOTE 14 - REGULATORY MATTERS

Continuing care retirement communities located in North Carolina are licensed and monitored by the State Department of Insurance under Article 64 of Chapter 58 of the North Carolina General Statutes. The Commissioner of Insurance has the authority to revoke or restrict the license of, or impose additional requirements on any continuing care facility under certain circumstances specified in General Statute 58-64-10.

THE CYPRESS OF RALEIGH CLUB, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 14 - REGULATORY MATTERS (concluded)

North Carolina General Statute 58-64-33 requires after the opening of a facility an operating reserve equal to 50% of the total operating costs of the facility forecasted for the 12 month period following the period covered by the most recent disclosure statement filed with the Department of Insurance. The forecast statements, as required by GS 58-64-20(a) (12), shall serve as a basis for the reserve. Continuing care retirement communities with occupancy levels in excess of 90% are required to maintain an operating reserve equal to 25% of total operating costs projected for the twelve month period following the most recent annual statement filed with the Department of Insurance, upon approval of the Commissioner. Continuing care retirement communities with less than 90% occupancy are required to maintain an operating reserve equal to 50% of projected total operating costs.

Total operating costs shall include budgeted operating expenses plus debt service less depreciation and amortization expense and revenue associated with non-contractual expenses. These reserves are to be used for the benefit of the Club in the event of emergencies or unexpected shortfalls.

To meet this obligation, at closing, each purchaser was responsible for paying a reserve deposit of \$9,000 to the Club through December 31, 2011. So long as it has not been necessary for the Club to use proceeds or assets from the reserve account, interest and/or dividends have been paid to each purchaser on a prorata basis in February of each year. For the year ended December 31, 2023 and 2022, the Club did not use proceeds or assets from the reserve account and the balance of interest and dividends is shown as due to members. Each subsequent purchaser shall be obligated to pay \$14,000 into the reserve account, so that upon resale of the unit, any unused portion of the deposit shall be returned to the original purchaser.

Notwithstanding the foregoing, the amount of the reserve deposit may be increased as reasonably necessary to remain consistent with the purposes of the reserve account, provided that such increase would be subject to approval by the Department of Insurance.

The balance held by the Club in the related restricted investment account was \$4,949,825 at December 31, 2023, and \$4,397,090 at December 31, 2022. The balance held by the Club in the related restricted cash and cash equivalent accounts was \$217,025 at December 31, 2023, and \$121,126 at December 31, 2022.

The Cypress of Raleigh, LLC reserves the right, if necessary or appropriate, to loan funds for the reserve account and to be reimbursed as funding occurs through future sales.

THE CYPRESS OF RALEIGH CLUB, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 15 - LIFE CARE SERVICES

On May, 2019 the Club entered into an agreement with Life Care Services LLC (LCS) to provide management services for the Club. LCS receives a management fee of the greater of \$45,000 per month (the Initial Base Fee) or 3.6% of the current month's total gross operating revenue, provided that the initial base fee shall be increased each January 1 by the same percentage increase as the United States Consumer Price index for All Urban Consumers published by the U.S. Bureau of Labor Statistics for the immediately preceding December as compared to the CPI-U for December of the prior year. No reduction shall be made in the Monthly Management fee in the event of a decrease in the CPI-U.

The Club is responsible for all operating expenses related to LCS's activities involving the Club.

At December 31, 2023 and 2022, the Club had paid \$681,467 and \$632,673 in management fees to LCS, respectively.

NOTE 16 – ASSET REPLACEMENT RESERVE

As of December 31, 2023 and 2022, there were funds of \$7,677,707 and \$4,004,369, respectively, designated for this Fund. Management of the Association conducted a study in 2009 to estimate the remaining useful lives of the components of common properties and to estimate the costs of future major repairs and replacements. This study was most recently updated in 2019 for a 20-year budget period beginning in 2019. The current policy is that these expenses will be paid from current amounts on hand or from assets maintained by the Club in designated and undesignated accounts, special assessments may be levied, as required, after utilizing these designated funds or funds may be borrowed. Capital expenditures of \$0 and \$491,950 were paid from the asset replacement reserve investments account for capital expenditures in 2023 and 2022, respectively.

NOTE 17 - RETIREMENT PLAN

The Club began a 401(k) retirement plan for all eligible employees on January 1, 2009. Employees are eligible to participate in the plan upon attaining the age of 21 years, completing one year of active service and having worked at least 1,000 hours in a given year. Employees may invest up to 20% of wages, tips and other compensation on form W-2 into the plan. The Club will match up to 50 cents on the dollar up to 3% of an employee's compensation. Employees are 100% vested in the portion they contribute to the plan. The Club matching funds are vested over a six-year period.

Retirement expense for the plan was \$101,348 and \$85,072 for the years ended December 31, 2023 and 2022, respectively.

THE CYPRESS OF RALEIGH CLUB, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 18 – COMMITMENTS, CONTINGENCIES AND UNCERTAINTIES

Full-time employees accrue 18 days of paid time off (PTO) per year during their first year of employment and an additional day each year up to 22 days in their fifth year of employment. Employees accrue 24 days in their sixth year of employment and 29 days in their 15th year of employment. Part-time employees earn PTO on a pro-rated basis per hours worked. The maximum carryover from one year to the next is 460 hours. At December 31, 2023 and 2022, the Club's total liability for PTO days was \$668,365 and \$560,111, respectively, and is included as accrued expense.

In February 2018, the North Carolina Department of Revenue completed an examination of sales & use tax for the period February 1, 2015 to November 30, 2017. The examining agent proposed adjustments related to additional sales tax of approximately \$193,000 plus penalties and interest of approximately \$48,000 and \$16,000, respectively. The Club does not agree with the adjustments proposed by the examining agent and requested departmental review. The department sustained the assessment in its entirety, after which the Club filed a petition for a contested case hearing. No provision has been made in the accompanying financial statements for the proposed additional sales tax, penalties and interest since the ultimate liability cannot be reasonably estimated.

NOTE 19 - MANAGEMENT'S REVIEW AND SUBSEQUENT EVENTS

Subsequent events were evaluated through April 2, 2024, which is the date the financial statements were available to be issued.

EXHIBIT C

**THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION,
INC. FINANCIAL REPORT (DECEMBER 31, 2023 and 2022)**

{ATTACHED}

THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1-3
FINANCIAL STATEMENTS:	
Balance sheets	4
Statements of revenue and expense	5
Statements of changes in members' equity	6
Statements of cash flows	7
Notes to financial statements	8-12
SUPPLEMENTARY INFORMATION	
Future major repairs and replacements	13
Schedule of functional expenses – December 31, 2023	14
Schedule of functional expenses – December 31, 2022	15



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Cypress of Raleigh Owners' Association, Inc.
Raleigh, North Carolina

Opinion

We have audited the accompanying financial statements of The Cypress of Raleigh Owners' Association, Inc. which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of revenue and expense, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Cypress of Raleigh Owners' Association, Inc. as of December 31, 2023 and 2022, and the results of its operations, changes in members' equity and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Cypress of Raleigh Owners' Association, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Cypress of Raleigh Owners' Association, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Cypress of Raleigh Owners' Association, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Cypress of Raleigh Owners' Association, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on future repairs and replacements on page 13 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 14 and 15 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Dreher Martin CPAs, P.A.

Raleigh, North Carolina
April 2, 2024

THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

ASSETS		<u>2023</u>	<u>2022</u>
Current assets			
Cash		\$ 100,127	\$ 100,077
Total current assets		<u>100,127</u>	<u>100,077</u>
Property & Equipment		18,719,415	18,038,303
Less Accumulated Depreciation		<u>5,216,896</u>	<u>4,269,793</u>
Net Property & Equipment		13,502,519	13,768,510
Other Assets			
Due from Affiliate		<u>6,840,505</u>	<u>5,725,178</u>
Total Assets		<u><u>\$ 20,443,151</u></u>	<u><u>\$ 19,593,765</u></u>

LIABILITIES AND MEMBERS' EQUITY

Members' Equity			
Members' equity-undesignated		<u>\$ 20,443,151</u>	<u>\$ 19,593,765</u>
Total Members' Equity		<u><u>\$ 20,443,151</u></u>	<u><u>\$ 19,593,765</u></u>

See Accompanying Notes and Independent Auditors' Report

THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
STATEMENTS OF REVENUE AND EXPENSE
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
OPERATING REVENUES, GAINS, AND OTHER SUPPORT		
Member fees and assessments	\$ 7,496,518	\$ 6,973,869
Asset replacement	77,047	54,582
Insurance	29,476	17,075
Miscellaneous Income	29	-
Total operating revenues, gains, and other support	7,603,070	7,045,526
 OPERATING EXPENSES		
Program Services		
Housekeeping	653,607	590,433
Plant	3,611,411	3,297,470
	4,265,018	3,887,903
 Supportive Services		
General and Administrative	2,743,635	2,549,900
Management fees	335,648	311,615
	3,079,283	2,861,515
Total operating expenses	7,344,301	6,749,418
Excess of Operating Revenue Over Expense	258,769	296,108
 OTHER CHANGES		
Developer contribution	-	100,000
Interest and Dividend Income	21	77
Gain/Loss on Sale of Assets	(6,072)	(3,834)
Excess of Revenue Over Expense	\$ 252,718	\$ 392,351

See Accompanying Notes and Independent Auditors' Report

THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
STATEMENTS OF CHANGES IN MEMBERS' EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022

Members' Equity	<u>Undesignated</u>
Members' Equity, January 1, 2022	\$ 18,472,874
Excess of revenue, gains and other support over expense	392,351
Developer contribution transferred from Club	(100,000)
Asset purchases transferred from Club	900,197
Amounts allocated to reserves	<u>(71,657)</u>
Members' Equity, December 31, 2022	\$ 19,593,765
Excess of revenue, gains and other support over expense	252,718
Asset purchases transferred from Club	703,191
Amounts allocated to reserves	<u>(106,523)</u>
Members' Equity, December 31, 2023	<u><u>\$ 20,443,151</u></u>

See Accompanying Notes and Independent Auditors' Report

THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of Revenue Over Expense	\$ 252,718	\$ 392,351
Adjustments to Reconcile Increase in Net Assets To Cash Provided by Operating Activities		
Depreciation	963,110	889,189
Gain/Loss on sale of assets	6,072	3,834
Decrease in due to affiliate	(1,115,327)	(1,113,640)
NET CASH PROVIDED BY OPERATING ACTIVITIES	106,573	171,734
INVESTING ACTIVITIES		
Developer Contribution	-	(100,000)
NET CASH USED BY INVESTING ACTIVITIES	-	(100,000)
FINANCING ACTIVITIES		
Transfers to Club	(106,523)	(71,657)
NET CASH USED BY FINANCING ACTIVITIES	(106,523)	(71,657)
INCREASE IN CASH AND CASH EQUIVALENTS	50	77
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	100,077	100,000
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 100,127	\$ 100,077
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Schedule of Noncash Investing Transactions		
Transfer of property and equipment from Club	\$ 703,191	\$ 900,197
Transfer of property and equipment from the Company	-	\$ 100,000

See Accompanying Notes and Independent Auditors' Report

THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

The Cypress of Raleigh Owners' Association, Inc. (the "Association") was created in accordance with the North Carolina Condominium Act to comply with North Carolina law regarding the ownership of the commonly owned property of The Cypress of Raleigh, a condominium continuing care retirement community ("The Cypress" or "community"). Pursuant to the Bylaws, the Association is governed by a Board of Directors comprised of 5 (five) persons. The Association has delegated to The Cypress of Raleigh Club, Inc., a not-for-profit corporation (the "Club"), all of the Association's responsibilities with respect to investment management and maintenance of the common areas of The Cypress, including the clubhouse and health center. Should the Club fail to act upon its duties, the Board has the authority to act on behalf of the Association. The Association began its operations in 2008.

Affiliates

The Club was organized as a not-for-profit corporation under the laws of the State of North Carolina to manage the operations and membership services provided to owners of units in The Cypress.

The Cypress of Raleigh, LLC (the "Company") is the entity that originally planned, designed and built The Cypress. Phase I of The Cypress opened in Fall 2008 and included a Clubhouse, Health Center, 34 cottages with garages and 168 single-story villas in 3 mid-rise buildings. In 2010, Phase II of the development was completed, and the community added three cottages bringing the total number of cottages to 37 and the total number of units to 205. In September 2018, the Company completed construction on the first Villa building of Phase III (the "Villa D Building"), which contains fifty-seven units ("Villa D") and was ready for occupancy in 2018. The final building, Villa E, was constructed and completed in late 2020. The 57 units in Villa E have been sold and the community now has a total of 319 homes. There is currently no future development planned. The Club and Association engage in various transactions with the Company, which is an affiliated entity.

A summary of the Association's significant accounting policies follows:

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and, accordingly reflect all significant receivables, payables, other liabilities and prepaid expenses.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Association considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(continued)

Property and Equipment

Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Property and equipment are depreciated over estimated useful lives of seven to thirty-nine years. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs, which do not improve or extend the life of the respective assets, are charged to expense as incurred.

The Association capitalizes all property and equipment to which it has title or other evidence of ownership over \$1,000. The Association does not recognize as assets real property directly associated with the members' units. Capitalized assets acquired by the Association are recorded at cost, while assets contributed by the developer are recorded at estimated fair value at the date of the contribution.

The Association assesses long-lived assets for impairment when events or circumstances exist that indicates the carrying amounts of these assets may not be recoverable.

Revenue Recognition

The Association's revenue is generated primarily through association fees from condominium owners in The Cypress and represent amounts charged to residents under the terms of the Membership Agreement. Services are provided to members on an ongoing basis throughout the year and as a result revenue is recognized monthly at the time of billing.

Income Taxes

Homeowners associations may be taxed either as homeowners associations or as regular corporations. For the years ended December 31, 2023 and 2022, the Association was taxed as a homeowners association. As a homeowners association, membership income is exempt from taxation if certain elections are made, and the Association is taxed only on its nonmembership income, such as interest earnings, at regular federal and state corporate rates.

The IRS and North Carolina Department of Revenue may examine the returns of the Association for a three year period after they are filed. The Association has open tax years from December 31, 2020 through December 31, 2023 which can be reviewed.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(concluded)

Reclassifications

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform to current year presentation

NOTE 2 - CONCENTRATIONS OF CREDIT RISK

The Association maintained its cash balances in one financial institution located in Raleigh, North Carolina in 2023 and 2022. The balances were insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2023 and 2022, the Association had no uninsured cash balances.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2023</u>	<u>2022</u>
Building and Improvements	\$13,348,856	\$12,809,522
Land Improvements	960,201	830,668
Furniture & Fixtures	3,488,372	3,476,127
Office Equipment	2,675	2,675
IT Equipment	61,995	61,995
Kitchen Equipment	453,736	453,736
Independent Living Furniture	23,718	23,718
Maintenance Equipment	17,691	17,691
Health Center Furniture	<u>362,171</u>	<u>362,171</u>
	18,719,415	18,038,303
Less accumulated depreciation	<u>5,216,896</u>	<u>4,269,793</u>
	<u>\$13,502,519</u>	<u>\$13,768,510</u>

Depreciation related to property and equipment totaled \$963,110 and \$889,189 for the years ended December 31, 2023 and 2022, respectively.

THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 4 - TRANSACTIONS WITH AFFILIATES

At December 31, 2009, the Cypress of Raleigh, LLC transferred ownership of common area property to the Association per the agreement between the Association members and the Company. The assets were transferred at market value and consisted of furniture and fixtures of \$2,511,861.

The Company receives an overhead fee of 10% of the operating costs from the Club. The Club allocates a portion of these expenses to the Association. During 2023 and 2022, the Association's portion of the allocated costs were \$811,361 and \$752,835, respectively.

In 2022, the Company contributed \$100,000 for expenses related to the garden project. These contributions are included in revenue as developer contribution.

NOTE 5 - LIFE CARE SERVICES

On May, 2019 the Club entered into an agreement with Life Care Services LLC (LCS) to provide management services for the Club. LCS receives a management fee of the greater of \$45,000 per month (the Initial Base Fee) or 3.6% of the current month's total gross operating revenue, provided that the initial base fee shall be increased each January 1 by the same percentage increase as the United States Consumer Price index for All Urban Consumers published by the U.S. Bureau of Labor Statistics for the immediately preceding December as compared to the CPI-U for December of the prior year. No reduction shall be made in the Monthly Management fee in the event of a decrease in the CPI-U.

The Club is responsible for all operating expenses related to LCS's activities involving the Club. The Club allocates a portion of these expenses to the Association.

At December 31, 2023 and 2022, the Association's portion of the allocated costs were \$335,648 and \$311,615, respectively.

NOTE 6 – ASSET REPLACEMENT RESERVE

An Asset Replacement Reserve account is funded by payments made by each Member at the closing on his/her Cottage or Villa. The payment will be equal to two months of the Member's prorata share of Association common expenses. The Asset Replacement Reserve Account will only be used for purposes related to The Cypress' property, and any interest earned on funds held in the account shall be included in the asset replacement reserve fund. During 2023 and 2022, funds were transferred by the Club to a cash account for Asset Replacement Reserve totaling \$77,047 and \$54,582, respectively.

THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 7 - FUTURE REPAIRS AND REPLACEMENTS

As of December 31, 2015, all funds designated for an Asset Replacement Reserve account were transferred to the Club. Management of the Association conducted a study in 2009 to estimate the remaining useful lives of the components of common properties and to estimate the costs of future major repairs and replacements. This study was most recently updated in 2019 for a 20-year budget period beginning in 2019. The current policy is that these expenses will be paid from current amounts on hand or from assets maintained by the Club in designated and undesignated accounts, special assessments may be levied, as required, after utilizing these designated funds or funds may be borrowed.

NOTE 8 - RESERVE FOR INSURANCE

At closing, the member also pays a share of the condominium insurance premium for the year of closing. The amount of this fee is determined in accordance with each unit's statutory percentage interest in the condominium. During 2023 and 2022, \$29,476 and \$17,075, respectively, was transferred into a cash account by the Club for this purpose.

NOTE 9 - MANAGEMENT'S REVIEW AND SUBSEQUENT EVENTS

Subsequent events were evaluated through April 2, 2024, which is the date the financial statements were available to be issued.

In January 2024, management updated its study to estimate the costs of future major repairs and replacements.

THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
(UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2023

Management engaged a consultant to perform a study in 2009 to estimate the remaining useful lives and the replacement costs of the components of common property over a 20 year period. This study was most recently updated in 2019 for a 20 year period, beginning in 2019. The estimates were based on estimated current replacement costs. Funding requirements include an annual rate of inflation and interest on amounts funded for future major repairs and replacements.

The following table is based on the 2019 study (unless otherwise noted) and presents significant information about the components of common property.

Component	Estimated Remaining Useful Life (Years)	Estimated Current Replacement Costs	2023 Funding Requirements (2019 Study)
Site Improvements 2.0	1-31	\$ 2,614,849	
Building Structures & Systems 3.0	0-51	7,112,617	
Building Mechanical Equipment (MEP) 4.0	0-41	8,181,087	
Common Area Interior & Finishes 5.0	0-36	3,479,063	
Unit Improvements 6.0	1-24	9,863,394	
Furniture, Fixtures & Equipment (FFE) 7.0	0-18	8,107,753	
Capital Projects 8.0	0-20	<u>3,179,752</u>	
TOTALS		<u>\$ 42,538,515</u>	<u>\$ 1,312,752</u>

THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

	Housekeeping	Plant	Total Program Service	General and Administrative	Total
Salaries and Wages	\$ 454,758	\$ 1,192,811	\$ 1,647,569	\$ 261,448	\$ 1,909,017
Pension Expense	5,002	11,157	16,159	3,987	20,146
Other Employee Benefits	115,193	159,690	274,883	41,863	316,746
Payroll Taxes	35,188	93,426	128,614	19,806	148,420
Accounting and Legal	-	-	-	71,173	71,173
Travel	-	5	5	-	5
Worker's Comp Insurance	4,884	12,706	17,590	490	18,080
Rent	-	36,464	36,464	747	37,211
Supplies	28,623	133,853	162,476	24,176	186,652
Licenses and Fees	-	19,094	19,094	-	19,094
Repairs and Maintenance	5,260	925,113	930,373	8,493	938,866
Vehicle Expense	-	7,029	7,029	-	7,029
Utilities	-	1,013,090	1,013,090	-	1,013,090
Other Employee Expense	4,188	2,318	6,506	23,561	30,067
Training	511	4,655	5,166	5,284	10,450
Professional Dues	-	-	-	3,411	3,411
IT Expense	-	-	-	44,004	44,004
Telephone	-	-	-	52,936	52,936
Other Expense	-	-	-	12,869	12,869
Printing and Postage	-	-	-	10,856	10,856
Management Fee	-	-	-	335,648	335,648
Insurance	-	-	-	256,695	256,695
Other Fees	-	-	-	127,365	127,365
Depreciation	-	-	-	963,110	963,110
Overhead Fee	-	-	-	811,361	811,361
TOTAL	\$ 653,607	\$ 3,611,411	\$ 4,265,018	\$ 3,079,283	\$ 7,344,301

THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Housekeeping	Plant	Total Program Service	General and Administrative	Total
Salaries and Wages	\$ 413,903	\$ 1,062,016	\$ 1,475,919	\$ 236,033	\$ 1,711,952
Pension Expense	4,129	8,460	12,589	3,423	16,012
Other Employee Benefits	100,838	156,082	256,920	43,177	300,097
Payroll Taxes	32,396	84,623	117,019	17,939	134,958
Accounting and Legal	-	-	-	53,227	53,227
Worker's Comp Insurance	5,512	12,229	17,741	959	18,700
Rent	-	46,499	46,499	573	47,072
Supplies	27,323	130,063	157,386	23,522	180,908
Licenses and Fees	-	13,230	13,230	-	13,230
Repairs and Maintenance	4,036	838,154	842,190	10,590	852,780
Vehicle Expense	-	7,644	7,644	-	7,644
Utilities	-	933,177	933,177	-	933,177
Other Employee Expense	2,045	3,933	5,978	23,637	29,615
Training	251	1,360	1,611	1,696	3,307
Professional Dues	-	-	-	3,148	3,148
IT Expense	-	-	-	38,353	38,353
Telephone	-	-	-	48,086	48,086
Other Expense	-	-	-	5,440	5,440
Printing and Postage	-	-	-	13,738	13,738
Management Fee	-	-	-	311,615	311,615
Insurance	-	-	-	232,239	232,239
Other Fees	-	-	-	152,096	152,096
Depreciation	-	-	-	889,189	889,189
Overhead Fee	-	-	-	752,835	752,835
TOTAL	\$ 590,433	\$ 3,297,470	\$ 3,887,903	\$ 2,861,515	\$ 6,749,418

EXHIBIT D

**THE CYPRESS OF RALEIGH CLUB, INC. AND
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION,
INC. FINANCIAL REPORT (DECEMBER 31, 2023 and 2022)**

{ATTACHED}

**THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.**

AUDITED COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1-3
FINANCIAL STATEMENTS:	
Combined balance sheets	4
Combined statements of operations	5
Combined statements of changes in net assets and members' equity	6
Combined statement of functional expenses – December 31, 2023	7
Combined statement of functional expenses – December 31, 2022	8
Combined statements of cash flows	9
Notes to combined financial statements	10-30
SUPPLEMENTARY INFORMATION	
Future major repairs and replacements	31



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Cypress of Raleigh Club, Inc.
The Cypress of Raleigh Owners' Association, Inc.
Raleigh, North Carolina

Opinion

We have audited the accompanying combined financial statements of The Cypress of Raleigh Club, Inc. and The Cypress of Raleigh Owners' Association, Inc. which comprise the combined balance sheets as of December 31, 2023 and 2022, and the related combined statements of operations, changes in net assets and members' equity, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of The Cypress of Raleigh Club, Inc. and The Cypress of Raleigh Owners' Association, Inc. as of December 31, 2023 and 2022, and the results of their operations, changes in their net assets and members' equity and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Cypress of Raleigh Club, Inc. and The Cypress of Raleigh Owners' Association, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Cypress of Raleigh Club, Inc. and The Cypress of Raleigh Owners' Association, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Cypress of Raleigh Club, Inc. and The Cypress of Raleigh Owners' Association, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Cypress of Raleigh Club, Inc. and The Cypress of Raleigh Owners' Association, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on future repairs and replacements on page 31 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Dreher Martin CPAs, P.A.

Raleigh, North Carolina
April 2, 2024

THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
COMBINED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

ASSETS	2023	2022
Current Assets		
Cash and Cash equivalents	\$ 821,863	\$ 245,466
Cash and Cash equivalents - limited as to use	3,198,708	95,259
Accounts Receivable	886,595	754,004
Accounts Receivable - other	-	26,314
Inventory	117,357	132,146
Prepaid Expenses	159,118	273,592
Total Current Assets	5,183,641	1,526,781
Assets Limited as to Use		
Restricted Reserves Required by State Statute, cash equivalents	217,025	121,126
Restricted Reserves Required by State Statute, investments	4,949,825	4,397,090
Asset Replacement Reserve, investments	4,478,999	3,909,110
Total Assets Limited to Use	9,645,849	8,427,326
Property and Equipment, Net	14,946,450	15,167,898
Other Assets		
Due from Affiliates	53,438	14,918
Refundable Deposits	62,327	62,327
Right-of-use Assets - Operating Leases	73,182	164,812
Total Other Assets	188,947	242,057
	\$ 29,964,887	\$ 25,364,062
LIABILITIES, NET ASSETS AND MEMBERS' EQUITY		
Current liabilities		
Accounts Payable	\$ 633,928	\$ 872,142
Accrued Expenses	1,090,994	953,855
Due to Members	31,498	15,786
Line of Credit	-	395,000
Current Portion of Notes Payable	27,785	28,091
Current Portion of Operating Lease Liability	61,404	91,630
Current Portion of Finance Lease Liability	60,987	22,019
Total Current Liabilities	1,906,596	2,378,523
Long-term Liabilities		
Notes Payable, Net of Current Portion	31,056	58,782
Operating Lease Liability, Net of Current Portion	11,778	73,182
Finance Lease Liability, Net of Current Portion	108,847	39,757
Total Long-term Liabilities	151,681	171,721
Total Liabilities	2,058,277	2,550,244
Net Assets, Without donor restrictions	(4,316,248)	(4,796,316)
Net Assets, Without donor restrictions - Designated for asset replacement	7,677,707	4,004,369
Net Assets, With donor restrictions	4,102,000	4,012,000
Members' Equity		
Members' Equity, undesignated	20,443,151	19,593,765
Total Members' Equity	20,443,151	19,593,765
	\$ 29,964,887	\$ 25,364,062

See Accompanying Notes and Independent Auditors' Report

THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
COMBINED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2023 AND 2022

Net Assets Without Donor Restrictions:	2023	2022
OPERATING REVENUES, GAINS, AND OTHER SUPPORT		
Member fees and assessments	\$ 19,992,602	\$ 18,128,575
Health Center	5,733,629	5,222,875
Home Health	2,496,091	2,223,115
Asset Replacement	77,047	54,582
Insurance	29,476	17,075
Miscellaneous Income	900	91
Net Assets Released from Restriction	14,699	216,966
Total Operating Revenues, Gains and Other Support	<u>28,344,444</u>	<u>25,863,279</u>
OPERATING EXPENSES		
Program Services		
Housekeeping	2,646,564	2,386,026
Food and beverage	5,023,005	4,805,095
Health Center	5,841,451	5,368,206
Community Home Health	2,469,485	2,258,023
Resident services	929,713	810,206
Plant	4,083,422	3,756,183
	<u>20,993,640</u>	<u>19,383,739</u>
Supporting Services		
General and Administrative	6,373,927	6,000,654
Management fees	1,017,115	944,288
	<u>7,391,042</u>	<u>6,944,942</u>
Total Operating Expenses	<u>28,384,682</u>	<u>26,328,681</u>
Excess of Operating Expenses Over Revenue	(40,238)	(465,402)
OTHER CHANGES		
Contributions	4,090,861	-
Developer Contribution	-	100,000
Net Investment Income (Loss)	1,531,091	(1,484,412)
Other expenses	(504,651)	(535,359)
Interest expense	(28,927)	(18,971)
Gain/Loss on sale of assets	(45,344)	(5,271)
	<u>5,002,792</u>	<u>(2,409,415)</u>
Change in net assets without donor restrictions and members' equity	<u>5,002,792</u>	<u>(2,409,415)</u>
Net Assets With Donor Restrictions:		
Reserves Required By State Statute Deposited	90,000	51,000
Contributions	14,699	216,966
Net Assets Released from Restriction	(14,699)	(216,966)
Change net assets with donor restrictions	<u>90,000</u>	<u>51,000</u>
Change in net assets and members' equity	<u>\$ 5,092,792</u>	<u>\$ (2,358,415)</u>

See Accompanying Notes and Independent Auditors' Report

THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH HOMEOWNERS' ASSOCIATION, INC.
COMBINED STATEMENTS OF CHANGES IN NET ASSETS AND MEMBERS' EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022

	Total Net Assets 2023	Total Net Assets 2022
Net Assets Without Donor Restrictions		
Net assets Without Donor Restrictions-Beginning	\$ (4,796,316)	\$ (2,405,059)
Asset purchases transferred to Owners' Association	(703,191)	(900,197)
Change in net assets	<u>1,183,259</u>	<u>(1,491,060)</u>
Net Assets Without Donor Restrictons	<u>\$ (4,316,248)</u>	<u>\$ (4,796,316)</u>
Net Assets Without Donor Restrictions - Designated		
Net Assets Without Donor Restrictions - Designated -Beginning	\$ 4,004,369	\$ 5,143,418
Developer contribution transferred to Association	-	100,000
Amounts transferred to Association for reserves	106,523	71,657
Change in net assets without donor restrictions - designated	<u>3,566,815</u>	<u>(1,310,706)</u>
Net Assets Without Donor Restrictons - Designated	<u>\$ 7,677,707</u>	<u>\$ 4,004,369</u>
Net Assets With Donor Restrictions		
Net Assets With Donor Restrictions - Beginning	\$ 4,012,000	\$ 3,961,000
Change in net assets with donor restrictions	<u>90,000</u>	<u>51,000</u>
Net Assets With Donor Restrictions	<u>\$ 4,102,000</u>	<u>\$ 4,012,000</u>
Members' Equity	<u>Undesignated</u>	
Members' Equity, January 1, 2022	\$ 18,472,874	
Excess of revenue, gains and other support over expense	392,351	
Developer contribution transferred from Club	(100,000)	
Asset purchases transferred from Club	900,197	
Amounts allocated to reserves	<u>(71,657)</u>	
Members' Equity, December 31, 2022	\$ 19,593,765	
Excess of revenue, gains and other support over expense	252,718	
Asset purchases transferred from Club	703,191	
Amounts allocated to reserves	<u>(106,523)</u>	
Members' Equity, December 31, 2023	<u>\$ 20,443,151</u>	

See Accompanying Notes and Independent Auditors' Report

**THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION INC.
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Housekeeping	Food & Beverage	Health Center	Community Home Health	Resident Services	Plant	Total Program Service	General and Administrative	Total
Salaries and Wages	\$ 1,819,032	\$ 2,601,754	\$ 4,011,583	\$ 1,969,922	\$ 531,356	\$ 1,386,989	\$ 12,320,636	\$ 843,381	\$ 13,164,017
Pension Expense	20,006	13,234	28,273	21,090	8,430	13,126	104,159	17,335	121,494
Other Employee Benefits	460,772	386,898	509,473	267,992	78,254	187,871	1,891,260	182,015	2,073,275
Payroll Taxes	140,751	203,516	298,063	157,462	39,117	108,635	947,544	63,890	1,011,434
Accounting and Legal	-	-	-	-	-	-	-	142,346	142,346
Travel	575	920	6,228	-	2,719	50	10,492	11,510	22,002
Worker's Comp Insurance	19,537	28,691	39,244	25,125	4,907	14,774	132,278	1,581	133,859
Food Expense	-	1,526,295	-	-	-	-	1,526,295	-	1,526,295
Rent	-	36,913	10,951	-	4,900	91,160	143,924	1,494	145,418
Supplies	114,493	194,583	30,525	650	4,556	140,898	485,705	83,309	569,014
Licenses and Fees	-	11,117	11,874	8,951	4,764	21,215	57,921	7,280	65,201
Repairs and Maintenance	52,602	4,822	1,682	-	2,635	973,803	1,035,544	24,265	1,059,809
Vehicle Expense	-	-	-	-	-	70,287	70,287	-	70,287
Utilities	-	-	-	-	-	1,066,410	1,066,410	-	1,066,410
Activity Expenses	-	-	16,065	-	103,916	-	119,981	-	119,981
Other Employee Expense	16,752	9,897	6,188	(50)	13,450	2,727	48,964	102,438	151,402
Medical Supplies	-	-	170,395	1,854	-	-	172,249	-	172,249
Other Medical Expenses	-	-	574,389	-	-	-	574,389	-	574,389
Training	2,044	1,609	4,635	3,364	4,539	5,477	21,668	22,973	44,641
Professional Dues	-	2,756	4,788	2,925	-	-	10,469	13,645	24,114
IT Expense	-	-	-	-	-	-	-	220,023	220,023
Telephone	-	-	-	10,200	-	-	10,200	105,872	116,072
Other Expense	-	-	-	-	-	-	-	24,452	24,452
Printing and Postage	-	-	-	-	-	-	-	21,711	21,711
Management Fee	-	-	-	-	-	-	-	1,017,115	1,017,115
Insurance	-	-	-	-	-	-	-	366,707	366,707
Other Fees	-	-	117,095	-	126,170	-	243,265	394,332	637,597
Depreciation	-	-	-	-	-	-	-	1,264,698	1,264,698
Overhead Fee	-	-	-	-	-	-	-	2,458,670	2,458,670
TOTAL	\$ 2,646,564	\$ 5,023,005	\$ 5,841,451	\$ 2,469,485	\$ 929,713	\$ 4,083,422	\$ 20,993,640	\$ 7,391,042	\$ 28,384,682

See Accompanying Notes and Independent Auditors' Report

THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION INC.
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Housekeeping	Food & Beverage	Health Center	Community Home Health	Resident Services	Plant	Total Program Service	General and Administrative	Total
Salaries and Wages	\$ 1,655,612	\$ 2,488,956	\$ 3,684,387	\$ 1,824,618	\$ 455,366	\$ 1,234,903	\$ 11,343,842	\$ 761,397	\$ 12,105,239
Pension Expense	16,517	8,252	27,878	17,303	6,299	9,953	86,202	14,882	101,084
Other Employee Benefits	403,352	351,829	486,802	225,937	66,116	183,626	1,717,662	187,727	1,905,389
Payroll Taxes	129,582	191,922	257,620	142,682	34,133	98,399	854,338	57,868	912,206
Accounting and Legal	-	-	-	-	-	-	-	106,455	106,455
Travel	-	1,962	9,518	469	307	-	12,256	6,286	18,542
Worker's Comp Insurance	22,049	20,637	34,506	20,805	4,398	14,220	116,615	3,094	119,709
Food Expense	-	1,441,486	-	-	-	-	1,441,486	-	1,441,486
Rent	81	33,543	304	-	3,605	116,247	153,780	1,145	154,925
Supplies	109,291	237,345	65,622	4,526	3,926	136,908	557,618	122,195	679,813
Licenses and Fees	-	11,566	9,472	6,389	11,897	14,700	54,024	6,854	60,878
Repairs and Maintenance	40,357	517	3,985	-	1,687	882,268	928,814	30,257	959,071
Vehicle Expense	-	-	-	-	-	76,441	76,441	-	76,441
Utilities	-	-	-	-	-	982,291	982,291	-	982,291
Activity Expenses	-	-	12,801	-	75,530	-	88,331	-	88,331
Other Employee Expense	8,180	9,071	5,149	5	11,283	4,627	38,315	102,768	141,083
Medical Supplies	-	-	156,720	642	-	-	157,362	7,188	164,550
Other Medical Expenses	-	-	491,374	-	-	-	491,374	-	491,374
Training	1,005	40	1,058	781	714	1,600	5,198	7,372	12,570
Professional Dues	-	6,019	352	2,826	-	-	9,197	12,592	21,789
IT Expense	-	-	-	-	-	-	-	191,767	191,767
Telephone	-	-	-	11,040	-	-	11,040	96,171	107,211
Other Expense	-	-	-	-	-	-	-	20,443	20,443
Printing and Postage	-	-	-	-	-	-	-	27,476	27,476
Management Fee	-	-	-	-	-	-	-	944,288	944,288
Insurance	-	-	-	-	-	-	-	331,770	331,770
Other Fees	-	1,950	120,658	-	134,945	-	257,553	469,661	727,214
Depreciation	-	-	-	-	-	-	-	1,153,968	1,153,968
Overhead Fee	-	-	-	-	-	-	-	2,281,318	2,281,318
TOTAL	\$ 2,386,026	\$ 4,805,095	\$ 5,368,206	\$ 2,258,023	\$ 810,206	\$ 3,756,183	\$ 19,383,739	\$ 6,944,942	\$ 26,328,681

See Accompanying Notes and Independent Auditors' Report

THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net change in net assets and members' equity	\$ 5,092,792	\$ (2,358,415)
Adjustments to Reconcile Increase (Decrease) in Net Assets		
To Cash Provided by Operating Activities		
Depreciation	1,264,698	1,153,968
Gain/Loss on sale of assets	45,344	5,271
Realized and Unrealized Gains/Losses	(867,342)	1,599,519
Reduction in the carrying amount of right-of-use assets - operating leases	91,630	103,972
Changes in working capital components:		
(Increase) decrease in:		
Accounts and Other Receivables	(106,277)	9,405
Inventory	14,789	4,037
Prepaid Expenses	114,474	(23,239)
Due From Affiliate	(38,520)	(4,223)
Refundable Deposits	-	(150)
Increase (decrease)		
Accounts payable	(238,214)	166,255
Accrued Expenses	137,139	112,374
Refundable Advance	-	(127,245)
Due to Members	15,712	(39,953)
Lease Liability	(91,630)	(103,972)
	<u>5,434,595</u>	<u>497,604</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
INVESTING ACTIVITIES		
Purchase of Investments	(9,453,514)	(4,924,280)
Proceeds from Sales of Investments	9,198,234	5,157,153
Proceeds from Sales of Property and Equipment	55,000	-
Purchase of Property and Equipment	(987,995)	(1,076,708)
	<u>(1,188,275)</u>	<u>(843,835)</u>
NET CASH USED BY INVESTING ACTIVITIES		
FINANCING ACTIVITIES		
Proceeds on Line of Credit	165,000	745,000
Payments on Line of Credit	(560,000)	(425,000)
Payments on notes payable	(28,032)	(25,301)
Payments on Finance Lease Payable	(47,543)	(19,623)
	<u>(470,575)</u>	<u>275,076</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	3,775,745	(71,155)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR	461,851	533,006
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	\$ 4,237,596	\$ 461,851
CASH CONSISTS OF:		
Cash and cash equivalents	\$ 821,863	\$ 245,466
Cash and cash equivalents - without donor restrictions, designated	3,198,708	95,259
Restricted cash included in assets limited to use	217,025	121,126
	<u>\$ 4,237,596</u>	<u>\$ 461,851</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Schedule of Noncash Investing and Financing Transactions		
Right-of-use asset obtained in exchange for lease obligations:		
Operating leases	\$ -	\$ 19,334
Finance lease obligation for the use of equipment	\$ 155,601	\$ -
Transfer of property and equipment from the Company	\$ 703,191	\$ 100,000
Note payable for vehicle purchased	\$ -	\$ 67,961
Cash paid for interest	\$ 28,927	\$ 18,971

See Accompanying Notes and Independent Auditors' Report

**THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

The Cypress of Raleigh Club, Inc. ("Club") was organized as a not-for-profit corporation under the laws of the State of North Carolina to manage the operations and membership services provided to owners of units in The Cypress of Raleigh ("Cypress" or "community"), a condominium continuing care retirement community organized under the North Carolina General Statutes.

The Cypress of Raleigh Owners' Association, Inc. ("Association") was created in accordance with the North Carolina Condominium Act to comply with North Carolina law regarding the ownership of commonly owned property of The Cypress. Pursuant to the Bylaws, the Association is governed by a Board of Directors comprised of five (5) persons. The Association has delegated to the Club all of the Association's responsibilities with respect to investment management and the maintenance of the common areas of The Cypress, including the clubhouse and health center. The Association began its operations in 2008.

The Cypress of Raleigh, LLC (the "Company") is the entity that originally planned, designed and built The Cypress. Phase I of The Cypress opened in Fall 2008 and included a Clubhouse, Health Center, 34 cottages with garages and 168 single-story villas in 3 mid-rise buildings. In 2010, Phase II of the development was completed, and the community added three cottages bringing the total number of cottages to 37 and the total number of units to 205. In September 2018, the Company completed construction on the first Villa building of Phase III (the "Villa D Building"), which contains fifty-seven units ("Villa D") and was ready for occupancy in 2018. The final building, Villa E, was constructed and completed in late 2020. The 57 units in Villa E have been sold and the community now has a total of 319 homes. There is currently no future development planned. The Club and Association engage in various transactions with the Company, which is an affiliated entity.

Principles of Combination

The accompanying combined financial statements include the accounts of the above named businesses. All material related-party balances and transactions have been eliminated in combination.

A summary of the Club and Association's significant accounting policies follows:

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, other liabilities and prepaid expenses.

**THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

**NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Contributions and Net Assets

Funds received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of the funding restrictions. When a restriction expires (that is, when a stipulated time restriction ends or when the purpose of the restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

All restrictions on long-lived assets are released from restriction when the asset is placed in service, unless there are explicit donor restrictions indicating otherwise.

The Club follows the recommendations of the Financial Accounting Standards Board in its FASB ASC 958, "Not-for-Profit Entities." Under FASB ASC 958, the Club is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Accordingly, net assets of the Club and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Club and/or the passage of time or net assets subject to donor imposed stipulations that must be maintained in perpetuity by the Club.

Cash and Cash Equivalents and Restricted Cash

For purposes of the statement of cash flows, the entities consider all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Restricted cash consists of funds that have donor or contractual restrictions for long-term purposes. The cash restricted, either by donor or contractually, is reflected in net assets with donor restrictions.

Investments

Investments consist of mutual fund investments, exchange traded funds and bonds. Consistent with FASB ASC 958-320, FASB 820-10 and FASB ASC 825-10, these investments are stated at fair value based on market quotes from identical investments or similar instruments in active markets.

**THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

**NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Accounts Receivable

The Club records accounts receivable at total unpaid balance, which approximates fair value as of December 31, 2023 and 2022. The Club determines past-due status of individual accounts receivable based on terms of the original contract (or based on how recently payments have been made, for example). The Club estimates an allowance for doubtful accounts based on a combination of factors, including the Club's historical loss experience and any anticipated effects related to current economic conditions, as well as management knowledge of the current accounts receivable. Delinquent accounts are written off when deemed uncollectible. The Club's management considers all accounts currently collectible and does not establish an allowance for uncollectible accounts at this time.

Assets Limited as to Use

Assets limited as to use primarily include assets designated by the Board of Directors for specific purposes, assets restricted by donors for future capital improvements and assets limited under state statute.

North Carolina General Statute Chapter 58, Article 64, requires continuing care retirement communities to maintain an operating reserve equal to a statutorily required percentage of total forecasted operating costs (less certain expenses) for a specific period. This operating reserve is not Board-controlled and cannot be used without the prior approval of the commissioner of the North Carolina Department of Insurance pursuant to GS § 58-64-33(c). At December 31, 2023 and 2022, this reserve totaled \$5,166,850 and \$4,518,216, respectively.

Inventory

The Club values its inventories at the lower of cost (average cost method) or market.

Prepaid Expenses

Prepaid expenses consist of prepaid insurance, which is amortized over the periods to which it applies.

Property and Equipment

Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Property and equipment are depreciated over estimated useful lives of seven to thirty-nine years. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. The Club's policy is to capitalize property and equipment over \$1,000. Expenditures for maintenance and repairs, which do not improve or extend the life of the respective assets, are charged to expense as incurred. Club equipment is capitalized at cost.

**THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

**NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(continued)**

The Association capitalizes all property and equipment to which it has title or other evidence of ownership over \$1,000. The Association does not recognize as assets real property directly associated with the members' units. Capitalized assets acquired by the Association are recorded at cost, while assets contributed by the developer are recorded at estimated fair value at the date of the contribution.

The Association assesses long-lived assets for impairment when events or circumstances exist that indicates the carrying amounts of these assets may not be recoverable.

Leases

The Club determines if an arrangement is a lease at inception. All leases are recorded on the statement of financial position except for leases with an initial term less than 12 months for which the Club made the short-term lease election.

Operating lease right-of-use assets (ROU) and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. ROU assets also include adjustments related to lease payments made and lease incentives received at or before the commencement date. Finance lease ROU assets are included in Property and equipment, net, and the related liabilities are included in lease liabilities in the statements of financial position. At lease commencement, lease liabilities are recognized based on the present value of the remaining lease payments and discounted using the Club's risk free rate. Operating lease cost is recognized on a straight-line basis over the lease term as rent expense and printing and postage expense on the statement of functional expenses. Lease and non-lease components of lease agreements are accounted for separately. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option.

Revenue Recognition

Member fees represent amounts charged to residents under the terms of the Membership Agreement. Services are provided to members on an ongoing basis throughout the year and as a result revenue is recognized monthly at the time of billing.

Health Center and home health revenue is reported at the estimated net realizable amounts from residents, third-party payors and others for room and board and services/supplies received. Revenue is recognized monthly at the time of billing.

**THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

**NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Revenues under third-party payer agreements are subject to audit and retroactive adjustment. Provisions for estimated third-party payer settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement.

Contribution revenue includes conditional and unconditional contributions from the CARES Act, FEMA reimbursement of healthcare expenses and Employee Retention Credit (ERC) refunds. Revenue from conditional contributions is recognized in the period the conditions are met. Amounts received prior to incurring qualifying expenditures are reported as refundable advances. Revenue from unconditional contributions is recognized in the period received.

The Association's revenue is generated primarily through association fees from condominium owners in The Cypress and represent amounts charged to residents under the terms of the Membership Agreement. Services are provided to members on an ongoing basis throughout the year and as a result revenue is recognized monthly at the time of billing.

Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Individual expenses are reviewed and charged directly to each program based on time and effort and actual usage.

Income Taxes

The Club is a not-for-profit organization that applied for exemption from income taxes under Section 501(c) 4 of the Internal Revenue Code. The Club received its tax-exempt status on April 28, 2005.

Homeowners associations may be taxed either as homeowners associations or as regular corporations. For the years ended December 31, 2023 and 2022, the Association was taxed as a homeowners association. As a homeowners association, membership income is exempt from taxation if certain elections are made, and the Association is taxed only on its nonmembership income, such as interest earnings, at regular federal and state corporate rates.

The IRS and North Carolina Department of Revenue may examine the returns of the Club and Association for a three year period after they are filed. The Association has open tax years from December 31, 2020 through December 31, 2023 which can be reviewed.

THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(concluded)

Obligation to Provide Future Services

The Club annually calculates the present value of the net cost of providing certain future services to current members. If the present value of the cost of providing these services exceeds the present value of the anticipated revenues, a liability is recorded (obligation to provide future services) with a corresponding charge to income. The obligation is discounted at 3.113%, based on the expected long-term rate of return on government obligations. For December 31, 2023 and 2022, this net present value computation is expected to yield a surplus and, accordingly, no liability has been recorded.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform to current year presentation.

New Accounting Pronouncement

In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Club that are subject to the guidance in FASB ASC 326 were trade accounts receivable.

The Club adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements.

**THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 2 - CONCENTRATIONS OF CREDIT RISK

The Club and Association maintained their cash balances in financial institutions located in Raleigh, North Carolina in 2023 and 2022.

The account balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2023 and 2022, the Club had uninsured cash balances of \$606,013 and \$0, respectively. At December 31, 2023 and 2022, the Association had no uninsured cash balances. The Entities also maintain investments in three brokerage accounts that are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000 per customer. At December 31, 2023, the Club had total investments amounting to \$12,836,619, resulting in deposits of \$12,336,619 in excess of the SIPC insured amount. At December 31, 2022, the Club had total investments amounting to \$8,306,200, resulting in deposits of \$7,806,200 in excess of the SIPC insured amount.

The Club grants credit without collateral to its residents, some of whom are insured under third-party payer agreements. At December 31, the Club had the following concentrations of receivables from members:

	<u>2023</u>	<u>2022</u>
Self-pay	86%	85%
Medicare	12%	11%
Other third-party payers	<u>2%</u>	<u>4%</u>
	<u>100%</u>	<u>100%</u>

NOTE 3 - LIQUIDITY AND AVAILABILITY

The table below represents financial assets available for general expenditures within one year at December 31:

Financial assets at year-end:	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 821,863	\$ 245,466
Accounts receivable	<u>886,595</u>	<u>780,318</u>
Financial assets available to meet general and program expenditures within one year	<u>\$ 1,708,458</u>	<u>\$ 1,025,784</u>

**THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 3 - LIQUIDITY AND AVAILABILITY (concluded)

The Club has certain board-designated and donor-restricted assets limited to use which are designated for future capital expenditures and an operating reserve. These assets limited to use are more fully described in Notes 8 and 14 and are not available for general expenditure within the next year. However, the board-designated amounts could be made available, if necessary.

Additionally, the Club has two lines of credit available for a total of \$1,500,000, as discussed in Note 11, to meet cash flow needs.

NOTE 4 - FINANCIAL RESULTS AND MANAGEMENT'S OPERATIONAL PLAN

The Entities' operating expenses in excess of revenues include all operating revenues and expenses that are an integral part of its programs and supporting activities and net assets released from donor restrictions to support operating expenditures. The measure of operations includes support for operating activities from donor-restricted net assets. The measure of operations excludes contributions from receipt of the Employee Retention Credit. It also excludes expenses related to the refurbishment of member's residences which is included in other expenses.

NOTE 5 - INVESTMENTS

The Club's investments as of December 31, 2023, consist of stocks, mutual funds and bonds recorded at market value and are summarized as follows:

	<u>Cost</u>	<u>Fair Market Value</u>
Mutual Funds	\$ 4,014,135	\$ 4,590,859
ETFs	<u>4,793,261</u>	<u>4,837,965</u>
	<u>\$ 8,807,396</u>	<u>\$ 9,428,824</u>

The Club's investments as of December 31, 2022, consist of stocks, mutual funds and bonds recorded at market value and are summarized as follows:

	<u>Cost</u>	<u>Fair Market Value</u>
Mutual Funds	\$ 5,285,276	\$ 4,739,741
ETFs	<u>3,645,241</u>	<u>3,566,459</u>
	<u>\$ 8,930,517</u>	<u>\$ 8,306,200</u>

**THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 5 – INVESTMENTS (continued)

FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1- measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3- measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) for identical investments in active markets.

Level 2 inputs are quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Level 3 inputs are model derived valuations in which one or more significant inputs or significant value drivers are unobservable.

In certain cases, the inputs to measure fair value may result in an asset or liability falling into more than one level of the fair value hierarchy. In such cases, the determination of the classification of an asset or liability within the fair value hierarchy is based on the least determinate input that is significant to the fair value measurement.

The following table represents investments that are measured at fair value on a recurring basis at December 31, 2023:

Fair Value Measurements at December 31, 2023

	Level 1	Level 2	Total
Mutual Funds	\$ 4,590,859	\$ -	\$ 4,590,859
ETFs	4,837,965	-	4,837,965
	\$ 9,428,824	\$ -	\$ 9,428,824

**THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 5 - INVESTMENTS (concluded)

The following table represents investments that are measured at fair value on a recurring basis at December 31, 2022:

Fair Value Measurements at December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Mutual Funds	\$ 4,739,741	\$ -	\$ 4,739,741
ETFs	3,566,459	-	3,566,459
	<u>\$ 8,306,200</u>	<u>\$ -</u>	<u>\$ 8,306,200</u>

NOTE 6 - INVENTORY

Inventory at December 31, 2023 and 2022 consists of the following:

	<u>2023</u>	<u>2022</u>
Food and Beverage	\$ 46,693	\$ 58,930
Housekeeping supplies	26,819	29,639
Plant supplies	<u>43,845</u>	<u>43,577</u>
	<u>\$117,357</u>	<u>\$132,146</u>

**THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:	<u>2023</u>	<u>2022</u>
Building and Improvements	\$13,450,136	\$12,935,300
Land Improvements	960,201	830,668
Furniture & Fixtures	3,523,686	3,511,441
Housekeeping Equipment	59,923	57,761
Healthcare Equipment	196,490	182,453
Clinic Equipment	28,300	28,300
Office Equipment	86,057	80,065
IT Equipment	513,985	501,226
Communications Equipment	531,709	524,929
Independent Living Furniture	23,718	23,718
Kitchen Equipment	1,039,703	942,704
Maintenance Equipment	179,976	171,705
Laundry Equipment	82,996	39,529
Health Center Furniture	362,171	362,171
Vehicle	<u>470,590</u>	<u>366,656</u>
	21,509,641	20,558,626
Less accumulated depreciation	<u>6,563,191</u>	<u>5,390,728</u>
	<u>\$14,946,450</u>	<u>\$15,167,898</u>

Depreciation related to property and equipment totaled \$1,264,698 and \$1,153,968 for the years ended December 31, 2023 and 2022, respectively.

NOTE 8 - NET ASSETS

Net assets with donor restrictions were available for the following purposes as of December 31:

	<u>2023</u>	<u>2022</u>
Resident deposits	<u>\$ 4,102,000</u>	<u>\$ 4,012,000</u>

Net assets released from restrictions for the year ended December 31:

	<u>2023</u>	<u>2022</u>
COVID expenses & lost revenue	<u>\$ 14,699</u>	<u>\$ 216,966</u>

**THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 9 - TRANSACTIONS WITH AFFILIATE AND RELATED PARTY

At December 31, 2009, the Cypress of Raleigh, LLC transferred ownership of common area property to the Association per the agreement between the Association members and the LLC. The assets were transferred at market value and consisted of the furniture and fixtures of \$2,511,861.

The Company receives an overhead fee of 10% of the operating costs from the Club and Association. During 2023 and 2022, a total of \$2,458,670 and \$2,281,318 was paid as management fees to the LLC, respectively. The amount due to the Company was \$0 and \$0 at December 31, 2023 and 2022, respectively.

In 2022, the Company contributed \$100,000 for expenses related to the garden project. These contributions are included in revenue as developer contribution.

During 2023 and 2022, the Club paid Michael G. Sandman, Attorney at Law \$17,449 and \$17,501, respectively, for legal services. At December 31, 2023 and 2022, the amount due was \$1,983 and \$4,648, respectively.

**THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 10 - LEASES

The Club rents various equipment and vehicles under operating leases, which expire through November 2025. The Club's financing leases expire through August 2027.

The right-of-use asset and corresponding liability associated with future lease payments at December 31, 2023 are shown below:

	<u>Operating</u>	<u>Financing</u>	<u>Total</u>
Right-of-use assets	\$ 73,182	\$ -	\$ 73,182
Property and equipment	\$ -	\$ 130,774	\$ 130,774
Lease liability	\$ 73,182	\$ 169,834	\$ 243,016
Weighted average:			
Discount rate	2.3%	4.5%	
Remaining lease term (years)	1 year	3 years	

The right-of-use asset and corresponding liability associated with future lease payments at December 31, 2022 are shown below:

	<u>Operating</u>	<u>Financing</u>	<u>Total</u>
Right-of-use assets	\$ 164,812	\$ -	\$ 164,812
Property and equipment	\$ -	\$ 89,114	\$ 89,114
Lease liability	\$ 164,812	\$ 61,776	\$ 226,588
Weighted average:			
Discount rate	2.1%	6%	
Remaining lease term (years)	2 years	3 years	

**THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 10 - LEASES (continued)

Lease cost reported on the statement of activities for the year ended December 31 is as follows:

	<u>2023</u>	<u>2022</u>
Operating lease cost	\$ 94,243	\$ 107,299
Finance:		
Amortization of right-of-use assets	47,105	22,278
Interest on lease liability	6,983	4,387
Short-term lease cost	<u>8,385</u>	<u>8,206</u>
Total lease cost	<u>\$ 156,716</u>	<u>\$ 142,170</u>

The following lease payments are expected to be paid for each of the following years ending December 31:

	<u>Operating</u>	<u>Financing</u>	<u>Total</u>
2024	\$ 62,421	\$ 67,282	\$ 129,703
2025	11,974	58,907	70,881
2026	-	42,156	42,156
2027	-	12,756	12,756
	<u>74,395</u>	<u>181,101</u>	<u>255,496</u>
Less amount representing interest	<u>(1,213)</u>	<u>(11,267)</u>	<u>(12,480)</u>
Present value of lease liabilities	<u>\$ 73,182</u>	<u>\$ 169,834</u>	<u>\$ 243,016</u>

**THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 10 - LEASES (concluded)

The following summarizes cash flow information related to leases for the year ended December 31:

	<u>2023</u>	<u>2022</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 94,243	\$ 107,299
Operating cash flows from finance leases	\$ 6,983	\$ 4,387
Financing cash flows from finance leases	\$ 47,543	\$ 20,740

NOTE 11 - LINE OF CREDIT

The Club has two lines of credit at one financial institution with a total credit limit of \$1,500,000 to fund upgrades and enhancements to the Club. The interest rate on both lines was LIBOR + 1.5%, with all principal and accrued interest due January 15, 2023. The lines are secured by the asset replacement investment account. At December 31, 2023 and 2022, the balance due was \$0 and \$395,000, respectively.

On February 22, 2023, the Club renewed its two revolving lines for \$1,500,000 with First-Citizens Bank, with an interest rate on each line of credit of SOFR + 1.75%. The maturity date was extended to February 22, 2025.

**THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 12 - NOTES PAYABLE

Notes payable at December 31, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
<p>Note payable to Ally Bank, with 60 monthly payments of principal and interest of \$1,085 beginning November 1, 2019 and one final payment due on October 1, 2024. The note is secured by a vehicle and carries an interest rate of 7.04%.</p>	\$ 10,499	\$ 22,300
<p>Note payable to BB&T Commercial Equipment Capital, with 60 monthly payments of principal and interest of \$326 beginning January 21, 2020 and one final payment due on January 21, 2025. The note is secured by golf carts and carries an interest rate of 6.35%.</p>	4,084	7,613
<p>Note payable to Ally Bank, with 60 monthly payments of principal and interest of \$1,312 beginning February 26, 2022 and one final payment due on January 26, 2027. The note is secured by a vehicle and carries an interest rate of 5.84%.</p>	<u>44,258</u> 58,841	<u>56,960</u> 86,873
<p>Less current portion</p>	<u>(27,785)</u>	<u>(28,091)</u>
	<u><u>\$ 31,056</u></u>	<u><u>\$ 58,782</u></u>

THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 12 - NOTES PAYABLE (concluded)

Future maturities of long-term debt are as follows:

2024	\$ 27,785
2025	14,663
2026	15,198
2027	<u>1,195</u>
	<u>\$ 58,841</u>

NOTE 13 – COVID-19 PANDEMIC

The Club received federal funds passed through the North Carolina Department of Health and Human Services (NCDHHS) of \$0 and \$127,245 as of December 31, 2023 and 2022. Funds received from NCDHHS can be used for employee COVID-19 testing. The Club recognized \$0 and \$127,245 as contribution revenue for the year ended December 31, 2023 and 2022, respectively, to the extent the conditions for entitlement to such funding for COVID-19 testing have been met, resulting in the simultaneous release of restrictions.

The Club recognized revenue of \$14,699 and \$89,721, respectively, from the Federal Emergency Management Agency (FEMA) for personal protective equipment and member COVID-19 testing reimbursement during the year ended December 31, 2023 and 2022.

In February 2023, the Club concluded its evaluation of eligibility for the Employee Retention Credit (“ERC”) under the CARES Act. The Club filed for refunds of the employer’s share of social security tax allocable to 2021 which is accounted for prospectively since the conditions for recording revenue were met in 2023, when uncertainty regarding qualification was resolved. The amount of the refund included in contribution revenue is \$4,090,861.

NOTE 14 - REGULATORY MATTERS

Continuing care retirement communities located in North Carolina are licensed and monitored by the State Department of Insurance under Article 64 of Chapter 58 of the North Carolina General Statutes. The Commissioner of Insurance has the authority to revoke or restrict the license of, or impose additional requirements on any continuing care facility under certain circumstances specified in General Statute 58-64-10.

THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 14 - REGULATORY MATTERS (concluded)

North Carolina General Statute 58-64-33 requires after the opening of a facility an operating reserve equal to 50% of the total operating costs of the facility forecasted for the 12 month period following the period covered by the most recent disclosure statement filed with the Department of Insurance. The forecast statements, as required by GS 58-64-20(a) (12), shall serve as a basis for the reserve. Continuing care retirement communities with occupancy levels in excess of 90% are required to maintain an operating reserve equal to 25% of total operating costs projected for the twelve month period following the most recent annual statement filed with the Department of Insurance, upon approval of the Commissioner. Continuing care retirement communities with less than 90% occupancy are required to maintain an operating reserve equal to 50% of projected total operating costs.

Total operating costs shall include budgeted operating expenses plus debt service less depreciation and amortization expense and revenue associated with non-contractual expenses. These reserves are to be used for the benefit of the Club in the event of emergencies or unexpected shortfalls.

To meet this obligation, at closing, each purchaser was responsible for paying a reserve deposit of \$9,000 to the Club through December 31, 2011. So long as it has not been necessary for the Club to use proceeds or assets from the reserve account, interest and/or dividends have been paid to each purchaser on a prorata basis in February of each year. For the year ended December 31, 2023 and 2022, the Club did not use proceeds or assets from the reserve account and the balance of interest and dividends is shown as due to members. Each subsequent purchaser shall be obligated to pay \$14,000 into the reserve account, so that upon resale of the unit, any unused portion of the deposit shall be returned to the original purchaser.

Notwithstanding the foregoing, the amount of the reserve deposit may be increased as reasonably necessary to remain consistent with the purposes of the reserve account, provided that such increase would be subject to approval by the Department of Insurance.

The balance held by the Club in the related restricted investment account was \$4,949,825 at December 31, 2023, and \$4,397,090 at December 31, 2022. The balance held by the Club in the related restricted cash and cash equivalent accounts was \$217,025 at December 31, 2023, and \$121,126 at December 31, 2022.

The Cypress of Raleigh, LLC reserves the right, if necessary or appropriate, to loan funds for the reserve account and to be reimbursed as funding occurs through future sales.

**THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 15 - LIFE CARE SERVICES

On May, 2019 the Club and Association entered into an agreement with Life Care Services LLC (LCS) to provide management services for the Club. LCS receives a management fee of the greater of \$45,000 per month (the Initial Base Fee) or 3.6% of the current month's total gross operating revenue, provided that the initial base fee shall be increased each January 1 by the same percentage increase as the United States Consumer Price index for All Urban Consumers published by the U.S. Bureau of Labor Statistics for the immediately preceding December as compared to the CPI-U for December of the prior year. No reduction shall be made in the Monthly Management fee in the event of a decrease in the CPI-U.

The Club and Association are responsible for all operating expenses related to LCS's activities involving the Club and Association. At December 31, 2023 and 2022 the Club and Association had paid \$1,017,115 and \$944,288 in management fees to LCS, respectively.

NOTE 16 – ASSET REPLACEMENT RESERVE

As of December 31, 2023 and 2022, there were funds of \$7,677,707 and \$4,004,369, respectively, designated for an Asset Replacement Reserve fund. An Asset Replacement Reserve account is funded by payments made by each Member at the closing on his/her Cottage or Villa. The payment will be equal to two months of the Member's prorata share of Association common expenses. The Asset Replacement Reserve Account will only be used for purposes related to The Cypress' property, and any interest earned on funds held in the account shall be included in the asset replacement reserve fund. During 2023 and 2022, funds were transferred by the Club to a cash account for Asset Replacement Reserve totaling \$77,047 and \$54,582, respectively. Capital expenditures of \$0 and \$491,950 were paid from the asset replacement reserve investments account for capital expenditures in 2023 and 2022, respectively.

NOTE 17 - FUTURE REPAIRS AND REPLACEMENTS

Management of the Association conducted a study in 2009 to estimate the remaining useful lives of the components of common properties and to estimate the costs of future major repairs and replacements. This study was most recently updated in 2019 for a 20-year budget period beginning in 2019. The current policy is that these expenses will be paid from current amounts on hand or from assets maintained by the Club in designated and undesignated accounts, special assessments may be levied, as required, after utilizing these designated funds or funds may be borrowed.

THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 18 - RESERVE FOR INSURANCE

At closing, the member also pays a share of the condominium insurance premium for the year of closing. The amount of this fee is determined in accordance with each unit's statutory percentage interest in the condominium. During 2023 and 2022, \$29,476 and \$17,075, respectively, was transferred into a cash account by the Club for this purpose.

NOTE 19 - RETIREMENT PLAN

The Club began a 401(k) retirement plan for all eligible employees on January 1, 2009. Employees are eligible to participate in the plan upon attaining the age of 21 years, completing one year of active service and having worked at least 1,000 hours in a given year. Employees may invest up to 20% of wages, tips and other compensation on form W-2 into the plan. The Club will match up to 50 cents on the dollar up to 3% of an employee's compensation. Employees are 100% vested in the portion they contribute to the plan. The Club matching funds are vested over a six-year period.

Retirement expense for the plan was \$121,494 and \$101,084 for the years ended December 31, 2023 and 2022, respectively.

NOTE 20 – COMMITMENTS, CONTINGENCIES AND UNCERTAINTIES

Full-time employees accrue 18 days of paid time off (PTO) per year during their first year of employment and an additional day each year up to 22 days in their fifth year of employment. Employees accrue 24 days in their sixth year of employment and 29 days in their 15th year of employment. Part-time employees earn PTO on a pro-rated basis per hours worked. The maximum carryover from one year to the next is 460 hours. At December 31, 2023 and 2022, the Club's total liability for PTO days was \$668,365 and \$560,111, respectively, and is included as accrued expense.

In February 2018, the North Carolina Department of Revenue completed an examination of sales & use tax for the period February 1, 2015 to November 30, 2017. The examining agent proposed adjustments related to additional sales tax of approximately \$193,000 plus penalties and interest of approximately \$48,000 and \$16,000, respectively. The Club does not agree with the adjustments proposed by the examining agent and requested departmental review. The department sustained the assessment in its entirety, after which the Club filed a petition for a contested case hearing. No provision has been made in the accompanying financial statements for the proposed additional sales tax, penalties and interest since the ultimate liability cannot be reasonably estimated.

**THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 21 – MANAGEMENT’S REVIEW AND SUBSEQUENT EVENTS

Subsequent events were evaluated through April 2, 2024, which is the date the financial statements were available to be issued.

In January 2024, management updated its study to estimate the costs of future major repairs and replacements.

THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
(UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2023

Management engaged a consultant to perform a study in 2009 to estimate the remaining useful lives and the replacement costs of the components of common property over a 20 year period. This study was most recently updated in 2019 for a 20 year period, beginning in 2019. The estimates were based on estimated current replacement costs. Funding requirements include an annual rate of inflation and interest on amounts funded for future major repairs and replacements.

The following table is based on the 2019 study (unless otherwise noted) and presents significant information about the components of common property.

Component	Estimated Remaining Useful Life (Years)	Estimated Current Replacement Costs	2023 Funding Requirements (2019 Study)
Site Improvements 2.0	1-31	\$ 2,614,849	
Building Structures & Systems 3.0	0-51	7,112,617	
Building Mechanical Equipment (MEP) 4.0	0-41	8,181,087	
Common Area Interior & Finishes 5.0	0-36	3,479,063	
Unit Improvements 6.0	1-24	9,863,394	
Furniture, Fixtures & Equipment (FFE) 7.0	0-18	8,107,753	
Capital Projects 8.0	0-20	<u>3,179,752</u>	
TOTALS		<u>\$ 42,538,515</u>	<u>\$ 1,312,752</u>

EXHIBIT E

**MATERIAL VARIANCE STATEMENTS -- NARRATIVES REGARDING ANNUAL
DISCLOSURE STATEMENT REVISION PURSUANT TO NORTH CAROLINA
GENERAL STATUTES SECTION 58-64-30(A) FOR THE CYPRESS OF RALEIGH
CLUB, INC. AND THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
(COMBINED) AND FOR THE CYPRESS OF RALEIGH, LLC**

{ATTACHED}

THE CYPRESS OF RALEIGH CLUB, INC.

AND

THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC. - COMBINED

MATERIAL VARIANCE STATEMENTS

Narrative describing any material differences between the forecasted balance sheets, statements of operations, and the actual results of operations during the prior fiscal year (2023).

Scope for variance explanation-management considers \$100,000 to be significant to the financial statement reader.

Balance Sheet & Cash flows:

- 1 – Cash and cash equivalents is lower than expected due to higher than expected expenses.
Cash and cash equivalents – limited as to use higher than expected due to unexpected Employee Retention Credit (ERC) refund.
- 2 – Accounts receivable higher than expected due to timing of member payments.
- 3 – Prepaid expenses lower than expected due to timing of disbursements.
- 4 – Capital asset purchases lower than forecasted based on the needs of the Organization.
Accumulated depreciation was lower than forecasted due to lower capital asset purchases.
- 5– Fair value of investments higher than expected due to market performance. Realized and unrealized gain/loss activity is not forecasted.
- 6 – Accounts payable lower than expected due to timing of disbursements.

Statement of Operations & Cash flows:

- 7 – Home Health revenue higher than expected due to higher caseload hours. Contributions higher than forecasted due to unexpected Employee Retention Credit (ERC) refund.
- 8 – Food and beverage expense lower than expected due to decrease in wages and supplies.
Health Center and community home health expenses higher than expected due to increase in wages. Plant expenses higher than expected due to increase in wages, increased security and higher grounds expense.
- 9 – Forecasted purchase of investments is limited to increases in available cash for investments, whereas the actual investment purchases include portfolio turnover. Therefore, actual is higher than forecasted.

Actual sales of investments are higher than forecasted due to management investment decisions. These items are not forecasted.

THE CYPRESS OF RALEIGH CLUB, INC.
AND THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
COMBINED FORECAST TO ACTUAL - BALANCE SHEET
Schedule of 2023 Forecast Versus Actual Comparison - Material Variance Statement

	<u>Forecast</u>	<u>Actual</u>	<u>Over/(Under) Variance \$</u>	<u>Over/(Under) Variance %</u>	
<u>Assets</u>					
Current Assets:					
Cash and Cash Equivalents	\$ 1,100,000	\$ 821,863	(278,137)	-25.29%	(1)
Cash and Cash Equivalents - limited as to use	111,180	3,198,708	3,087,528	2777.05%	(1)
Accounts Receivable	784,439	886,595	102,156	13.02%	(2)
Inventory	132,146	117,357	(14,789)	-11.19%	
Prepaid Expenses	283,168	159,118	(124,050)	-43.81%	(3)
Total Current Assets	<u>2,410,933</u>	<u>5,183,641</u>			
Property, Plant & Equipment:					
Furniture, Fixtures, & Equipment	21,616,419	21,509,641	(106,778)	-0.49%	(4)
	<u>21,616,419</u>	<u>21,509,641</u>			
Less Accumulated Depreciation	(6,693,523)	(6,563,191)	130,332	-1.95%	(4)
Net Property, Plant & Equipment	<u>14,922,896</u>	<u>14,946,450</u>			
Assets Limited as to Use					
Restricted Reserves Required by State Statute, Cash Equivalents	123,549	217,025	93,476	75.66%	
Restricted Reserves Required by State Statute, Investments	4,580,503	4,949,825	369,322	8.06%	(5)
Asset Replacement Reserve, Investments	2,770,308	4,478,999	1,708,691	61.68%	(5)
Total Assets Limited as to Use	<u>7,474,360</u>	<u>9,645,849</u>			
Other Assets					
Due from Affiliate	-	53,438	53,438	100.00%	
Refundable Deposits	62,327	62,327	-	0.00%	
Right-of-use Assets - Operating Leases	73,182	73,182	-	0.00%	
Total Other Assets	<u>135,509</u>	<u>188,947</u>			
Total Assets	<u>\$ 24,943,698</u>	<u>\$ 29,964,887</u>			
<u>Liabilities & Net Assets</u>					
Current Liabilities:					
Accounts Payable	\$ 914,357	\$ 633,928	(280,429)	-30.67%	(6)
Accrued Expenses	1,000,025	1,090,994	90,969	9.10%	
Due to Members	23,719	31,498	7,779	32.80%	
Current Portion of Notes Payable	27,785	27,785	-	0.00%	
Current Portion of Operating Lease Liability	61,404	61,404	-	0.00%	
Current Portion of Finance Lease Liability	23,377	60,987	37,610	160.88%	
Total Current Liabilities	<u>2,050,667</u>	<u>1,906,596</u>			
Long-term Liabilities:					
Note Payable, Net of Current Portion	30,997	31,056	59	0.19%	
Operating Lease Liability, Net of Current Portion	11,778	11,778	-	0.00%	
Finance Lease Liability Net of Current Portion	16,380	108,847	92,467	564.51%	
Total Long-term Liabilities	<u>59,155</u>	<u>151,681</u>			
Total Liabilities	<u>2,109,822</u>	<u>2,058,277</u>			
Net Assets:					
Without donor restrictions	1,291,998	(4,316,248)			
Without donor restrictions, Designated for asset replacement	2,881,488	7,677,707			
With donor restrictions	4,062,000	4,102,000			
Member's Equity, Undesignated	14,598,390	20,443,151			
Total Net Assets	<u>22,833,876</u>	<u>27,906,610</u>			
Total Liabilities & Net Assets	<u>\$ 24,943,698</u>	<u>\$ 29,964,887</u>			

Scope for variance explanation-management considers \$100,000 to be significant to the financial statement reader.

**THE CYPRESS OF RALEIGH CLUB, INC.
AND THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
COMBINED FORECAST TO ACTUAL - OPERATIONS
Schedule of 2023 Forecast Versus Actual Comparison - Material Variance Statement**

	<u>Forecast</u>	<u>Actual</u>	<u>Over/(Under) Variance \$</u>	<u>Over/(Under) Variance %</u>	
Net Assets Without Donor Restrictions					
Operating Revenue					
Service Fees	\$ 19,985,903	\$ 19,992,602	\$ 6,699	0.03%	
Health Center	5,796,860	5,733,629	(63,231)	-1.09%	
Asset Replacement	46,000	77,047	31,047	67.49%	
Insurance	14,545	29,476	14,931	102.65%	
Home Health Revenue	2,381,340	2,496,091	114,751	4.82%	(7)
Other Income	1,680	900	(780)	-46.43%	
Total Operating Revenue	<u>28,226,328</u>	<u>28,329,745</u>			
Operating Expenses:					
Program Services					
Housekeeping	2,685,049	2,646,564	(38,485)	-1.43%	
Food and Beverage	5,193,021	5,023,005	(170,016)	-3.27%	(8)
Health Center	5,151,447	5,841,451	690,004	13.39%	(8)
Community Home Health	2,365,332	2,469,485	104,153	4.40%	(8)
Resident Services	1,005,302	929,713	(75,589)	-7.52%	
Plant	3,965,842	4,083,422	117,580	2.96%	(8)
	<u>20,365,993</u>	<u>20,993,640</u>			
Supportive Services					
General & Administrative	4,005,724	3,915,257	(90,467)	-2.26%	
Management Fee - Life Care Services	1,013,968	1,017,115	3,147	0.31%	
Management Fee - The Cypress of Raleigh, LLC	2,406,835	2,458,670	51,835	2.15%	
	<u>7,426,527</u>	<u>7,391,042</u>			
Total Operating Expenses	<u>27,792,520</u>	<u>28,384,682</u>			
Excess of Operating Revenue Over (Under) Expense	433,808	(54,937)			
Other Changes:					
Contributions	-	4,090,861	4,090,861	100.00%	(7)
Net Investment Income	-	1,531,091	1,531,091	100.00%	(5)
Other expenses	(463,750)	(504,651)	(40,901)	8.82%	
Interest expense	-	(28,927)	(28,927)	100.00%	
Gain/Loss on sale of assets	-	(45,344)	(45,344)	100.00%	
Income Taxes	-	-	-	0.00%	
Increase (Decrease) in Net Assets without Donor Restrictions	<u>(29,942)</u>	<u>4,988,093</u>			
Net Assets With Donor Restrictions					
Reserves Required by State Statute Deposited	50,000	90,000	40,000	80.00%	
Contributions	-	14,699	14,699	100.00%	
Increase (Decrease) in Net Assets with Donor Restrictions	<u>50,000</u>	<u>104,699</u>			
Increase (Decrease) in Net Assets	<u>\$ 20,058</u>	<u>\$ 5,092,792</u>			

Scope for variance explanation-management considers \$100,000 to be significant to the financial statement reader.

**THE CYPRESS OF RALEIGH CLUB, INC.
AND THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
COMBINED FORECAST TO ACTUAL - CASH FLOWS
Schedule of 2023 Forecast Versus Actual Comparison - Material Variance Statement**

	<u>Forecast</u>	<u>Actual</u>	<u>Over/(Under) Variance \$</u>	<u>Over/(Under) Variance %</u>	
<u>Cash Flows from Operating Activities</u>					
Change in Net Assets	\$ 20,058	\$ 5,092,792	5,072,734	25290.33%	(2), (5), (6), (7), (8), (9)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:					
Depreciation	1,302,795	1,264,698	(38,097)	-2.92%	
Gain/Loss on sale of assets	-	45,344	45,344	100.00%	
Realized and Unrealized Gains/Losses	-	(867,342)	(867,342)	100.00%	(5)
Reduction in Carrying Amount of Right-of-Use Assets - Operating Leases	91,630	91,630	-	0.00%	
(Increase) Decrease in:					
Accounts Receivable	(4,121)	(106,277)	(102,156)	2478.91%	(2)
Inventory	-	14,789	14,789	100.00%	
Due from Affiliate	14,918	(38,520)	(53,438)	-358.21%	
Prepaid Expenses	(9,576)	114,474	124,050	-1295.43%	(3)
Increase (Decrease) in:					
Accounts Payable	42,215	(238,214)	(280,429)	-664.29%	(6)
Due to Members	7,933	15,712	7,779	98.06%	
Accrued Expense	46,170	137,139	90,969	197.03%	
Lease Liability	(91,630)	(91,630)	-	0.00%	
Net Cash Provided by Operating Activities	<u>1,420,392</u>	<u>5,434,595</u>			
Cash Flow from Investing Activities					
Purchase of Investments	-	(9,453,514)	(9,453,514)	-100.00%	(9)
Proceeds from Sales of Investments	955,389	9,198,234	8,242,845	862.77%	(9)
Proceeds from Sales of Property and Equipment	-	55,000	55,000	100.00%	
Purchase of Property & Equipment	(1,057,793)	(987,995)	69,798	-6.60%	
Net Cash Used by Investing Activities	<u>(102,404)</u>	<u>(1,188,275)</u>			
Cash Flow from Financing Activities					
Payments on Line of Credit	(395,000)	(395,000)	-	0.00%	
Payments on Notes Payable	(28,091)	(28,032)	59	-0.21%	
Payments on Finance Lease Liability	(22,019)	(47,543)	(25,524)	115.92%	
Net Cash Used by Financing Activities	<u>(445,110)</u>	<u>(470,575)</u>			
Net Increase in Cash and Cash Equivalents and Restricted Cash	872,878	3,775,745			
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR	<u>461,851</u>	<u>461,851</u>			
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	<u>\$ 1,334,729</u>	<u>\$ 4,237,596</u>			
CASH CONSISTS OF:					
Cash and Cash equivalents	\$ 1,100,000	\$ 821,863			
Cash and Cash Equivalents- with donor restriction, designated	111,180	3,198,708			
Restricted Cash Included in Assets Limited to Use	123,549	217,025			
	<u>\$ 1,334,729</u>	<u>\$ 4,237,596</u>			

THE CYPRESS OF RALEIGH, LLC
MATERIAL VARIANCE STATEMENTS

Narrative describing any material differences between the forecasted balance sheets, statements of operations and cash flows and the actual results of operations during the prior fiscal year (2023).

Scope for variance explanation - management considers \$100,000 to be significant to the financial statement reader.

Balance Sheet and Cash Flows:

- 1 - Cash and cash equivalents was lower than expected due to distributing excess cash.
- 2 - Accounts and notes receivable higher than expected due to new member financing agreement.
- 3 - Members' capital distribution higher than expected due to distributing excess cash.

Statement of Operations:

- 4 - Sales proceeds were higher than forecasted due to higher than anticipated resales.

THE CYPRESS OF RALEIGH, LLC - BALANCE SHEET
Schedule of 2023 Forecast Versus Actual Comparison - Material Variance Statement

	<u>Forecast</u>	<u>Actual</u>	<u>Over/(Under) Variance \$</u>	<u>Over/(Under) Variance %</u>	
<u>Assets</u>					
Current Assets:					
Cash & Cash Equivalents	\$ 1,018,566	\$ 265,075	\$ (753,491)	-73.98%	(1)
Accounts Receivable and Notes Receivable, current portion	217,825	826,626	608,801	279.49%	(2)
Total Current Assets	<u>1,236,391</u>	<u>1,091,701</u>	<u>(144,690)</u>		
Property & Equipment					
Furniture, Fixtures, & Equipment	84,328	84,328	-	0.00%	
Rental Units	666,731	666,731	-	0.00%	
Less Accumulated Depreciation	<u>(137,085)</u>	<u>(137,085)</u>	<u>-</u>	<u>0.00%</u>	
	613,974	613,974	-		
Naming Rights					
	900,000	900,000	-	0.00%	
Restricted Assets					
Cash and Cash Equivalents for deposit escrow in money market fund	225,000	212,129	(12,871)	-5.72%	
Other Assets					
Notes Receivable, net of current portion	301,480	294,480	(7,000)	-2.32%	
Deposits	23,000	23,000	-	0.00%	
Assets Held for Investment	-	54,000	54,000	100.00%	
Accrued interest receivable	<u>86,149</u>	<u>86,067</u>	<u>(82)</u>	<u>-0.10%</u>	
Total Other Assets	<u>410,629</u>	<u>457,547</u>	<u>46,918</u>		
Total Assets	<u>\$ 3,385,994</u>	<u>\$ 3,275,351</u>	<u>\$ (110,643)</u>		
<u>Liabilities & Members' Equity</u>					
Current Liabilities					
Accounts Payable & Other Accrued Expenses	\$ 100,000	\$ 52,397	\$ (47,603)	-47.60%	
Notes payable, Related Party	314,706	314,706	-	0.00%	
Lease payable, current portion	3,126	3,126	-	0.00%	
Reservation Deposits	<u>225,000</u>	<u>212,000</u>	<u>(13,000)</u>	<u>-5.78%</u>	
Total Current Liabilities	642,832	582,229	(60,603)		
Long-Term Liabilities					
Long Term Debt - Related Party	932,885	932,885	-	0.00%	
Lease payable	<u>806</u>	<u>806</u>	<u>-</u>	<u>0.00%</u>	
Total Long-term Liabilities	933,691	933,691	-		
Total Liabilities	1,576,523	1,515,920	(60,603)		
Members' Equity (Deficit)					
Members' Equity	<u>1,809,471</u>	<u>1,759,431</u>	<u>(50,040)</u>	-2.77%	
Total Members' Equity (Deficit)	<u>1,809,471</u>	<u>1,759,431</u>	<u>(50,040)</u>		
Total Liabilities & Members' Equity	<u>\$ 3,385,994</u>	<u>\$ 3,275,351</u>	<u>\$ (110,643)</u>		

Scope for variance explanation-management considers \$100,000 to be significant to the financial statement reader.

THE CYPRESS OF RALEIGH, LLC - OPERATIONS

Schedule of 2023 Forecast Versus Actual Comparison - Material Variance Statement

	<u>Forecast</u>	<u>Actual</u>	<u>Over/(Under) Variance \$</u>	<u>Over/(Under) Variance %</u>	
<u>Revenue:</u>					
Resale Membership Fees	\$ 1,667,500	\$ 2,571,150	\$ 903,650	54.19%	(4)
Resale Commissions	750,375	1,284,944	534,569	71.24%	(4)
Management Fee	2,406,835	2,467,253	60,418	2.51%	
Interest Income	5,000	60,655	55,655	1113.10%	
Total Revenue	<u>4,829,710</u>	<u>6,384,002</u>	<u>1,554,292</u>		
 Operating Expenses					
Legal and Accounting	77,250	87,204	9,954	12.89%	
Management and Other Expense	360,000	360,000	-	0.00%	
Interest Expense, Not Capitalized	57,781	57,781	-	0.00%	
Contribution	25,000	59,550	34,550	138.20%	
Depreciation and Amortization	30,002	30,002	-	0.00%	
Marketing Expense	1,050,000	1,036,551	(13,449)	-1.28%	
Total Operating Expenses	<u>1,600,033</u>	<u>1,631,088</u>	<u>31,055</u>		
 Other Income/(Expense)					
Miscellaneous expense	<u>(100,000)</u>	<u>(38,909)</u>	<u>61,091</u>	-61.09%	
Net Income	<u>\$ 3,129,677</u>	<u>\$ 4,714,005</u>	<u>\$ 1,584,328</u>		

Scope for variance explanation-management considers \$100,000 to be significant to the financial statement reader.

THE CYPRESS OF RALEIGH, LLC - CASH FLOWS
Schedule of 2023 Forecast Versus Actual Comparison - Material Variance Statement

	<u>Forecast</u>	<u>Actual</u>	<u>Over/(Under) Variance \$</u>	<u>Over/(Under) Variance %</u>	
Cash Provided by Operating					
Activities:					
Net Income	\$ 3,129,677	\$ 4,714,005	\$ 1,584,328	50.62%	(4)
Adjustments					
Depreciation and amortization	30,002	30,002	-	0.00%	
Adjustments to Reconcile Change in Operating					
Activities to Net Cash Provided:					
(Increase)/Decrease in:					
Accounts receivable and notes receivable	(72,344)	(674,145)	(601,801)	831.86%	(2)
Accrued interest receivable	(17,113)	(17,031)	82	-0.48%	
Increase/(Decrease) in:					
Reservation Deposits Due	3,000	(10,000)	(13,000)	-433.33%	
Accounts Payable & Other Accrued Expenses	(185,008)	(232,611)	(47,603)	25.73%	
Net Cash Provided by Operating Activities	<u>2,888,214</u>	<u>3,810,220</u>	<u>922,006</u>		
Cash Used by Investing Activities					
Purchase of Assets Held for Investment	-	(54,000)	(54,000)	-100.00%	
Net Cash Used by Investing Activities	<u>-</u>	<u>(54,000)</u>	<u>(54,000)</u>		
Cash Used by Financing Activities					
Activities:					
Payments on Notes Payable, Related Party	(302,426)	(302,426)	-	0.00%	
Payments on Finance Lease Payable	(2,974)	(2,974)	-	0.00%	
Members' Capital Distribution	(2,597,632)	(4,232,000)	(1,634,368)	62.92%	(3)
Net Cash Used by Financing Activities	<u>(2,903,032)</u>	<u>(4,537,400)</u>	<u>(1,634,368)</u>		
Net Decrease In Cash	(14,818)	(781,180)	(766,362)	5171.83%	(1)
Beginning Cash	<u>1,258,384</u>	<u>1,258,384</u>	<u>-</u>		
Ending Cash	<u>\$ 1,243,566</u>	<u>\$ 477,204</u>	<u>\$ (766,362)</u>		
Cash Consists of:					
Cash & Cash Equivalents		\$ 265,075			
Restricted Cash		<u>212,129</u>			
		<u>\$ 477,204</u>			

Scope for variance explanation-management considers \$100,000 to be significant to the financial statement reader.

EXHIBIT F

**THE CYPRESS OF RALEIGH CLUB, INC. AND THE CYPRESS OF RALEIGH
OWNERS' ASSOCIATION, INC. – INTERIM FINANCIAL STATEMENTS
FOR THREE MONTHS ENDED MARCH 2024**

(CONSOLIDATED BALANCE SHEET)

{ATTACHED}

**THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
COMBINED BALANCE SHEET
MARCH 31, 2024**

ASSETS

Current Assets	
Cash and cash equivalents	\$ 1,330,160
Cash and cash equivalents - limited as to use	1,244,104
Accounts Receivable	1,091,935
Inventory	117,357
Prepaid Expenses	117,853
Total Current Assets	<u>3,901,409</u>
Assets Limited as to Use	
Restricted Reserves Required by State Statute, cash equivalents	136,966
Restricted Reserves Required by State Statute, investments	5,184,804
Asset Replacement Reserve, investments	6,686,842
Total Assets Limited to Use	<u>12,008,612</u>
Property and Equipment, Net	<u>14,778,258</u>
Other Assets	
Due from Affiliate	13,211
Refundable Deposits	62,327
Right-of-use Assets - Operating Leases	51,655
Total Other Assets	<u>127,193</u>
	<u>\$ 30,815,472</u>

LIABILITIES, NET ASSETS AND MEMBERS' EQUITY

Current liabilities	
Accounts Payable	\$ 572,481
Accrued Expenses	1,271,834
Current Portion of Notes Payable	24,108
Current Portion of Operating Lease Liability	48,998
Current Portion of Finance Lease Liability	59,619
Total Current Liabilities	<u>1,977,040</u>
Long-term Liabilities	
Notes Payable, Net of Current Portion	27,436
Operating Lease Liability, Net of Current Portion	2,656
Finance Lease Liability, Net of Current Portion	95,239
Total Long-term Liabilities	<u>125,331</u>
Total Liabilities	<u>2,102,371</u>
Net Assets, Without Donor Restrictions	<u>(4,028,702)</u>
Net Assets, Without Donor Restrictions - designated for asset replacement	<u>7,930,946</u>
Net Assets, With Donor Restrictions	<u>4,116,000</u>
Members' Equity	
Members' Equity, undesignated	20,694,857
Total Members' Equity	<u>20,694,857</u>
	<u>\$ 30,815,472</u>

See Independent Accountants' Compilation Report

EXHIBIT G

**THE CYPRESS OF RALEIGH CLUB, INC. AND THE CYPRESS OF RALEIGH
OWNERS' ASSOCIATION, INC. – INTERIM FINANCIAL STATEMENTS
FOR THREE MONTHS ENDED MARCH 2024**

(CONSOLIDATED OPERATING STATEMENT)

{ATTACHED}

**THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
COMBINED STATEMENT OF OPERATIONS
THREE MONTHS ENDED MARCH 31, 2024**

Unrestricted Net Assets:

OPERATING REVENUES, GAINS, AND OTHER SUPPORT

Member fees and assessments	\$ 5,253,677
Health Center	1,675,801
Home Health	682,490
Asset Replacement	8,602
Miscellaneous	757
Total Operating Revenues, Gains and Other Support	7,621,327

OPERATING EXPENSES

Program Services	
Food and beverage	1,258,376
Health Center	1,417,339
Community Home Health	695,807
Plant	1,023,290
Resident services	197,474
Housekeeping	675,114
	5,267,400

Supporting Services

General and Administrative	1,634,391
Management fees	274,630
	1,909,021

Total Operating Expenses	7,176,421
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Excess of Operating Revenue Over Expenses	444,906
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OTHER CHANGES

Net Investment Income	425,500
Other expenses	(75,200)
Interest Expense	(2,715)
	(2,715)

Change in net assets without donor restrictions and members' equity	792,491
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Net Assets With Donor Restrictions:

Reserves Required By State Statute Deposited	14,000
Change in net assets with donor restrictions	14,000

Change in net assets and members' equity	\$ 806,491
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See Independent Accountants' Compilation Report

EXHIBIT H

**THE CYPRESS OF RALEIGH CLUB, INC. AND THE CYPRESS OF RALEIGH
OWNERS' ASSOCIATION, INC. – INTERIM FINANCIAL STATEMENTS
FOR THREE MONTHS ENDED MARCH 2024**

(CONSOLIDATED STATEMENT OF CASH FLOW)

{ATTACHED}

**THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
COMBINED STATEMENT OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2024**

CASH FLOWS FROM OPERATING ACTIVITIES	
Net change in net assets and members' equity	\$ 806,491
Adjustments to Reconcile Increase in Net Assets	
To Cash Provided by Operating Activities	
Depreciation	326,577
Realized and Unrealized Gains/Losses	(357,148)
Accrued Interest and Dividend income	291
Reduction in the carrying amount of right-of-use assets - operating leases	21,357
Changes in working capital components:	
(Increase)decrease in:	
Accounts and Other Receivables	(205,340)
Prepaid Expenses	41,265
Due From Affiliate	40,227
Increase (decrease)	
Accounts payable	(61,447)
Accrued Expenses	180,840
Due to Members	(31,498)
Lease Liability	(21,357)
	<u>740,258</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	
INVESTING ACTIVITIES	
Purchase of Investments	(2,648,434)
Proceeds from Sales of Investments	562,471
Purchase of Property and Equipment	<u>(158,388)</u>
	<u>(2,244,351)</u>
FINANCING ACTIVITIES	
Payments on Notes Payable	(7,297)
Payments on Finance Lease Liability	<u>(14,976)</u>
	<u>(22,273)</u>
DECREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	
	(1,526,366)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR	
	<u>4,237,596</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	
	<u><u>\$ 2,711,230</u></u>
CASH CONSISTS OF:	
Cash and cash equivalents	\$ 1,330,160
Cash and cash equivalents - without donor restrictions, designated	1,244,104
Restricted cash included in assets limited to use	<u>136,966</u>
	<u><u>\$ 2,711,230</u></u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	
Cash paid for Interest	<u><u>\$ 2,715</u></u>

See Independent Accountants' Compilation Report

EXHIBIT I

**THE CYPRESS OF RALEIGH CLUB, INC.
FORECASTED FINANCIAL STATEMENTS FOR THE
YEARS ENDED DECEMBER 31, 2024 THROUGH 2028**

{ATTACHED}

THE CYPRESS OF RALEIGH CLUB, INC.

FORECASTED FINANCIAL STATEMENTS

FOR THE YEARS ENDING DECEMBER 31, 2024 THROUGH 2028

CONTENTS

	<u>Page</u>
INDEPENDENT ACCOUNTANTS' COMPILATION REPORT	1
FORECASTED FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities	3
Statements of Changes in Net Assets	4
Statements of Cash Flows	5
Summary of Significant Accounting Policies and Forecasted Assumptions	6 -13



INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Board of Directors
The Cypress of Raleigh Club, Inc.

Management is responsible for the accompanying forecast of The Cypress of Raleigh Club, Inc., which comprises the forecasted statements of financial position as of December 31, 2024 through 2028 and the related statements of activities, changes in net assets and cash flows, for the years then ending, and the related summaries of significant assumptions and accounting policies in accordance with guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants (AICPA). We have performed the compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the forecast or were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on this forecast.

The forecasted results may not be achieved, as there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of the report.

The accompanying forecast and this report were prepared pursuant to the North Carolina Statute 58-64-20(a) (12) and should not be used for any other purpose.

Dreher Martin CPAs, P.A.

Raleigh, North Carolina
April 2, 2024

THE CYPRESS OF RALEIGH CLUB, INC.
Forecasted Statements of Financial Position for the Years Ending December 31, 2024 Through 2028

**See Accompanying Summaries of Significant Accounting Policies
and Forecasted Assumptions and Independent Accountants' Compilation Report**

	2024	2025	2026	2027	2028
<u>Assets</u>					
Current Assets:					
Cash and Cash Equivalents	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Cash and Cash Equivalents - limited as to use	132,600	135,252	137,957	140,716	143,531
Accounts Receivable	842,091	920,418	967,185	1,015,977	1,067,299
Inventory	117,357	117,357	117,357	117,357	117,357
Prepaid Expenses	164,687	170,451	176,417	182,592	188,982
Total Current Assets	<u>2,256,735</u>	<u>2,343,479</u>	<u>2,398,916</u>	<u>2,456,641</u>	<u>2,517,169</u>
Property, Plant & Equipment:					
Furniture, Fixtures, & Equipment	3,088,561	3,317,608	3,529,600	3,696,160	3,882,724
	<u>3,088,561</u>	<u>3,317,608</u>	<u>3,529,600</u>	<u>3,696,160</u>	<u>3,882,724</u>
Less Accumulated Depreciation	(1,682,466)	(2,009,705)	(2,318,891)	(2,594,081)	(2,862,350)
Net Property, Plant & Equipment	<u>1,406,095</u>	<u>1,307,903</u>	<u>1,210,709</u>	<u>1,102,079</u>	<u>1,020,374</u>
Assets Limited as to Use					
Assets Limited as to Use					
Restricted Reserves Required by State Statute, Cash Equivalents	221,366	225,793	230,309	234,915	239,613
Restricted Reserves Required by State Statute, Investments	5,149,820	5,355,814	5,567,989	5,786,528	6,011,624
Asset Replacement Reserve, Investments	6,617,867	6,886,470	7,461,607	8,521,753	9,606,324
Total Assets Limited as to Use	<u>11,989,053</u>	<u>12,468,077</u>	<u>13,259,905</u>	<u>14,543,196</u>	<u>15,857,561</u>
Other Assets					
Due (to) from Association	(1,534,780)	(1,134,341)	(1,029,529)	(763,471)	(867,811)
Refundable Deposits	62,327	62,327	62,327	62,327	62,327
Right-of-use Assets - Operating Leases	11,778	-	-	-	-
Total Other Assets	<u>(1,460,675)</u>	<u>(1,072,014)</u>	<u>(967,202)</u>	<u>(701,144)</u>	<u>(805,484)</u>
Total Assets	<u>\$ 14,191,208</u>	<u>\$ 15,047,445</u>	<u>\$ 15,902,328</u>	<u>\$ 17,400,773</u>	<u>\$ 18,589,621</u>
<u>Liabilities & Net Assets</u>					
Current Liabilities:					
Accounts Payable	\$ 627,799	\$ 659,460	\$ 690,384	\$ 722,709	\$ 757,003
Accrued Expenses	1,080,446	1,134,934	1,188,155	1,243,787	1,302,806
Due to Members	19,544	20,130	20,734	21,356	21,997
Current Portion of Notes Payable	14,663	15,198	1,195	-	-
Current Portion of Operating Lease Liability	11,778	-	-	-	-
Current Portion of Finance Lease Liability	55,518	40,729	12,600	-	-
Deferred Revenue - Refundable	-	-	-	-	-
Deferred Revenue - Non-Refundable	-	-	-	-	-
Total Current Liabilities	<u>1,809,748</u>	<u>1,870,451</u>	<u>1,913,068</u>	<u>1,987,852</u>	<u>2,081,806</u>
Notes Payable, Net of Current Portion	16,393	1,195	-	-	-
Finance Lease Liability, Net of Current Portion	53,329	12,600	-	-	-
Total Long-term Liabilities	<u>69,722</u>	<u>13,795</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>1,879,470</u>	<u>1,884,246</u>	<u>1,913,068</u>	<u>1,987,852</u>	<u>2,081,806</u>
Net Assets:					
Without donor restrictions					
Undesignated	1,409,272	1,939,477	2,137,696	2,448,452	2,405,960
Designated	6,750,467	7,021,722	7,599,564	8,662,469	9,749,855
With donor restrictions	4,152,000	4,202,000	4,252,000	4,302,000	4,352,000
Total Net Assets	<u>12,311,739</u>	<u>13,163,199</u>	<u>13,989,260</u>	<u>15,412,921</u>	<u>16,507,815</u>
Total Liabilities & Net Assets	<u>\$ 14,191,208</u>	<u>\$ 15,047,445</u>	<u>\$ 15,902,328</u>	<u>\$ 17,400,773</u>	<u>\$ 18,589,621</u>

THE CYPRESS OF RALEIGH CLUB, INC.
Forecasted Statements of Activities for the Years Ending December 31, 2024 Through 2028

**See Accompanying Summaries of Significant Accounting Policies
and Forecasted Assumptions and Independent Accountants' Compilation Report**

	2024	2025	2026	2027	2028
Net Assets Without Donor Restrictions					
Operating Revenue:					
Service Fees	\$ 11,885,884	\$ 12,479,542	\$ 13,102,864	\$ 13,747,531	\$ 14,423,971
Health Center	5,794,647	6,580,156	6,919,536	7,274,134	7,647,824
Home Health Revenue	2,664,660	2,797,893	2,937,788	3,084,677	3,238,911
Other Income	5,063	5,316	5,582	5,861	6,154
Total Operating Revenue	<u>20,350,254</u>	<u>21,862,907</u>	<u>22,965,770</u>	<u>24,112,203</u>	<u>25,316,860</u>
Operating Expenses:					
Program Services					
Housekeeping	2,058,498	2,161,349	2,270,504	2,386,420	2,509,597
Food and beverage	5,432,346	5,683,424	5,947,928	6,226,708	6,520,674
Health Center	5,461,259	5,869,929	6,211,215	6,561,798	6,943,234
Community Home Health	2,629,806	2,752,345	2,881,901	3,018,967	3,164,072
Resident Services	871,401	959,546	987,723	1,017,844	1,050,057
Plant	736,416	770,090	805,465	842,638	881,714
	<u>17,189,726</u>	<u>18,196,683</u>	<u>19,104,736</u>	<u>20,054,375</u>	<u>21,069,348</u>
Supportive Services					
General & Administrative	2,273,077	2,261,473	2,324,524	2,388,441	2,484,775
Management Fee - Life Care Services	714,281	761,926	800,244	840,014	881,787
Management Fee - Cypress of Raleigh, LLC	1,712,330	1,803,271	1,891,993	1,984,931	2,083,811
	<u>4,699,688</u>	<u>4,826,670</u>	<u>5,016,762</u>	<u>5,213,385</u>	<u>5,450,373</u>
Total Operating Expenses	<u>21,889,414</u>	<u>23,023,353</u>	<u>24,121,498</u>	<u>25,267,761</u>	<u>26,519,721</u>
Excess of Operating Expenses Over Revenue	(1,539,160)	(1,160,445)	(1,155,727)	(1,155,558)	(1,202,861)
Other Changes:					
Net Investment Income (Loss)	464,043	447,572	467,809	498,281	546,597
Other expenses	(540,000)	(556,200)	(572,886)	(590,073)	(607,775)
Increase (Decrease) in Net Assets without Donor Restrictions	<u>(1,615,118)</u>	<u>(1,269,073)</u>	<u>(1,260,805)</u>	<u>(1,247,350)</u>	<u>(1,264,039)</u>
Net Assets With Donor Restrictions					
Reserves Required by State Statute Deposited	50,000	50,000	50,000	50,000	50,000
Net Assets with Donor Restrictions	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
Increase (Decrease) in Net Assets	<u>\$ (1,565,118)</u>	<u>\$ (1,219,073)</u>	<u>\$ (1,210,805)</u>	<u>\$ (1,197,350)</u>	<u>\$ (1,214,039)</u>

THE CYPRESS OF RALEIGH CLUB, INC.
Forecasted Statements of Changes in Net Assets for the Years Ending December 31, 2024 Through 2028

**See Accompanying Summaries of Significant Accounting Policies
and Forecasted Assumptions and Independent Accountants' Compilation Report**

	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
Net Assets without Donor Restrictions:					
Undesignated Net Assets without Donor Restrictions:					
Undesignated Net Assets without Donor Restrictions-beginning of year	\$ (4,316,248)	\$ 1,409,272	\$ 1,939,477	\$ 2,137,696	\$ 2,448,452
Increase (Decrease) in Undesignated Net Assets without Donor Restrictions	(1,922,226)	(1,553,571)	(1,559,219)	(1,569,726)	(1,628,028)
Transfer from (to) net assets designated for asset replacement	390,148	(73,167)	(357,658)	(560,171)	(534,021)
Transfer from (to) Association	7,948,179	3,204,875	3,066,397	3,384,482	3,176,743
Asset purchases transferred to Owners' Association	(690,580)	(1,047,931)	(951,299)	(943,829)	(1,057,187)
Increase (Decrease) in					
Undesignated Net Assets without Donor Restrictions-end of year	<u>1,409,272</u>	<u>1,939,477</u>	<u>2,137,696</u>	<u>2,448,452</u>	<u>2,405,960</u>
Designated Net Assets without Donor Restrictions:					
Designated Net Assets without Donor Restrictions-beginning of year	7,677,707	6,750,467	7,021,722	7,599,564	8,662,469
Transfer (to) from Undesignated Net Assets without Donor Restrictions	(390,148)	73,167	357,658	560,171	534,021
Increase (Decrease) in Designated Net Assets without Donor Restrictions	307,108	284,498	298,414	322,376	363,989
Asset purchases transferred to Owners' Association	(1,000,000)	(250,000)	(250,000)	-	-
Amounts transferred from Owners' Association for reserves	155,800	163,590	171,770	180,358	189,376
Increase (Decrease) in					
Designated Net Assets without Donor Restrictions -end of year	<u>6,750,467</u>	<u>7,021,722</u>	<u>7,599,564</u>	<u>8,662,469</u>	<u>9,749,855</u>
Net Assets with Donor Restrictions:					
Net assets with Donor Restrictions -beginning of year	4,102,000	4,152,000	4,202,000	4,252,000	4,302,000
Additions from new units	50,000	50,000	50,000	50,000	50,000
Net assets with Donor Restrictions -end of year	<u>4,152,000</u>	<u>4,202,000</u>	<u>4,252,000</u>	<u>4,302,000</u>	<u>4,352,000</u>
Net Assets-end of year	<u>\$ 12,311,739</u>	<u>\$ 13,163,199</u>	<u>\$ 13,989,260</u>	<u>\$ 15,412,921</u>	<u>\$ 16,507,815</u>

THE CYPRESS OF RALEIGH CLUB, INC.
Forecasted Statements of Cash Flows From Operations for the Years Ending December 31, 2024 Through 2028

**See Accompanying Summaries of Significant Accounting Policies and Forecasted Assumptions
and Independent Accountants' Compilation Report**

	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
<u>Cash Flows from Operating Activities</u>					
Change in Net Assets	\$ (1,565,118)	\$ (1,219,073)	\$ (1,210,805)	\$ (1,197,350)	\$ (1,214,039)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:					
Depreciation	336,171	327,239	309,186	275,190	268,269
Reduction in the carrying amount of right-of-use assets - operating leases	61,404	11,778	-	-	-
(Increase) Decrease in:					
Accounts Receivable	44,504	(78,327)	(46,767)	(48,792)	(51,323)
Due from Association	(5,252,287)	(400,439)	(104,812)	(266,058)	104,340
Prepaid Expenses	(5,569)	(5,764)	(5,966)	(6,175)	(6,391)
Increase (Decrease) in:					
Accounts Payable	(6,129)	31,661	30,924	32,325	34,294
Due to Members	(11,954)	586	604	622	641
Accrued Expense	(10,548)	54,488	53,221	55,632	59,020
Lease Liability	(61,404)	(11,778)	-	-	-
Net Cash Used by Operating Activities	<u>(6,470,930)</u>	<u>(1,289,628)</u>	<u>(974,416)</u>	<u>(1,154,606)</u>	<u>(805,189)</u>
<u>Cash Flow from Investing Activities</u>					
Sale (Purchase) of Investments	(2,338,863)	(474,598)	(787,311)	(1,278,686)	(1,309,668)
Purchase of Property & Equipment	(1,988,918)	(1,526,978)	(1,413,293)	(1,110,387)	(1,243,749)
Net Cash Used by Investing Activities	<u>(4,327,781)</u>	<u>(2,001,576)</u>	<u>(2,200,604)</u>	<u>(2,389,073)</u>	<u>(2,553,417)</u>
<u>Cash Flow from Financing Activities</u>					
Transfers from (to) Association	8,103,979	3,368,465	3,238,167	3,564,840	3,366,119
Payments on notes payable	(27,785)	(14,663)	(15,198)	(1,195)	-
Payments on Finance Lease Liability	(60,987)	(55,518)	(40,729)	(12,600)	-
Net Cash Provided by Financing Activities	<u>8,015,207</u>	<u>3,298,284</u>	<u>3,182,240</u>	<u>3,551,045</u>	<u>3,366,119</u>
Net Increase (Decrease) in Cash and Cash Equivalents and Restricted Cash	(2,783,504)	7,080	7,220	7,365	7,513
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR	<u>4,137,469</u>	<u>1,353,965</u>	<u>1,361,045</u>	<u>1,368,265</u>	<u>1,375,631</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	<u>\$ 1,353,965</u>	<u>\$ 1,361,045</u>	<u>\$ 1,368,265</u>	<u>\$ 1,375,631</u>	<u>\$ 1,383,144</u>
<u>CASH AND CASH EQUIVALENTS RECONCILIATION</u>					
Cash and Cash Equivalents	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Cash and Cash Equivalents-Without Donor Restrictions, Designated	132,600	135,252	137,957	140,716	143,531
Restricted Cash Included in Assets Limited to Use	221,366	225,793	230,309	234,915	239,613
	<u>\$ 1,353,965</u>	<u>\$ 1,361,045</u>	<u>\$ 1,368,265</u>	<u>\$ 1,375,631</u>	<u>\$ 1,383,144</u>

**THE CYPRESS OF RALEIGH CLUB, INC.
FINANCIAL FORECAST**

**Summary of Significant Accounting Policies
and Forecasted Assumptions**

Years Ending December 31, 2024 through 2028

See Independent Accountants' Compilation Report

These financial forecasts present, to the best of management's knowledge and belief, the expected financial position, results of operations and cash flows for the forecast periods. Accordingly, the forecasts reflect management's judgment as of April 2, 2024, the date of these forecasts, of the expected conditions and management's expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecasts. There will usually be differences between forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

1. Summary of Significant Accounting Policies

Nature of Organization and Activities

The accompanying forecasted financial statements include the accounts of The Cypress of Raleigh Club, Inc. ("Club"). The Club was organized as a not-for-profit corporation under the laws of the State of North Carolina to manage operations of The Cypress of Raleigh, a condominium continuing care retirement community located in Raleigh ("The Cypress" or "community"). The Cypress of Raleigh Owners' Association, Inc. ("Association") was created in accordance with the North Carolina Condominium Act to manage The Cypress.

The Club engages in various transactions with affiliates, The Cypress of Raleigh, LLC (the "Company") and Association. The Company is the developer of The Cypress. The Club was organized to manage the various membership functions of the Cypress that are included in each owner's membership agreement. The Association has delegated to the Club all of the Association's responsibilities with respect to investment management and maintenance of the community's common areas, including the clubhouse and health center. Life Care Services, LLC, a specialist in continuing care, has been retained to manage the daily operations of the Club.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, other liabilities and prepaid expenses.

**THE CYPRESS OF RALEIGH CLUB, INC.
FINANCIAL FORECAST**

**Summary of Significant Accounting Policies
and Forecasted Assumptions**

Years Ending December 31, 2024 through 2028

See Independent Accountants' Compilation Report

1. Summary of Significant Accounting Policies (continued)

Contributions and Net Assets

Funds received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of the funding restrictions. When a restriction expires (that is, when a stipulated time restriction ends or when the purpose of the restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

All restrictions on long-lived assets are released from restriction when the asset is placed in service, unless there are explicit donor restrictions indicating otherwise.

The Club follows the recommendations of the Financial Accounting Standards Board in its FASB ASC 958, "Not-for-Profit Entities." Under FASB ASC 958, the Club is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Accordingly, net assets of the Club and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Club and/or the passage of time or net assets subject to donor imposed stipulations that must be maintained in perpetuity by the Club.

Cash and Cash Equivalents and Restricted Cash

For purposes of the statement of cash flows, the entities consider all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Restricted cash consists of funds that have donor or contractual restrictions for long-term purposes. The cash restricted, either by donor or contractually, is reflected in net assets with donor restrictions.

**THE CYPRESS OF RALEIGH CLUB, INC.
FINANCIAL FORECAST**

**Summary of Significant Accounting Policies
and Forecasted Assumptions**

Years Ending December 31, 2024 through 2028

See Independent Accountants' Compilation Report

1. Summary of Significant Accounting Policies (continued)

Investments

Investments consist of mutual fund investments, exchange traded funds and bonds. Consistent with FASB ASC 958-320, FASB 820-10 and FASB ASC 825-10, these investments are stated at fair value based on market quoted from identical investments or similar instruments in active markets.

Accounts Receivable

The Club records accounts receivable at total unpaid balance, which approximates fair value. The Club determines past-due status of individual accounts receivable based on terms of the original contract (or based on how recently payments have been made, for example). The Club estimates an allowance for doubtful accounts based on a combination of factors, including the Club's historical loss experience and any anticipated effects related to current economic conditions, as well as management knowledge of the current accounts receivable. Delinquent accounts are written off when deemed uncollectible. The Club's management considers all accounts currently collectible and does not establish an allowance for uncollectible accounts at this time.

Inventory

The Club values its inventories at the lower of cost (average cost method) or market.

Prepaid Expenses

Prepaid expenses consist of prepaid insurance, which is amortized over the periods to which it applies.

**THE CYPRESS OF RALEIGH CLUB, INC.
FINANCIAL FORECAST**

**Summary of Significant Accounting Policies
and Forecasted Assumptions**

Years Ending December 31, 2024 through 2028

See Independent Accountants' Compilation Report

1. Summary of Significant Accounting Policies (continued)

Property and Equipment

Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Property and equipment are depreciated over estimated useful lives of seven to thirty-nine years. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. The Club's policy is to capitalize property and equipment over \$1,000. Expenditures for maintenance and repairs, which do not improve or extend the life of the respective assets, are charged to expense as incurred. Club equipment is capitalized at cost.

Assets Limited as to Use

Assets limited as to use primarily include assets designated by the Board of Directors for specific purposes, assets restricted by donors for future capital improvements and assets limited under state statute.

North Carolina General Statute Chapter 58, Article 64, requires continuing care retirement communities to maintain an operating reserve equal to a statutorily required percentage of total forecasted operating costs (less certain expenses) for a specific period. This operating reserve is not Board-controlled and cannot be used without the prior approval of the commissioner of the North Carolina Department of Insurance pursuant to GS § 58-64-33(c).

Due to Association and Affiliate

Cash funds are maintained in the Club where all income is collected, and all expenses are paid. The Club holds these cash funds for the Association.

Leases

The Club determines if an arrangement is a lease at inception. All leases are recorded on the statement of financial position except for leases with an initial term less than 12 months for which the Club made the short-term lease election.

**THE CYPRESS OF RALEIGH CLUB, INC.
FINANCIAL FORECAST**

**Summary of Significant Accounting Policies
and Forecasted Assumptions**

Years Ending December 31, 2024 through 2028

See Independent Accountants' Compilation Report

1. Summary of Significant Accounting Policies (concluded)

Leases (concluded)

Operating lease right-of-use assets (ROU) and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. Finance lease ROU assets are included in Property, plant and equipment, net, and the related liabilities are included in lease liabilities in the forecasted statements of financial position based on the present value of the remaining lease payments.

Revenue Recognition

Service fees represent amounts charged to residents under the terms of the Membership Agreement. Services are provided to members on an ongoing basis throughout the year and as a result revenue is recognized monthly at the time of billing.

Health Center and home health revenue is reported at the estimated net realizable amounts from residents, third-party payers and others for room and board and services/supplies received. Revenue is recognized monthly at the time of billing.

Revenues under third-party payer agreements are subject to audit and retroactive adjustment. Provisions for estimated third-party payer settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement.

Income Taxes

The Club is a not-for-profit organization that applied for exemption from income taxes under Section 501(c) 4 of the Internal Revenue Code. The Club received its tax-exempt status on April 28, 2005.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**THE CYPRESS OF RALEIGH CLUB, INC.
FINANCIAL FORECAST**

**Summary of Significant Accounting Policies
and Forecasted Assumptions**

Years Ending December 31, 2024 through 2028

See Independent Accountants' Compilation Report

2. Summary of Significant Forecasted Assumptions

Cash and Cash Equivalents

Cash and cash equivalents are based on the forecasted statements of activities and the related changes in the statements of financial position as noted in the forecasted statements of cash flows.

Accounts Receivable

Accounts receivable have been calculated based on historical data adjusted for estimated inflation of between 4 – 5 % depending on revenue type.

Property, Plant and Equipment

Property and equipment has been calculated based upon expected capital budget.

Assets Whose Use is Limited

Operating reserves are forecast to meet the minimum operating reserve requirements which will be required by the North Carolina Department of Insurance. The Cypress is required to maintain reserve funds equal to 50% of the total annual operating expenses if the occupancy is below 90%. Since the occupancy exceeds 90%, the reserve requirement is required to be 25%. The Company reserves the right, if necessary or appropriate, to loan funds for the reserve account and to be reimbursed as funding occurs through future sales. The Association has also adopted a resolution to designate funds from the asset replacement reserve account to meet the statutory reserve requirement, if necessary. This fund was transferred from the Association to the Club in 2015.

A reserve for asset replacement has also been established, funded through monthly condominium fees budgeted annually. This fund was transferred from the Association to the Club in 2015.

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses have been calculated based on historical data adjusted for estimated inflation of 4% over the term of the forecast.

**THE CYPRESS OF RALEIGH CLUB, INC.
FINANCIAL FORECAST**

**Summary of Significant Accounting Policies
and Forecasted Assumptions**

Years Ending December 31, 2024 through 2028

See Independent Accountants' Compilation Report

2. Summary of Significant Forecasted Assumptions (continued)

Revenue

The revenue and expense estimates have been calculated based upon full occupancy of the 319 Independent Living villas and cottages. The Cypress also has a five-star skilled nursing facility (the "Rosewood") with 61 beds. The occupancy for the Rosewood is estimated at anticipated continuing care from independent living.

Monthly payments from residents of The Cypress include a service fee component and a condominium fee component. These monthly payments vary by unit, and the amounts included herein are the weighted average monthly payments for the villas and cottages. The monthly payments, second person fees and health center fees are based upon expected fill up budget. Revenues on the monthly payments and second person fees are calculated based upon the occupancy numbers and the weighted average service fees/second person fees.

Health Center revenues are based on historic occupancy rates; prices for services are adjusted for an average inflation rate of 5%.

Community Home Health revenues are based on growth rates achieved by comparable services provided by continuing care retirement communities similar to The Cypress of Raleigh.

Operating Expenses

Expenses for program services are based on historic data and adjusted for estimated inflation of 5%.

General and administrative expenses have been estimated based on historic data of the Club and adjusted for estimated inflation over the term of the forecast. Management fees consist of fees paid to Life Care Services of the greater of \$45,000 or 3.6% of gross operating revenue and the overhead fee paid to the Company, which is 10% of the operating expense of the community before depreciation, income taxes and overhead fee.

**THE CYPRESS OF RALEIGH CLUB, INC.
FINANCIAL FORECAST**

**Summary of Significant Accounting Policies
and Forecasted Assumptions**

Years Ending December 31, 2024 through 2028

See Independent Accountants' Compilation Report

2. Summary of Significant Forecasted Assumptions (concluded)

Depreciation

Depreciation expense in the forecast period reflects straight-line depreciation of asset balances at December 31 of each year, computed over the estimated useful lives of the assets.

Buildings and Improvements	40 years
Furniture, fixtures & equipment	7 years

Other Expenses

Other expenses represent scheduled unit refurbishment costs expected to be incurred as the units age. Refurbishment includes costs such as replacing appliances, flooring and painting.

Income Taxes

The Club is a non-profit organization under Section 501(c) (4) of the Internal Revenue Code and, accordingly, no provision for income taxes was recorded.

EXHIBIT J

**THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
FORECASTED FINANCIAL STATEMENTS FOR THE YEARS
ENDED DECEMBER 31, 2024 THROUGH 2028**

{ATTACHED}

THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.

FORECASTED FINANCIAL STATEMENTS

FOR THE YEARS ENDING DECEMBER 31, 2024 THROUGH 2028

CONTENTS

	<u>Page</u>
INDEPENDENT ACCOUNTANTS' COMPILATION REPORT	1
FORECASTED FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities	3
Statements of Changes in Members' Equity	4
Statements of Cash Flows	5
Summary of Significant Accounting Policies and Forecasted Assumptions	6 - 9



INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Board of Directors
The Cypress of Raleigh Owners' Association, Inc.

Management is responsible for the accompanying forecast of The Cypress of Raleigh Owners' Association, Inc., which comprises the forecasted statements of financial position as of December 31, 2024 through 2028 and the related statements of activities, changes in members' equity and cash flows, for the years then ending, and the related summaries of significant assumptions and accounting policies in accordance with guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants (AICPA). We have performed the compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the forecast or were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on this forecast.

The forecasted results may not be achieved, as there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of the report.

The accompanying forecast and this report were prepared pursuant to the North Carolina Statute 58-64-20(a) (12) and should not be used for any other purpose.

Dreher Martin CPAs, P.A.

Raleigh, North Carolina
April 2, 2024

THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
Forecasted Statements of Financial Position for the Years Ending December 31, 2024 Through 2028

**See Accompanying Summaries of Significant Accounting Policies and Forecasted Assumptions
and Independent Accountants' Compilation Report**

	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
Current Assets					
Cash	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Total current assets	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Property, Plant & Equipment:					
Furniture & Fixtures	20,409,995	21,707,926	22,909,226	23,853,054	24,910,241
	<u>20,409,995</u>	<u>21,707,926</u>	<u>22,909,226</u>	<u>23,853,054</u>	<u>24,910,241</u>
Less Accumulated Depreciation	(6,379,642)	(7,500,059)	(8,729,633)	(10,029,682)	(11,410,373)
Net Property, Plant & Equipment	<u>14,030,353</u>	<u>14,207,866</u>	<u>14,179,592</u>	<u>13,823,372</u>	<u>13,499,868</u>
Due from Club	<u>1,534,780</u>	<u>1,134,341</u>	<u>1,029,529</u>	<u>763,471</u>	<u>867,811</u>
Total Assets	<u>\$ 15,665,133</u>	<u>\$ 15,442,208</u>	<u>\$ 15,309,121</u>	<u>\$ 14,686,843</u>	<u>\$ 14,467,679</u>
Members' Equity					
Undesignated	\$ 15,665,133	\$ 15,442,208	\$ 15,309,121	\$ 14,686,843	\$ 14,467,679
Total Members' Equity	<u>15,665,133</u>	<u>15,442,208</u>	<u>15,309,121</u>	<u>14,686,843</u>	<u>14,467,679</u>
Total Liabilities & Members' Equity	<u>\$ 15,665,133</u>	<u>\$ 15,442,208</u>	<u>\$ 15,309,121</u>	<u>\$ 14,686,843</u>	<u>\$ 14,467,679</u>

THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
Forecasted Statements of Activities for the Years Ending December 31, 2024 Through 2028

**See Accompanying Summaries of Significant Accounting Policies and Forecasted Assumptions
and Independent Accountants' Compilation Report**

	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
Operating Revenue:					
Service Fees	\$ 9,263,375	\$ 9,726,048	\$ 10,211,840	\$ 10,714,268	\$ 11,241,458
Asset Replacement	155,800	163,590	171,770	180,358	189,376
Insurance	26,318	27,371	28,423	29,476	30,529
Total Operating Revenue	<u>9,445,492</u>	<u>9,917,009</u>	<u>10,412,033</u>	<u>10,924,102</u>	<u>11,461,363</u>
Operating Expenses:					
Program Services					
Housekeeping	811,076	851,602	894,610	940,283	988,816
Plant	3,684,881	3,853,383	4,030,392	4,216,399	4,411,926
	<u>4,495,957</u>	<u>4,704,985</u>	<u>4,925,002</u>	<u>5,156,682</u>	<u>5,400,742</u>
Supportive Services					
General & Administrative	2,118,957	2,100,961	2,257,223	2,377,297	2,510,186
Management Fee - Life Care Services	351,810	375,277	394,150	413,738	434,313
Management Fee - Cypress of Raleigh, LLC	843,387	888,178	931,877	977,652	1,026,355
	<u>3,314,154</u>	<u>3,364,416</u>	<u>3,583,250</u>	<u>3,768,687</u>	<u>3,970,854</u>
Total Operating Expenses	<u>7,810,111</u>	<u>8,069,400</u>	<u>8,508,252</u>	<u>8,925,369</u>	<u>9,371,596</u>
Excess of Operating Revenue Over Expense	1,635,381	1,847,609	1,903,781	1,998,733	2,089,767
Other Changes:					
Amortization of Entrance Fees	-	-	-	-	-
Increase (Decrease) in Members' Equity	<u>\$ 1,635,381</u>	<u>\$ 1,847,609</u>	<u>\$ 1,903,781</u>	<u>\$ 1,998,733</u>	<u>\$ 2,089,767</u>

THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
Forecasted Statements of Changes in Members' Equity for the Years Ending December 31, 2024 Through 2028

**See Accompanying Summaries of Significant Accounting Policies and Forecasted Assumptions
and Independent Accountants' Compilation Report**

	2024	2025	2026	2027	2028
Members' Equity - undesignated					
Beginning balance	\$ 20,443,151	\$ 15,665,133	\$ 15,442,208	\$ 15,309,121	\$ 14,686,843
Excess of revenue, gains and other support over expense	1,635,381	1,847,609	1,903,781	1,998,733	2,089,767
Assets purchases transferred from Club	1,690,580	1,297,931	1,201,299	943,829	1,057,187
Transfers (to) from Club	(7,948,179)	(3,204,875)	(3,066,397)	(3,384,482)	(3,176,743)
Amounts transferred to Club for reserves	(155,800)	(163,590)	(171,770)	(180,358)	(189,376)
Members' Equity - undesignated - end of year	<u>\$ 15,665,133</u>	<u>\$ 15,442,208</u>	<u>\$ 15,309,121</u>	<u>\$ 14,686,843</u>	<u>\$ 14,467,679</u>

THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
Forecasted Statements of Cash Flows From Operations for the Years Ending December 31, 2024 Through 2028

**See Accompanying Summaries of Significant Accounting Policies and Forecasted Assumptions
and Independent Accountants' Compilation Report**

	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
<u>Cash Flows from Operating Activities</u>					
Change in Members' Equity	\$ 1,635,381	\$ 1,847,609	\$ 1,903,781	\$ 1,998,733	\$ 2,089,767
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:					
Depreciation	1,162,746	1,120,417	1,229,574	1,300,049	1,380,691
(Increase)Decrease in:					
Due (to) from Club	5,305,725	400,439	104,812	266,058	(104,340)
Net Cash Provided by Operating Activities	8,103,852	3,368,465	3,238,167	3,564,840	3,366,119
Cash Flow from Financing Activities					
Transfers to Club	(8,103,979)	(3,368,465)	(3,238,167)	(3,564,840)	(3,366,119)
Cash Used by Financing Activities	(8,103,979)	(3,368,465)	(3,238,167)	(3,564,840)	(3,366,119)
Net Increase (Decrease) in Cash and Cash Equivalents	(127)	0	0	0	(0)
Cash and Cash Equivalents at Beginning of Year	\$ 100,127	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Cash and Cash Equivalents at End of Year	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000

**THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
FINANCIAL FORECAST**

**Summary of Significant Accounting Policies
and Forecasted Assumptions**

Years Ending December 31, 2024 through 2028

See Independent Accountants' Compilation Report

These financial forecasts present, to the best of management's knowledge and belief, the expected financial position, results of operations and cash flows for the forecast periods. Accordingly, the forecasts reflect management's judgment as of April 2, 2024, the date of these forecasts, of the expected conditions and management's expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecasts. There will usually be differences between forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

1. Summary of Significant Accounting Policies

Nature of Organization and Activities

The accompanying forecasted financial statements include the accounts of The Cypress of Raleigh Owners' Association, Inc. (the "Association") (a not-for-profit entity) organized under the laws of the State of North Carolina in connection with the development of The Cypress of Raleigh, a condominium continuing care retirement community located in Raleigh ("The Cypress" or "community").

The Association engages in various transactions with affiliates, The Cypress of Raleigh, LLC (the "Company") and Club. The Company is the developer of The Cypress. The Association is comprised of the owners of units in The Cypress and serves as the governing body for all issues related to the real estate aspects of the units and the common areas of the community. The Association has delegated to the Club all of the Association's responsibilities with respect to investment management and maintenance of the community's common areas, including the clubhouse and health center.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, other liabilities and prepaid expenses.

**THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
FINANCIAL FORECAST**

**Summary of Significant Accounting Policies
and Forecasted Assumptions**

Years Ending December 31, 2024 through 2028

See Independent Accountants' Compilation Report

1. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Association considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Property and Equipment

The Association capitalizes all property and equipment to which it has title or other evidence of ownership over \$1,000. The Association does not recognize as assets real property directly associated with the members' units. Capitalized assets acquired by the Association are recorded at cost, while assets contributed by the developer are recorded at estimated fair value at the date of the contribution.

The Association assesses long-lived assets for impairment when events or circumstances exist that indicates the carrying amounts of these assets may not be recoverable.

Due from Club

Cash funds are maintained in the Club where all income is collected, and all expenses are paid. The Club holds these cash funds for the Association.

Revenue Recognition

The Association's revenue is generated primarily through association fees from condominium owners in The Cypress and represent amounts charged to residents under the terms of the Membership Agreement. Services are provided to members on an ongoing basis throughout the year and as a result revenue is recognized monthly at the time of billing.

Income Taxes

Homeowners associations may be taxed either as homeowners associations or as regular corporations. As a homeowners association, membership income is exempt from taxation if certain elections are made, and the Association is taxed only on its nonmembership income, such as interest earnings, at regular federal and state corporate rates.

**THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
FINANCIAL FORECAST**

**Summary of Significant Accounting Policies
and Forecasted Assumptions**

Years Ending December 31, 2024 through 2028

See Independent Accountants' Compilation Report

1. Summary of Significant Accounting Policies (concluded)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. Summary of Significant Forecasted Assumptions

Cash and Cash Equivalents

Cash and cash equivalents are based on the forecasted statements of activities and the related changes in the statements of financial position as noted in the forecasted statements of cash flows.

Property, Plant and Equipment

Property and equipment has been calculated based upon expected capital budget.

Revenue

The revenue and expense estimates have been calculated based upon full occupancy of the 319 Independent Living villas and cottages. The Cypress also has a five-star skilled nursing facility (the "Rosewood") with 61 beds. The occupancy for the Rosewood is estimated at anticipated continuing care from independent living.

Monthly payments from residents of The Cypress include a service fee component and a condominium fee component. These monthly payments vary by unit and the amounts included herein are the weighted average monthly payments for the villas and cottages. The monthly payments, second person fees and health center fees are based upon expected fill up budget. Revenues on the monthly payments and second person fees are calculated based upon the occupancy numbers and the weighted average service fees/second person fees.

**THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
FINANCIAL FORECAST**

**Summary of Significant Accounting Policies
and Forecasted Assumptions**

Years Ending December 31, 2024 through 2028

See Independent Accountants' Compilation Report

2. Summary of Significant Forecasted Assumptions (concluded)

Operating Expenses

Expenses for program services are based on historical data for each service adjusted for estimated inflation of 4%.

General and administrative expenses have been estimated based on historic data and adjusted for estimated inflation over the term of the forecast. Management fees consist of fees paid to Life Care Services of the greater of \$45,000 or 3.6% of gross operating revenue and the overhead fee paid to the Company, which is 10% of the operating expense of the community before depreciation, income taxes and overhead fee.

Depreciation

Depreciation expense in the forecast period reflects straight-line depreciation of asset balances at December 31 of each year, computed over the estimated useful lives of the assets.

Buildings and improvements	40 years
Furniture, fixtures & equipment	7 years

EXHIBIT K

**THE CYPRESS OF RALEIGH CLUB, INC. AND
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
COMBINED FORECASTED FINANCIAL STATEMENTS FOR
THE YEARS ENDED DECEMBER 31, 2024 THROUGH 2028**

{ATTACHED}

THE CYPRESS OF RALEIGH CLUB, INC.

AND

THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.

COMBINED FORECASTED FINANCIAL STATEMENTS

FOR THE YEARS ENDING DECEMBER 31, 2024 THROUGH 2028

CONTENTS

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT	<u>Page</u> 1
FORECASTED FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities	3
Statements of Changes in Net Assets	4
Statements of Cash Flows	5
Summary of Significant Accounting Policies and Forecasted Assumptions	6 - 14



INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Board of Directors
The Cypress of Raleigh Club, Inc.
The Cypress of Raleigh Owners' Association, Inc.

Management is responsible for the accompanying forecast of The Cypress of Raleigh Club, Inc. and The Cypress of Raleigh Owners' Association, Inc., which comprises the forecasted statements of financial position as of December 31, 2024 through 2028 and the related statements of activities, changes in net assets and cash flows, for the years then ending, and the related summaries of significant assumptions and accounting policies in accordance with guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants (AICPA). We have performed the compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the forecast or were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on this forecast.

The forecasted results may not be achieved, as there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of the report.

The accompanying forecast and this report were prepared pursuant to the North Carolina Statute 58-64-20(a) (12) and should not be used for any other purpose.

Dreher Martin CPAs, P.A.

Raleigh, North Carolina
April 2, 2024

THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
Combined Forecasted Statements of Financial Position for the Years Ending December 31, 2024 Through 2028

See Accompanying Summaries of Significant Accounting Policies and Forecasted Assumptions
and Independent Accountants' Compilation Report

	2024	2025	2026	2027	2028
<u>Assets</u>					
Current Assets:					
Cash and Cash Equivalents	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000
Cash and Cash Equivalents-limited as to use	132,600	135,252	137,957	140,716	143,531
Accounts Receivable	842,091	920,418	967,185	1,015,977	1,067,299
Inventory	117,357	117,357	117,357	117,357	117,357
Prepaid Expenses	164,687	170,451	176,417	182,592	188,983
Total Current Assets	<u>2,356,735</u>	<u>2,443,478</u>	<u>2,498,916</u>	<u>2,556,643</u>	<u>2,617,170</u>
Property, Plant & Equipment:					
Furniture, Fixtures, & Equipment	23,498,557	25,025,537	26,438,826	27,549,214	28,792,963
	<u>23,498,557</u>	<u>25,025,537</u>	<u>26,438,826</u>	<u>27,549,214</u>	<u>28,792,963</u>
Less Accumulated Depreciation	(8,062,108)	(9,509,764)	(11,048,524)	(12,623,763)	(14,272,722)
Net Property, Plant & Equipment	<u>15,436,449</u>	<u>15,515,773</u>	<u>15,390,302</u>	<u>14,925,451</u>	<u>14,520,241</u>
Assets Limited as to Use					
Restricted Reserves Required by State Statute, Cash Equivalents	221,366	225,793	230,309	234,915	239,613
Restricted Reserves Required by State Statute, Investments	5,149,820	5,355,814	5,567,989	5,786,528	6,011,624
Asset Replacement Reserve, Investments	6,617,867	6,886,470	7,461,607	8,521,753	9,606,324
Total Assets Limited as to Use	<u>11,989,052</u>	<u>12,468,077</u>	<u>13,259,904</u>	<u>14,543,196</u>	<u>15,857,562</u>
Other Assets					
Refundable Deposits	62,327	62,327	62,327	62,327	62,327
Right-of-use Assets - Operating Leases	11,778	-	-	-	-
Total Other Assets	<u>74,105</u>	<u>62,327</u>	<u>62,327</u>	<u>62,327</u>	<u>62,327</u>
Total Assets	<u>\$ 29,856,341</u>	<u>\$ 30,489,654</u>	<u>\$ 31,211,450</u>	<u>\$ 32,087,616</u>	<u>\$ 33,057,299</u>
<u>Liabilities & Net Assets</u>					
Current Liabilities:					
Accounts Payable	\$ 627,799	\$ 659,460	\$ 690,384	\$ 722,709	\$ 757,003
Accrued Expenses	1,080,446	1,134,934	1,188,155	1,243,787	1,302,806
Due to Members	19,544	20,130	20,734	21,356	21,997
Current Portion of Notes Payable	14,663	15,198	1,195	-	-
Current Portion of Operating Lease Liability	11,778	-	-	-	-
Current Portion of Finance Lease Liability	55,518	40,729	12,600	-	-
Deferred Revenue - Refundable	-	-	-	-	-
Deferred Revenue - Non-Refundable	-	-	-	-	-
Total Current Liabilities	<u>1,809,748</u>	<u>1,870,451</u>	<u>1,913,068</u>	<u>1,987,853</u>	<u>2,081,806</u>
Long-term Liabilities:					
Notes Payable, Net of Current Portion	16,393	1,195	-	-	-
Finance Lease Liability, Net of Current Portion	53,329	12,600	-	-	-
Total Long-term Liabilities	<u>69,722</u>	<u>13,795</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>1,879,470</u>	<u>1,884,246</u>	<u>1,913,068</u>	<u>1,987,853</u>	<u>2,081,806</u>
Net Assets:					
Net Assets without Donor Restriction, Undesignated	1,409,272	1,939,477	2,137,696	2,448,452	2,405,960
Net Assets without Donor Restriction, Designated	6,750,467	7,021,722	7,599,564	8,662,469	9,749,855
Net Assets with Donor Restrictions	4,152,000	4,202,000	4,252,000	4,302,000	4,352,000
Member's Equity, Undesignated	15,665,133	15,442,208	15,309,121	14,686,843	14,467,679
Total Net Assets	<u>27,976,871</u>	<u>28,605,407</u>	<u>29,298,381</u>	<u>30,099,763</u>	<u>30,975,492</u>
Total Liabilities & Net Assets	<u>\$ 29,856,341</u>	<u>\$ 30,489,654</u>	<u>\$ 31,211,450</u>	<u>\$ 32,087,616</u>	<u>\$ 33,057,299</u>

THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
Combined Forecasted Statements of Activities for the Years Ending December 31, 2024 Through 2028

**See Accompanying Summaries of Significant Accounting Policies and Forecasted Assumptions
and Independent Accountants' Compilation Report**

	2024	2025	2026	2027	2028
Net Assets Without Donor Restrictions					
<u>Operating Revenue:</u>					
Service Fees	\$ 21,149,256	\$ 22,205,592	\$ 23,314,703	\$ 24,461,800	\$ 25,665,428
Health Center	5,794,647	6,580,156	6,919,536	7,274,134	7,647,824
Asset Replacement	155,800	163,590	171,770	180,358	189,376
Insurance	26,318	27,371	28,423	29,476	30,529
Home Health Revenue	2,664,660	2,797,893	2,937,788	3,084,677	3,238,911
Other income	5,063	5,316	5,582	5,861	6,154
Total Operating Revenue	<u>29,795,744</u>	<u>31,779,918</u>	<u>33,377,802</u>	<u>35,036,306</u>	<u>36,778,222</u>
 Expenses:					
Program Services					
Housekeeping	2,869,574	3,012,951	3,165,114	3,326,703	3,498,413
Food and Beverage	5,432,346	5,683,424	5,947,928	6,226,708	6,520,674
Health Center	5,461,259	5,869,929	6,211,215	6,561,798	6,943,234
Community Home Health	2,629,806	2,752,345	2,881,901	3,018,967	3,164,072
Resident Services	871,401	959,546	987,723	1,017,844	1,050,057
Plant	4,421,297	4,623,473	4,835,857	5,059,037	5,293,640
	<u>21,685,683</u>	<u>22,901,668</u>	<u>24,029,738</u>	<u>25,211,057</u>	<u>26,470,090</u>
Supportive Services					
General & Administrative	4,392,034	4,362,433	4,581,747	4,765,738	4,994,961
Management Fee - Life Care Services	1,066,091	1,137,202	1,194,394	1,253,753	1,316,099
Management Fee - The Cypress of Raleigh, LLC	2,555,717	2,691,449	2,823,870	2,962,583	3,110,166
	<u>8,013,841</u>	<u>8,191,084</u>	<u>8,600,011</u>	<u>8,982,074</u>	<u>9,421,227</u>
Total Operating Expenses	<u>29,699,524</u>	<u>31,092,752</u>	<u>32,629,749</u>	<u>34,193,131</u>	<u>35,891,317</u>
Excess of Operating Revenue Over Expenses	96,221	687,165	748,054	843,175	886,906
Other Changes:					
Net Investment Income (Loss)	464,043	447,572	467,809	498,281	546,597
Other expenses	(540,000)	(556,200)	(572,886)	(590,073)	(607,775)
Amortization of Entrance Fees	-	-	-	-	-
Increase (Decrease) in Net Assets without Donor Restrictions	<u>20,264</u>	<u>578,537</u>	<u>642,977</u>	<u>751,383</u>	<u>825,728</u>
Net Assets With Donor Restrictions					
Reserves Required by State Statute Deposited	50,000	50,000	50,000	50,000	50,000
Increase (Decrease) in Net Assets with Donor Restrictions	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
Increase (Decrease) in Net Assets	<u>\$ 70,264</u>	<u>\$ 628,537</u>	<u>\$ 692,977</u>	<u>\$ 801,383</u>	<u>\$ 875,728</u>

THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
Combined Forecasted Statements of Changes in Net Assets for the Years Ending December 31, 2024 Through 2028

**See Accompanying Summaries of Significant Accounting Policies and Forecasted Assumptions
and Independent Accountants' Compilation Report**

	2024	2025	2026	2027	2028
Net Assets without Donor Restriction:					
Undesignated Net Assets without Donor Restriction:					
Undesignated Net Assets without Donor Restriction-beginning of year	\$ (4,316,248)	\$ 1,409,272	\$ 1,939,477	\$ 2,137,696	\$ 2,448,452
Increase (Decrease) in Undesignated Net Assets without Donor Restriction	(1,922,226)	(1,553,571)	(1,559,219)	(1,569,726)	(1,628,028)
Transfer from (to) net assets designated for asset replacement	390,148	(73,167)	(357,658)	(560,171)	(534,021)
Transfer from (to) Association	7,948,179	3,204,875	3,066,397	3,384,482	3,176,743
Asset purchases transferred to Owners' Association	(690,580)	(1,047,931)	(951,299)	(943,829)	(1,057,187)
Increase (Decrease) in Undesignated Net Assets without donor restriction-end of year	1,409,272	1,939,477	2,137,696	2,448,452	2,405,960
Designated Net Assets without Donor Restriction:					
Designated Net Assets without Donor Restriction-beginning of year	7,677,707	6,750,467	7,021,722	7,599,564	8,662,469
Increase (Decrease) in Designated Net Assets	307,108	284,498	298,414	322,376	363,989
Transfer (to) from Undesignated Net Assets without Donor Restriction	(390,148)	73,167	357,658	560,171	534,021
Asset purchases transferred to Owners' Association	(1,000,000)	(250,000)	(250,000)	-	-
Amounts transferred from Owners' Association for reserves	155,800	163,590	171,770	180,358	189,376
Increase (Decrease) in Designated Net Assets without Donor Restriction-end of year	6,750,467	7,021,722	7,599,564	8,662,469	9,749,855
Total Net Assets without Donor Restriction - end of year	8,159,739	8,961,199	9,737,260	11,110,921	12,155,815
Net Assets with Donor Restrictions:					
Net assets with Donor Restrictions-beginning of year	4,102,000	4,152,000	4,202,000	4,252,000	4,302,000
Additions from new units	50,000	50,000	50,000	50,000	50,000
Increase (Decrease) in Net Assets with Donor Restrictions - end of year	4,152,000	4,202,000	4,252,000	4,302,000	4,352,000
Net Assets - end of year	\$ 12,311,739	\$ 13,163,199	\$ 13,989,260	\$ 15,412,921	\$ 16,507,815
Members' Equity - Undesignated:					
Beginning Balance	\$ 20,443,151	\$ 15,665,133	\$ 15,442,208	\$ 15,309,121	\$ 14,686,843
Excess of Revenue, Gains, and Other					
Support Over Expense	1,635,381	1,847,609	1,903,781	1,998,733	2,089,767
Asset purchases transferred from Club	1,690,580	1,297,931	1,201,299	943,829	1,057,187
Transfer (to) from Club	(7,948,179)	(3,204,875)	(3,066,397)	(3,384,482)	(3,176,743)
Amounts transferred to Club for reserves	(155,800)	(163,590)	(171,770)	(180,358)	(189,376)
Total Member's Equity-Undesignated - end of year	\$ 15,665,133	\$ 15,442,208	\$ 15,309,121	\$ 14,686,843	\$ 14,467,679

THE CYPRESS OF RALEIGH CLUB, INC.
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
Combined Forecasted Statements of Cash Flows From Operations for the Years Ending December 31, 2024 Through 2028

**See Accompanying Summaries of Significant Accounting Policies and Forecasted Assumptions
and Independent Accountants' Compilation Report**

	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
<u>Cash Flows from Operating Activities</u>					
Change in Net Assets	\$ 70,264	\$ 628,537	\$ 692,977	\$ 801,383	\$ 875,728
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:					
Depreciation	1,498,917	1,447,657	1,538,760	1,575,239	1,648,960
Reduction in the carrying amount of right-of-use assets - operating leases	61,404	11,778	-	-	-
(Increase) Decrease in:					
Accounts Receivable	44,504	(78,327)	(46,767)	(48,792)	(51,323)
Due from Affiliate	53,438	-	-	-	-
Prepaid Expenses	(5,569)	(5,764)	(5,966)	(6,175)	(6,392)
Increase (Decrease) in:					
Accounts Payable	(6,128)	31,658	30,924	32,323	34,296
Due to Members	(11,954)	586	604	622	641
Accrued Expense	(10,548)	54,488	53,221	55,632	59,020
Lease Liability	(61,404)	(11,778)	-	-	-
Net Cash Provided by Operating Activities	<u>1,632,923</u>	<u>2,078,836</u>	<u>2,263,753</u>	<u>2,410,233</u>	<u>2,560,930</u>
<u>Cash Flow from Investing Activities</u>					
Proceeds (Purchases) of Investments	(2,338,863)	(474,598)	(787,311)	(1,278,686)	(1,309,668)
Purchase of Property & Equipment	(1,988,918)	(1,526,978)	(1,413,293)	(1,110,387)	(1,243,749)
Net Cash Used by Investing Activities	<u>(4,327,781)</u>	<u>(2,001,576)</u>	<u>(2,200,604)</u>	<u>(2,389,073)</u>	<u>(2,553,417)</u>
<u>Cash Flow from Financing Activities</u>					
Payments on Notes Payable	(27,785)	(14,663)	(15,198)	(1,195)	-
Payments on Finance Lease Liability	(60,987)	(55,518)	(40,729)	(12,600)	-
Net Cash Used by Financing Activities	<u>(88,772)</u>	<u>(70,181)</u>	<u>(55,927)</u>	<u>(13,795)</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents and Restricted Cash	(2,783,631)	7,078	7,221	7,365	7,513
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR	<u>4,237,596</u>	<u>1,453,965</u>	<u>1,461,044</u>	<u>1,468,266</u>	<u>1,475,631</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	<u>\$ 1,453,965</u>	<u>\$ 1,461,044</u>	<u>\$ 1,468,266</u>	<u>\$ 1,475,631</u>	<u>\$ 1,483,144</u>
<u>CASH AND CASH EQUIVALENTS RECONCILIATION</u>					
Cash and Cash Equivalents	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000
Cash and Cash Equivalents-With Donor Restrictions, Designated	132,600	135,252	137,957	140,716	143,531
Restricted Cash Included in Assets Limited to Use	221,366	225,793	230,309	234,915	239,613
	<u>\$ 1,453,965</u>	<u>\$ 1,461,044</u>	<u>\$ 1,468,266</u>	<u>\$ 1,475,631</u>	<u>\$ 1,483,144</u>

**THE CYPRESS OF RALEIGH CLUB, INC.
AND
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
COMBINED FINANCIAL FORECAST**

**Summary of Significant Accounting Policies
and Forecasted Assumptions**

Years Ending December 31, 2024 through 2028

See Independent Accountants' Compilation Report

These financial forecasts present, to the best of management's knowledge and belief, the expected financial position, results of operations and cash flows for the forecast periods. Accordingly, the forecasts reflect management's judgment as of April 2, 2024, the date of these forecasts, of the expected conditions and management's expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecasts. There will usually be differences between forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

1. Summary of Significant Accounting Policies

Nature Organization and Activities

The accompanying forecasted financial statements include the accounts of The Cypress of Raleigh Club, Inc. (a not for profit entity) (the "Club") and The Cypress of Raleigh Owners' Association, Inc. (a not for profit entity) (the "Association"). The Club and the Association were organized under the laws of the State of North Carolina in connection with the development of a condominium continuing care retirement community located in Raleigh, North Carolina and known as The Cypress of Raleigh ("The Cypress" or the "community").

The Club engages in various transactions with affiliates, The Cypress of Raleigh, LLC (the "Company") and Association. The Company is the developer of The Cypress. The Association, which is comprised of the owners of units in The Cypress in accordance with the North Carolina Condominium Act, serves as the governing body for all issues related to the real estate aspects of the units and the common areas of the community. The Association has delegated to the Club all of the Association's responsibilities with respect to investment management and maintenance of the community's common areas, including the clubhouse and health center. The Club has retained Life Care Services, LLC, specialists in continuing care, to manage the daily operations of the Club and the Association.

Principles of Combination

The accompanying combined financial statements include the accounts of the above named businesses. All material related-party balances and transactions have been eliminated in combination.

**THE CYPRESS OF RALEIGH CLUB, INC.
AND
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
COMBINED FINANCIAL FORECAST**

**Summary of Significant Accounting Policies
and Forecasted Assumptions**

Years Ending December 31, 2024 through 2028

See Independent Accountants' Compilation Report

1. Summary of Significant Accounting Policies (continued)

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, other liabilities and prepaid expenses.

Contributions and Net Assets

Funds received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of the funding restrictions. When a restriction expires (that is, when a stipulated time restriction ends or when the purpose of the restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

All restrictions on long-lived assets are released from restriction when the asset is placed in service, unless there are explicit donor restrictions indicating otherwise.

The Club follows the recommendations of the Financial Accounting Standards Board in its FASB ASC 958, "Not-for-Profit Entities." Under FASB ASC 958, the Club is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Accordingly, net assets of the Club and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Club and/or the passage of time or net assets subject to donor imposed stipulations that must be maintained in perpetuity by the Club.

**THE CYPRESS OF RALEIGH CLUB, INC.
AND
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
COMBINED FINANCIAL FORECAST**

**Summary of Significant Accounting Policies
and Forecasted Assumptions**

Years Ending December 31, 2024 through 2028

See Independent Accountants' Compilation Report

1. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents and Restricted Cash

For purposes of the statement of cash flows, the entities consider all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Restricted cash consists of funds that have donor or contractual restrictions for long-term purposes. The cash restricted, either by donor or contractually, is reflected in net assets with donor restrictions.

Investments

Investments consist of mutual fund investments, exchange traded funds and bonds. Consistent with FASB ASC 958-320, FASB 820-10 and FASB ASC 825-10, these investments are stated at fair value based on market quoted from identical investments or similar instruments in active markets.

Accounts Receivable

The Club records accounts receivable at total unpaid balance, which approximates fair value. The Club determines past-due status of individual accounts receivable based on terms of the original contract (or based on how recently payments have been made, for example). The Club estimates an allowance for doubtful accounts based on a combination of factors, including the Club's historical loss experience and any anticipated effects related to current economic conditions, as well as management knowledge of the current accounts receivable. Delinquent accounts are written off when deemed uncollectible. The Club's management considers all accounts currently collectible and does not establish an allowance for uncollectible accounts at this time.

Inventory

The Club values its inventories at the lower of cost (average cost method) or market.

**THE CYPRESS OF RALEIGH CLUB, INC.
AND
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
COMBINED FINANCIAL FORECAST**

**Summary of Significant Accounting Policies
and Forecasted Assumptions**

Years Ending December 31, 2024 through 2028

See Independent Accountants' Compilation Report

1. Summary of Significant Accounting Policies (continued)

Prepaid Expenses

Prepaid expenses consist of prepaid insurance, which is amortized over the periods to which it applies.

Property and Equipment

Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Property and equipment are depreciated over estimated useful lives of seven to thirty-nine years. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. The Club's policy is to capitalize property and equipment over \$1,000. Expenditures for maintenance and repairs, which do not improve or extend the life of the respective assets, are charged to expense as incurred. Club equipment is capitalized at cost.

The Association capitalizes all property and equipment to which it has title or other evidence of ownership over \$1,000. The Association does not recognize as assets real property directly associated with the members' units. Capitalized assets acquired by the Association are recorded at cost, while assets contributed by the developer are recorded at estimated fair value at the date of the contribution.

The Association assesses long-lived assets for impairment when events or circumstances exist that indicates the carrying amounts of these assets may not be recoverable.

Assets Limited as to Use

Assets limited as to use primarily include assets designated by the Board of Directors for specific purposes, assets restricted by donors for future capital improvements and assets limited under state statute.

**THE CYPRESS OF RALEIGH CLUB, INC.
AND
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
COMBINED FINANCIAL FORECAST**

**Summary of Significant Accounting Policies
and Forecasted Assumptions**

Years Ending December 31, 2024 through 2028

See Independent Accountants' Compilation Report

1. Summary of Significant Accounting Policies (continued)

Assets Limited as to Use (concluded)

North Carolina General Statute Chapter 58, Article 64, requires continuing care retirement communities to maintain an operating reserve equal to a statutorily required percentage of total forecasted operating costs (less certain expenses) for a specific period. This operating reserve is not Board-controlled and cannot be used without the prior approval of the commissioner of the North Carolina Department of Insurance pursuant to GS § 58-64-33(c).

Leases

The Club determines if an arrangement is a lease at inception. All leases are recorded on the statement of financial position except for leases with an initial term less than 12 months for which the Club made the short-term lease election.

Operating lease right-of-use assets (ROU) and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. Finance lease ROU assets are included in Property, plant and equipment, net, and the related liabilities are included in lease liabilities in the forecasted statements of financial position based on the present value of the remaining lease payments.

Revenue Recognition

Service fees represent amounts charged to residents under the terms of the Membership Agreement. Services are provided to members on an ongoing basis throughout the year and as a result revenue is recognized monthly at the time of billing.

Health Center and home health revenue is reported at the estimated net realizable amounts from residents, third-party payers and others for room and board and services/supplies received. Revenue is recognized monthly at the time of billing.

**THE CYPRESS OF RALEIGH CLUB, INC.
AND
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
COMBINED FINANCIAL FORECAST**

**Summary of Significant Accounting Policies
and Forecasted Assumptions**

Years Ending December 31, 2024 through 2028

See Independent Accountants' Compilation Report

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition (concluded)

Revenues under third-party payer agreements are subject to audit and retroactive adjustment. Provisions for estimated third-party payer settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement.

The Association's revenue is generated primarily through association fees from condominium owners in The Cypress and represent amounts charged to residents under the terms of the Membership Agreement. Services are provided to members on an ongoing basis throughout the year and as a result revenue is recognized monthly at the time of billing.

Income Taxes

The Club is a not-for-profit organization that applied for exemption from income taxes under Section 501(c) 4 of the Internal Revenue Code. The Club received its tax-exempt status on April 28, 2005.

Homeowners associations may be taxed either as homeowners associations or as regular corporations. As a homeowners association, membership income is exempt from taxation if certain elections are made, and the Association is taxed only on its nonmembership income, such as interest earnings, at regular federal and state corporate rates.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**THE CYPRESS OF RALEIGH CLUB, INC.
AND
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
COMBINED FINANCIAL FORECAST**

**Summary of Significant Accounting Policies
and Forecasted Assumptions**

Years Ending December 31, 2024 through 2028

See Independent Accountants' Compilation Report

2. Summary of Significant Forecasted Assumptions

Cash and Cash Equivalents

Cash and cash equivalents are based on the forecasted results of operations and the related changes in the combined balance sheets as noted in the combined forecasted statements of cash flows.

Accounts Receivable

Accounts receivable have been calculated based on historical data adjusted for estimated inflation of between 4 – 5 % depending on revenue type.

Property, Plant and Equipment

Property and equipment has been calculated based upon expected capital budget.

Assets Whose Use is Limited

Operating reserves are forecast to meet the minimum operating reserve requirements which will be required by the North Carolina Department of Insurance. The Cypress is required to maintain reserve funds equal to 50% of the total annual operating expenses if the occupancy is below 90%. Since the occupancy exceeds 90%, the reserve requirement is required to be 25%. The Company reserves the right, if necessary or appropriate, to loan funds for the reserve account and to be reimbursed as funding occurs through future sales. The Association has also adopted a resolution to designate funds from the asset replacement reserve account to meet the statutory reserve requirement if necessary. This fund was transferred from the Association to the Club in 2015.

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses have been calculated based on historical data adjusted for estimated inflation of 4% over the term of the forecast.

**THE CYPRESS OF RALEIGH CLUB, INC.
AND
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
COMBINED FINANCIAL FORECAST**

**Summary of Significant Accounting Policies
and Forecasted Assumptions**

Years Ending December 31, 2024 through 2028

See Independent Accountants' Compilation Report

2. Summary of Significant Forecasted Assumptions (continued)

Revenue

The revenue and expense estimates have been calculated based upon full occupancy of the 319 Independent Living villas and cottages. The Cypress also has a five-star skilled nursing facility (the "Rosewood") with 61 beds. The occupancy for the Rosewood is estimated at anticipated continuing care from independent living.

Monthly payments from residents of The Cypress include a service fee component and a condominium fee component. These monthly payments vary by unit and the amounts included herein are the weighted average monthly payments for the villas and cottages. The monthly payments, second person fees and health center fees are based upon expected fill up budget. Revenues on the monthly payments and second person fees are calculated based upon the occupancy numbers and the weighted average service fees/second person fees.

Health Center revenues are based on historic occupancy rates; prices for services adjusted for an average inflation rate of 5%.

Community Home Health revenues are based on growth rates achieved by comparable services provided by continuing care retirement communities similar to Cypress of Raleigh.

Operating Expenses

Expenses for program services are based on historical data for each service adjusted for estimated inflation of 5%.

General and administrative expenses have been estimated based on historic data and adjusted for estimated inflation over the term of the forecast. Management fees consist of fees paid to Life Care Services of the greater of \$45,000 or 3.6% of gross operating revenue and the overhead fee paid to the Company, which is 10% of the operating expense of the community before depreciation, income taxes and overhead fee.

**THE CYPRESS OF RALEIGH CLUB, INC.
AND
THE CYPRESS OF RALEIGH OWNERS' ASSOCIATION, INC.
COMBINED FINANCIAL FORECAST**

**Summary of Significant Accounting Policies
and Forecasted Assumptions**

Years Ending December 31, 2024 through 2028

See Independent Accountants' Compilation Report

2. Summary of Significant Forecasted Assumptions (concluded)

Depreciation

Depreciation expense in the forecast period reflects straight-line depreciation of asset balances at December 31 of each year, computed over the estimated useful lives of the assets.

Buildings and improvements	40 years
Furniture, fixtures & equipment	7 years

Other Expenses

Other expenses represent scheduled unit refurbishment costs expected to be incurred as the units age. Refurbishment includes costs such as replacing appliances, flooring and painting.

Income Taxes

The Club is a non-profit organization under Section 501(c) (4) of the Internal Revenue Code and, accordingly, no provision for income taxes was recorded.

EXHIBIT L

**THE CYPRESS OF RALEIGH, LLC
AUDITED FINANCIAL STATEMENTS FOR THE
YEARS ENDED DECEMBER 31, 2022 and 2023**

{ATTACHED}

THE CYPRESS OF RALEIGH, LLC
AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS:	
Balance Sheets	3
Statements of Operations	4
Statements of Members' Equity	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 16



INDEPENDENT AUDITORS' REPORT

To the Members of
The Cypress of Raleigh, LLC

Opinion

We have audited the accompanying financial statements of The Cypress of Raleigh, LLC (a North Carolina Limited Liability Company), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations and members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Cypress of Raleigh, LLC as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Cypress of Raleigh, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Cypress of Raleigh, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Cypress of Raleigh, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Cypress of Raleigh, LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Dreher Martin CPAs, P.A.

Raleigh, North Carolina
March 19, 2024

THE CYPRESS OF RALEIGH, LLC
BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

Assets

	<u>2023</u>	<u>2022</u>
Current Assets		
Cash & cash equivalents	\$ 265,075	\$ 794,800
Accounts receivable	220,063	211,481
Notes receivable, current portion	606,563	-
Total Current Assets	<u>1,091,701</u>	<u>1,006,281</u>
Property & Equipment		
Furniture, fixtures & equipment	84,328	84,328
Rental units	666,731	666,731
Less accumulated depreciation	<u>(137,085)</u>	<u>(107,083)</u>
	613,974	643,975
Naming Rights	900,000	900,000
Restricted Assets		
Cash and cash equivalents for deposit escrow in money market fund	<u>212,129</u>	<u>463,584</u>
	212,129	463,584
Other Assets		
Notes receivable, net of current portion	294,480	235,480
Deposits	23,000	23,000
Assets held for investment	54,000	-
Accrued interest receivable	<u>86,067</u>	<u>69,036</u>
Total Other Assets	<u>457,547</u>	<u>327,516</u>
Total Assets	<u>\$ 3,275,351</u>	<u>\$ 3,341,356</u>

Liabilities & Members' Equity

Current Liabilities		
Accounts payable	\$ 5,156	\$ 29,202
Accounts payable-related parties	47,620	13,916
Accrued trust liabilities	129	241,584
Accrued payroll liabilities	(508)	305
Notes payable - current portion, related party	314,706	302,426
Lease payable - current portion	3,126	2,974
Reservation deposits	<u>212,000</u>	<u>222,000</u>
Total Current Liabilities	582,229	812,407
Long-term Liabilities		
Long-term debt, related party	932,885	1,247,591
Lease payable	806	3,932
Total Long-term Liabilities	<u>933,691</u>	<u>1,251,523</u>
Total Liabilities	1,515,920	2,063,930
<u>Members' Equity</u>		
Members' Equity	<u>1,759,431</u>	<u>1,277,426</u>
Total Liabilities & Members' Equity	<u>\$ 3,275,351</u>	<u>\$ 3,341,356</u>

See Accompanying Notes and Auditors' Report.

THE CYPRESS OF RALEIGH, LLC
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Revenue		
Sale of Units and Covered Parking	\$ -	\$ 17,000
Resale Membership Fees	2,571,150	2,009,690
Resale Commissions	1,284,944	906,287
Management Fees	2,467,253	2,296,952
Total Revenue	6,323,347	5,229,929
Operating Expenses		
Bad Debt Expense	-	21,500
Bank Service Charges	2,856	2,827
Computer Expense	9,798	14,124
Contributions	59,550	15,000
Consulting	160,472	79,342
Depreciation and Amortization Expense	30,002	23,111
Dues & Subscriptions	13,065	1,906
Insurance-Health & Dental	9,693	22,539
Insurance-Liability	808	-
Licenses & Fees	247	245
Maintenance and Repairs	367	1,004
Management Fee	360,000	360,000
Marketing Expense	302,396	275,426
Meals & Entertainment	3,762	2,790
Office Supplies	2,739	12,697
Payroll Expenses	482,254	518,296
Postage & Shipping	9,152	9,053
Professional Fees	87,204	65,420
Property Taxes	389	3,465
Retirement Expense	103	983
Telephone Expense	1,524	1,631
Temporary/Sub-labor	-	51,200
Travel	2,531	203
Office Administrative Expenses	34,395	33,883
Total Operating Expenses	1,573,307	1,516,645
Operating Income	4,750,040	3,713,284
Other Income/(Expense)		
Miscellaneous Expense	(38,909)	(129,698)
Interest Expense	(57,781)	(69,726)
Interest Income	60,655	19,872
Total Other Income/(Expenses)	(36,035)	(179,552)
Net Income	\$ 4,714,005	\$ 3,533,732

See Accompanying Notes and Auditors' Report.

THE CYPRESS OF RALEIGH, LLC
STATEMENTS OF MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	Members' Equity
Balance, January 1, 2022	\$ 1,143,694
Distributions	(3,400,000)
Net Income - 2022	3,533,732
Balance, December 31, 2022	\$ 1,277,426
Distributions	(4,232,000)
Net Income - 2023	4,714,005
Balance, December 31, 2023	\$ 1,759,431

See Accompanying Notes and Auditors' Report.

THE CYPRESS OF RALEIGH, LLC
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash Provided by Operating Activities:		
Net Income	\$ 4,714,005	\$ 3,533,732
Depreciation and amortization expense	30,002	23,111
Bad debt expense	-	21,500
Adjustments to Reconcile Change in Operating Activities to Net Cash Provided:		
(Increase)/Decrease in:		
Accounts and notes receivable	(674,145)	(30,067)
Accrued interest receivable	(17,031)	(13,465)
Increase/(Decrease) in:		
Accounts payable	9,657	(25,324)
Reservation deposits due	(10,000)	44,000
Accrued trust liability	(241,455)	(124,445)
Accrued payroll	(813)	(138)
Net Cash Provided by Operating Activities	<u>3,810,220</u>	<u>3,428,904</u>
Cash Used by Investing Activities:		
Purchase of assets held for investment	(54,000)	-
Net Cash Used by Investing Activities	<u>(54,000)</u>	<u>-</u>
Cash Used by Financing Activities:		
Distributions	(4,232,000)	(3,400,000)
Payments on notes payable - related parties	(302,426)	(290,626)
Payments on finance lease payable	(2,974)	(1,883)
Net Cash Used by Financing Activities	<u>(4,537,400)</u>	<u>(3,692,509)</u>
Net decrease in cash	(781,180)	(263,605)
Beginning Cash	1,258,384	1,521,989
Ending Cash	<u>\$ 477,204</u>	<u>\$ 1,258,384</u>
Cash Consists of:		
Cash & Cash Equivalents	\$ 265,075	\$ 794,800
Restricted Cash	212,129	463,584
	<u>\$ 477,204</u>	<u>\$ 1,258,384</u>
Supplemental disclosures:		
Cash paid for interest	<u>\$ 57,781</u>	<u>\$ 69,726</u>

See Accompanying Notes and Auditors' Report.

**THE CYPRESS OF RALEIGH, LLC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 1 - NATURE OF ORGANIZATION

The Cypress of Raleigh, LLC (the “Company”), a Limited Liability Company, was organized on September 28, 2004 under the laws of the State of North Carolina to engage in the business of developing The Cypress of Raleigh, a condominium continuing care retirement community in Raleigh, North Carolina (“The Cypress” or “community”). The managing member is The Cypress Management Group, LLC with management delegated to three members, Michael G. Sandman, Craig C. Huggins and Mark T. Andrews.

The Company secured the licenses and permits necessary to construct The Cypress. All construction phases are complete. The Company has developed and sold 319 homes. The Cypress of Raleigh Owners’ Association, Inc. (the “Association”), which is comprised of the owners of units in the community, serves as the governing body for all issues related to the real estate aspects of the units and the common areas of the community. The Association has delegated to The Cypress of Raleigh Club, Inc. (the “Club”) the Association’s responsibilities with respect to the maintenance of the community’s common areas.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Method

Activities are accounted for using the accrual method of accounting. This method of accounting conforms to accounting principles generally accepted in the United States of America.

Revenue and Cost Recognition

The Company receives revenue from the sale of villas and cottages. Revenue from unit sales are recognized when title passes to the member at the date of closing.

The Company also receives a membership fee from each resident member for services that are provided to them pursuant to their membership in the Club. These services are provided for in each new member’s Membership Agreement. Membership in The Club is a contractual right and is not incidental to the ownership of a real property interest in a villa or cottage. The cost of Membership is a separate, non-refundable Membership Fee paid to the Company, which is calculated as ten percent (10%) of the condominium unit’s gross purchase price. Since the Club, not the Company, is obligated to provide the future services associated with membership, revenue is recognized at the date of closing.

In addition, a real estate commission (typically 5% of the sales price of the unit without regard to the purchaser’s membership fee) may be earned on resales. Commission revenue is recognized at the date of closing.

THE CYPRESS OF RALEIGH, LLC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company acts as management agent for the Club and in return receives a management fee of 10% of the operating costs of the Club. Management fee revenue is recognized monthly as services are performed and billed to the Club.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash, Cash Equivalents and Restricted Cash

For purposes of the balance sheet and statement of cash flows, cash and cash equivalents consist of cash on hand, depository accounts, money market funds with an original maturity of three months or less when purchased and money market mutual funds. Restricted cash consists of reservation and escrow.

Property & Equipment

The Company's policy is to capitalize property and equipment over \$5,000. Lesser amounts are expensed. Furniture, fixtures and equipment are stated at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets.

Intangible Assets

In accordance with GAAP, the Company does not amortize indefinite-lived intangible assets. Management evaluates the remaining useful life of an intangible asset that is not being amortized each reporting period to determine whether events and circumstances continue to support an indefinite useful life. If an intangible asset that is not being amortized is subsequently determined to have a finite useful life, it is amortized prospectively over its estimated remaining useful life. Amortizable intangible assets are amortized on a straight-line basis over 3 to 40 years.

Leases

The Company determines if an arrangement is a lease at inception. All leases are recorded on the balance sheet except for leases with an initial term less than 12 months for which the Company made the short-term lease election.

THE CYPRESS OF RALEIGH, LLC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating lease right-of-use assets (ROU) and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. ROU assets also include adjustments related to lease payments made and lease incentives received at or before the commencement date. Finance lease ROU assets are included in Property and equipment, net, and the related liabilities are included in lease payable in the balance sheets. At lease commencement, lease liabilities are recognized based on the present value of the remaining lease payments and discounted using the Company's incremental borrowing rate. Lease and non-lease components of lease agreements are accounted for separately. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option.

Advertising Costs/Commissions

The Company expenses advertising costs/commissions as incurred. Advertising costs/commissions for the years ended December 31, 2023 and 2022 was \$302,396 and \$275,426 respectively.

Limited Liability Company/Income Taxes

Since limited liability companies have the tax attributes of a partnership, the entity does not incur federal and state income taxes; instead, its taxable income and losses are included in the tax returns of its members and taxed depending on their tax situations.

New Accounting Pronouncement

In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the company that are subject to the guidance in FASB ASC 326 were trade accounts receivable and notes receivable, including accrued interest.

The Company adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements.

THE CYPRESS OF RALEIGH, LLC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 3 - CONCENTRATIONS

The Company maintains its cash balances in several financial institutions located in Raleigh, North Carolina. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 for interest and non-interest bearing accounts. At December 31, 2023 and 2022, the Company's uninsured cash balances totaled \$2,175,699 and \$1,647,836, respectively. The Company also maintained investments in a brokerage account insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000 per customer. At December 31, 2023, the Company had total investments of \$59,858 resulting in no deposits in excess of the SIPC insured amount. At December 31, 2022, the Company's total investments were \$0.

Approximately 39% and 44% of the Company's revenues for the years ended December 31, 2023 and 2022, respectively, were derived from the Club.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable are reported at contract value. The Company has not established an allowance for uncollectible accounts as it is management's opinion that they are fully collectible.

THE CYPRESS OF RALEIGH, LLC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 5 - NOTES RECEIVABLE

Notes receivable consist of the following at December 31:

	<u>2023</u>	<u>2022</u>
Revolving line of credit with current resident at 5% per annum through July 2016. In May 2016, the borrower elected to extend the term of the note until July 31, 2019. As of December 31, 2021, a new agreement with the resident had not been reached, however the Company's intent is to continue loaning the resident funds as long as they maintain their current residence. In July 2022, the note was amended to extend the term of the note until July 2025.	\$ 231,480	\$ 213,480
Revolving line of credit with current resident at 5% per annum through August 2025.	63,000	22,000
Promissory note with current resident at 6.5% per annum payable on the earlier of (a) 5 days after the closing date on the sale of the resident's property or (b) June 2024.	606,563	-
	<u>901,043</u>	<u>235,480</u>
Less current portion	<u>(606,563)</u>	<u>-</u>
Long term portion	<u>\$ 294,480</u>	<u>\$ 235,480</u>

THE CYPRESS OF RALEIGH, LLC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 6 - RELATED PARTY TRANSACTIONS

As the managing member, The Cypress Management Group, LLC, is reimbursed for expenses paid on behalf of the Company. The managing members of The Cypress Management Group, LLC are Michael G. Sandman, Craig C. Huggins and Mark T. Andrews. For the years ended December 31, 2023 and 2022, the management fee was \$360,000 and \$360,000, respectively.

During 2023 and 2022, the Company paid TME Investments \$18,362 and \$20,579, respectively for office administrative services.

During 2023 and 2022, the Company paid Michael G. Sandman, Attorney at Law \$27,919 and \$28,389, respectively, for legal services. At December 31, 2023 and 2022, the amount due was \$0 and \$98, respectively.

During 2023 and 2022, the Company paid Chandler Financial \$8,446 and \$19,956, respectively, for office administrative services. At December 31, 2023 and 2022, the amount due was \$0 and \$4,355, respectively.

The Company receives a 10% management fee from the Club and the Association. During 2023 and 2022 the Company collected \$2,467,253 and \$2,296,952, respectively. At December 31, 2023 and 2022, \$220,064 and \$211,481, respectively, was due to the Company.

During 2023 and 2022 the Company paid the Club a total of \$26,470 and \$151,643, respectively. As of December 31, 2023 and 2022 the Company owed \$47,620 and \$9,464, respectively, to the Club. In the fourth quarter 2022, the Company paid \$100,000 to the Association for the garden project.

In 2022, the Company entered into a Membership Agreement with the spouse of a related party for occupancy (and related benefits) of a condominium unit (the "Unit") owned by the Company. Fee ownership of the Unit remains in the name of the Company. Per the Membership Agreement, annual ad valorem taxes assessed against the Unit will be paid by the Member. A nominal Membership fee was paid to the Company. All other terms of the Company's standard Membership Agreement are substantially similar.

NOTE 7 - RESERVATION DEPOSITS

The Company receives deposits from the potential residents for the purchase of units, which are held in a First Citizens escrow account, until the closing of the property. Each deposit is applied to the subsequent purchase of the unit, or is refundable less an administrative fee, at the request of the depositor.

THE CYPRESS OF RALEIGH, LLC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 8 - PROPERTY & EQUIPMENT

These assets are recorded at cost when constructed or purchased by the Company and will be depreciated using the straight-line method over 5 to 27.5 years estimated useful lives once they are placed in service. Depreciation expense was \$30,002 and \$23,111 for 2023 and 2022, respectively.

NOTE 9 – NAMING RIGHTS

In December 2020, the Company paid The Cypress Group, LLC a fee of \$900,000 for the right to use the name “The Cypress of Raleigh”. Per agreement with The Cypress Group, LLC, the Company has earned the right to the name. In accordance with FASB ASC 350-30-35, the rights are evaluated for impairment annually.

NOTE 10 – ASSETS HELD FOR INVESTMENT

In 2023, the Company purchased parking spaces from members. The Company plans to hold the investments and sell to members at a future date.

NOTE 11 - NOTES PAYABLE

	<u>2023</u>	<u>2022</u>
Notes payable to related parties, with 40 quarterly payments of interest and principal beginning December 31, 2017. The notes mature September 30, 2027, are unsecured and carry interest rates of 4%.	<u>\$ 1,247,591</u>	<u>\$ 1,550,017</u>
Less current portion	<u>314,706</u>	<u>302,426</u>
	<u>\$ 932,885</u>	<u>\$ 1,247,591</u>

THE CYPRESS OF RALEIGH, LLC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 11 - NOTES PAYABLE (continued)

Future maturities of long-term debt are as follows:

2024	\$ 314,706
2025	327,484
2026	340,782
2027	<u>264,619</u>
	<u>\$ 1,247,591</u>

NOTE 12 - LEASES

The Company leases equipment under a financing lease expiring March 2025.

The right-of-use asset and corresponding liability associated with future lease payments at December 31 are shown below:

	<u>2023</u>	<u>2022</u>
Furniture, fixtures & equipment	\$3,677	\$6,619
Lease liability	\$3,932	\$6,906
Weighted average:		
Discount rate	5%	5%
Remaining lease term (years)	1 year	2 years

Lease cost reported on the statement of operations for the year ended December 31 is as follows:

	<u>2023</u>	<u>2022</u>
Finance Lease Costs (included in depreciation and amortization expense and interest expense):		
Amortization of right-of-use assets	\$ 2,942	\$ 2,942
Interest on lease liability	<u>278</u>	<u>423</u>
Total lease cost	<u>\$ 3,220</u>	<u>\$ 3,365</u>

THE CYPRESS OF RALEIGH, LLC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 12 – LEASES (continued)

The following finance lease payments are expected to be paid for each of the following years ending December 31:

Year Ending December 31:	<u>Finance</u>
2024	\$ 3,252
2025	<u>813</u>
	4,065
Less amount representing interest	<u>(133)</u>
Present value of lease liabilities	<u>\$ 3,932</u>

The following summarizes cash flow information related to leases for the year ended December 31:

	<u>2023</u>	<u>2022</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	\$ 278	\$ 423
Financing cash flows from finance leases	\$ 2,974	\$ 2,829

NOTE 13 - INCOME TAXES

The IRS and North Carolina Department of Revenue may examine the returns of the Company for a three-year period after they are filed. The Company has open tax years from December 31, 2020 through December 31, 2023 which can be reviewed.

The members are liable for individual income taxes on their share of the Company’s taxable income for both federal and state tax purposes. Distributions of \$4,232,000 and \$3,400,000 were made in 2023 and 2022, respectively.

THE CYPRESS OF RALEIGH, LLC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 13 - INCOME TAXES (continued)

The Company elected to pay a newly imposed North Carolina Pass-Through Entity (“PTE”) tax (“PTE Tax”) on behalf of its partners. This tax is assessed as 4.75% of the Company’s business income and is applied to reduce the partners’ federal taxable income reportable on their personal income tax returns. Accordingly, the partners recognize a federal income tax benefit as if the partners’ state income tax were fully deductible on their personal federal income tax returns. Since the income tax benefits associated with the PTE Tax exclusively benefit the partners, the tax is recognized as a distribution. Distributions include \$232,000 representing the PTE Tax paid on their behalf for the year ended December 31, 2023.

NOTE 14 - SUBSEQUENT EVENTS

Subsequent events were evaluated through March 19, 2024 which is the date the financial statements were available to be issued.

EXHIBIT M

**THE CYPRESS OF RALEIGH, LLC
FORECASTED FINANCIAL STATEMENTS FOR THE
YEARS ENDED DECEMBER 31, 2024 THROUGH 2028**

{ATTACHED}

THE CYPRESS OF RALEIGH, LLC

FORECASTED FINANCIAL STATEMENTS

FOR THE YEARS ENDING DECEMBER 31, 2024 THROUGH 2028

CONTENTS

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT	<u>Page</u> 1
FORECASTED FINANCIAL STATEMENTS	
Balance Sheets	2
Statements of Operations and Members' Equity	3
Statements of Cash Flows	4
Summary of Significant Accounting Policies and Forecasted Assumptions	5 - 9



DREHER MARTIN
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Board of Directors
The Cypress of Raleigh LLC

Management is responsible for the accompanying forecast of The Cypress of Raleigh, LLC, which comprises the forecasted balance sheets as of December 31, 2024 through 2028 and the related statements of operations and members' equity and statements of cash flows, for the years then ending, and the related summaries of significant assumptions and accounting policies in accordance with guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants (AICPA). We have performed the compilation engagement in accordance with Statements of Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the forecast nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on this forecast.

The forecasted results may not be achieved, as there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of the report.

The accompanying forecast and this report were prepared pursuant to the North Carolina Statute 58-64-20(a) (12) and should not be used for any other purpose.

Dreher Martin CPAs, P.A.

Raleigh, North Carolina
March 25, 2024

THE CYPRESS OF RALEIGH, LLC

Forecasted Balance Sheets for the Years Ending December 31, 2024 Through 2028

See Accompanying Summaries of Significant Assumptions and Accounting Policies and Independent Accountants' Compilation Report

	2024	2025	2026	2027	2028
<u>Assets</u>					
Current Assets:					
Cash & Cash Equivalents	\$ 1,013,176	\$ 1,037,896	\$ 1,036,442	\$ 1,032,652	\$ 996,473
Accounts Receivable and Notes Receivable, current portion	226,665	233,465	240,469	454,683	255,113
Total Current Assets	<u>1,239,841</u>	<u>1,271,361</u>	<u>1,276,911</u>	<u>1,487,335</u>	<u>1,251,586</u>
Property & Equipment					
Furniture, Fixtures, & Equipment	84,328	84,328	84,328	84,328	84,328
Rental Units	666,731	666,731	666,731	666,731	666,731
Less Accumulated Depreciation	(165,903)	(192,407)	(218,174)	(242,419)	(266,664)
	<u>585,156</u>	<u>558,652</u>	<u>532,885</u>	<u>508,640</u>	<u>484,395</u>
Naming Rights	900,000	900,000	900,000	900,000	900,000
Restricted Assets					
Cash and Cash Equivalents for deposit escrow in money market fund	250,000	275,000	300,000	325,000	350,000
Other Assets					
Notes Receivable	348,480	402,480	456,480	303,480	321,480
Deposits	23,000	23,000	23,000	23,000	23,000
Assets Held for Investment	30,000	-	-	-	-
Accrued interest receivable	106,791	131,338	159,904	192,694	187,122
Total Other Assets	<u>508,271</u>	<u>556,818</u>	<u>639,384</u>	<u>519,174</u>	<u>531,602</u>
Total Assets	<u>\$ 3,483,268</u>	<u>\$ 3,561,831</u>	<u>\$ 3,649,180</u>	<u>\$ 3,740,149</u>	<u>\$ 3,517,583</u>
<u>Liabilities & Members' Equity</u>					
Current Liabilities					
Accounts Payable & Other Accrued Expenses	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Current Portion of Long-Term-Debt, related party	327,484	340,782	264,619	-	-
Current Portion of Lease Payable	806	-	-	-	-
Deferred Revenue - Refundable	-	-	-	-	-
Deferred Revenue - Non-refundable	-	-	-	-	-
Reservation Deposits	250,000	275,000	300,000	325,000	350,000
Total Current Liabilities	<u>678,290</u>	<u>715,782</u>	<u>664,619</u>	<u>425,000</u>	<u>450,000</u>
Long-Term Liabilities					
Deferred Revenue - Refundable	-	-	-	-	-
Deferred Revenue - Non-refundable	-	-	-	-	-
Long Term Debt - Related Party	605,401	264,619	-	-	-
Total Long-term Liabilities	<u>605,401</u>	<u>264,619</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>1,283,691</u>	<u>980,401</u>	<u>664,619</u>	<u>425,000</u>	<u>450,000</u>
Members' Equity (Deficit)					
Members' Equity	2,199,577	2,581,430	2,984,561	3,315,149	3,067,583
Total Members' Equity (Deficit)	<u>2,199,577</u>	<u>2,581,430</u>	<u>2,984,561</u>	<u>3,315,149</u>	<u>3,067,583</u>
Total Liabilities & Members' Equity (Deficit)	<u>\$ 3,483,268</u>	<u>\$ 3,561,831</u>	<u>\$ 3,649,180</u>	<u>\$ 3,740,149</u>	<u>\$ 3,517,583</u>

THE CYPRESS OF RALEIGH, LLC

Forecasted Statements of Operations and Members' Equity for the Years Ending December 31, 2024 Through 2028

See Accompanying Summaries of Significant Assumptions and Accounting Policies and Independent Accountants' Compilation Report

	2024	2025	2026	2027	2028
<u>Revenue:</u>					
Resale Membership Fees	\$ 1,937,500	\$ 2,015,000	\$ 2,092,500	\$ 2,170,000	\$ 2,247,500
Resale Commissions	871,875	906,750	941,625	976,500	1,011,375
Management Fee	2,555,717	2,691,449	2,823,870	2,962,583	3,110,166
Interest Income	25,724	29,547	33,566	37,790	29,174
Total Revenue	<u>5,390,816</u>	<u>5,642,746</u>	<u>5,891,561</u>	<u>6,146,873</u>	<u>6,398,215</u>
<u>Operating Expenses</u>					
Legal and Accounting	79,568	81,955	84,414	86,946	89,554
Management and Other Expense	360,000	360,000	360,000	360,000	360,000
Miscellaneous Expense	100,000	100,000	100,000	100,000	100,000
Interest Expense, Not Capitalized	45,349	32,451	19,147	5,309	-
Contributions	25,750	26,523	27,318	28,138	28,982
Depreciation	28,818	26,504	25,767	24,245	24,245
Amortization of Entrance fees	-	-	-	-	-
Marketing Expense and other	750,000	772,500	795,675	819,545	844,132
Total Operating Expenses	<u>1,389,485</u>	<u>1,399,933</u>	<u>1,412,321</u>	<u>1,424,183</u>	<u>1,446,913</u>
Net Income	\$ 4,001,331	\$ 4,242,813	\$ 4,479,239	\$ 4,722,690	\$ 4,951,302
Beginning Members' Equity	1,759,431	2,199,577	2,581,430	2,984,561	3,315,149
Distributions	<u>(3,561,185)</u>	<u>(3,860,960)</u>	<u>(4,076,108)</u>	<u>(4,392,102)</u>	<u>(5,198,867)</u>
Ending Members' Equity	<u>\$ 2,199,577</u>	<u>\$ 2,581,430</u>	<u>\$ 2,984,561</u>	<u>\$ 3,315,149</u>	<u>\$ 3,067,583</u>

THE CYPRESS OF RALEIGH, LLC

Forecasted Statements of Cash Flows for the Years Ending December 31, 2024 Through 2028

See Accompanying Summaries of Significant Assumptions and Accounting Policies and Independent Accountants' Compilation Report

	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
Cash Provided by Operating Activities:					
Net Income	\$ 4,001,331	\$ 4,242,813	\$ 4,479,239	\$ 4,722,690	\$ 4,951,302
Adjustments					
Depreciation expense	28,818	26,504	25,767	24,245	24,245
Bad debt expense					
Adjustments to Reconcile Change in Operating Activities to Net Cash Provided:					
(Increase)/Decrease in:					
Accounts receivable and notes receivable	545,961	(60,800)	(61,004)	(61,214)	181,570
Accrued interest receivable	(20,724)	(24,547)	(28,566)	(32,790)	5,572
Increase/(Decrease) in:					
Reservation Deposits Due	38,000	25,000	25,000	25,000	25,000
Accounts Payable & Other Accrued Expenses	47,603	-	-	-	-
Net Cash Provided by Operating Activities	<u>4,640,989</u>	<u>4,208,971</u>	<u>4,440,436</u>	<u>4,677,931</u>	<u>5,187,689</u>
Cash Provided by Investing Activities:					
Sale of Assets Held for Investment	24,000	30,000	-	-	-
Net Cash Provided by Investing Activities	<u>24,000</u>	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash Used by Financing Activities:					
Activities:					
Payments on Notes Payable, Related Party	(314,706)	(327,485)	(340,783)	(264,619)	-
Payments on Finance Lease Payable	(3,126)	(806)	-	-	-
Members' Capital Distribution	(3,561,185)	(3,860,960)	(4,076,108)	(4,392,102)	(5,198,867)
Net Cash Used by Investing Activities	<u>(3,879,017)</u>	<u>(4,189,251)</u>	<u>(4,416,891)</u>	<u>(4,656,721)</u>	<u>(5,198,867)</u>
Net Increase in Cash	785,972	49,720	23,546	21,210	(11,179)
Beginning Cash	<u>477,204</u>	<u>1,263,176</u>	<u>1,312,896</u>	<u>1,336,442</u>	<u>1,357,652</u>
Ending Cash	<u>\$ 1,263,176</u>	<u>\$ 1,312,896</u>	<u>\$ 1,336,442</u>	<u>\$ 1,357,652</u>	<u>\$ 1,346,473</u>
Cash Consists of:					
Cash & Cash Equivalents	\$ 1,013,176	\$ 1,037,896	\$ 1,036,442	\$ 1,032,652	\$ 996,473
Restricted Cash	250,000	275,000	300,000	325,000	350,000
	<u>\$ 1,263,176</u>	<u>\$ 1,312,896</u>	<u>\$ 1,336,442</u>	<u>\$ 1,357,652</u>	<u>\$ 1,346,473</u>

**THE CYPRESS OF RALEIGH, LLC
FINANCIAL FORECAST**

**Summary of Significant Accounting Policies
and Forecasted Assumptions**

Years Ending December 31, 2024 through 2028

See Independent Accountants' Compilation Report

These financial forecasts present, to the best of management's knowledge and belief, the expected financial position, results of operations and cash flows for the forecast periods. Accordingly, the forecasts reflect management's judgment as of March 25, 2024, the date of these forecasts, of the expected conditions and management's expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecasts. There will usually be differences between forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

1. Summary of Significant Accounting Policies and Assumptions

Nature of Organization

The accompanying forecasted financial statements include the accounts of The Cypress of Raleigh, LLC (the Company), a Limited Liability Company, organized under the laws of the State of North Carolina, to engage in the business of purchasing and developing real property and related facilities, more specifically a condominium continuing care retirement community in Raleigh, North Carolina. The Company's managing member is The Cypress Management Group, LLC, a North Carolina Limited Liability Company, which is managed by three members, Michael G. Sandman, Craig C. Huggins and Mark T. Andrews.

Nature of Operations

Partners (Members of the LLC) contributed the aggregate amount of \$5,543,000 in original capital contributions. Members also contributed the aggregate amount of \$8,457,000 to satisfy the cash flow needs of the development. In addition, a related party contributed a note in the amount of \$7,220,000 in exchange for an equity interest in the LLC. The total expected costs for the entire facility are \$200,000,000 including an amount of \$2,500,000 to be used to cover the start-up costs for The Cypress of Raleigh Club, Inc. (the "Club") and The Cypress of Raleigh Owners' Association, Inc. (the "Association").

The major sources of revenue include sales of villas or cottage units and garage spaces. These sales commenced in Fall 2008 and continued through late 2020. A total of 319 units have been completed and sold as of December 31, 2020. By agreement with the parties, the Company will receive 10% of the annual operating costs from the Club and the Association as an overhead and management fee. The Company will also receive, from new members, a membership fee for services that are provided to them on account of their membership in the Club. These services are provided in each new member's Membership Agreement. Membership in the Club is a contractual right and is not incidental to the ownership of a real property interest in a villa or cottage. The cost of Membership is a separate, non-refundable Membership Fee paid to the Company, which is calculated as ten percent (10%) of the condominium unit's gross purchase price.

**THE CYPRESS OF RALEIGH, LLC
FINANCIAL FORECAST**

**Summary of Significant Accounting Policies
and Forecasted Assumptions**

Years Ending December 31, 2024 through 2028

See Independent Accountants' Compilation Report

1. Summary of Significant Accounting Policies and Assumptions (continued)

Nature of Operations (continued)

In addition, a market real estate commission (typically 5% of the price of the condominium, net of the new purchasers' membership fee) may be earned by the Company on resales.

As an integral component of the application to and approval by the State of North Carolina Department of Insurance for The Cypress to operate as a life care community, on September 10, 2008, the Association entered into a Management Agreement with the Club pursuant to which the Club agreed to undertake the management and operation of the affairs of the condominium. Further, and effective the same date, the Club entered into a Management Agreement with the Company to provide management services as outlined therein, the failure or termination of which would deprive the Condominium Unit Owners and the Members of the Club of a material benefit intended by their purchase of a Unit and a membership interest in the Club.

Operating expenses consist of administrative salaries and expenses and ongoing marketing costs. Estimated operating and future development costs are in part based on actual costs incurred from previous development projects.

Phase I of The Cypress opened in Fall 2008 and included a Clubhouse, Health Center, 34 cottages with garages and 168 single-story villas in 3 mid-rise buildings. In 2010, Phase II of the development was completed, and the community added three cottages bringing the total number of cottages to 37 and the total number of units to 205. In September 2018, the Company completed construction on the first Villa building of Phase III (the "Villa D Building"), which contains fifty-seven units ("Villa D") and was ready for occupancy in 2018. The final building, Villa E, was constructed and completed in late 2020. The 57 units in Villa E have been sold and the community now has a total of 319 homes. There is currently no future development planned.

Accounting Method

Activities are accounted for using the accrual method of accounting. This method of accounting conforms to accounting principles generally accepted in the United States of America.

**THE CYPRESS OF RALEIGH, LLC
FINANCIAL FORECAST**

**Summary of Significant Accounting Policies
and Forecasted Assumptions**

Years Ending December 31, 2024 through 2028

See Independent Accountants' Compilation Report

1. Summary of Significant Accounting Policies and Assumptions (continued)

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 certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents consist of cash on hand, depository accounts and money market funds with an original maturity of three months or less when purchased. Restricted cash consists of reservation and escrow.

Accounts Receivable

Accounts receivable are reported at contract value. The Company has not established an allowance for uncollectible accounts as it is management's opinion that they are fully collectible.

Property & Equipment

Property and equipment are stated at their original purchase cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets.

Naming Rights

In December 2020, the Company paid The Cypress Group, LLC a fee of \$900,000 for the right to use the name "The Cypress of Raleigh". Per agreement with The Cypress Group, LLC, the Company has earned the right to the name. In accordance with FASB ASC 350-30-35, the rights are evaluated for impairment annually.

Assets Held for Investment

The Company purchased parking spaces from members in 2023 and are reported at cost on the forecasted balance sheets. The Company plans to hold the investments and sell to members at a future date.

**THE CYPRESS OF RALEIGH, LLC
FINANCIAL FORECAST**

**Summary of Significant Accounting Policies
and Forecasted Assumptions**

Years Ending December 31, 2024 through 2028

See Independent Accountants' Compilation Report

1. Summary of Significant Accounting Policies and Assumptions (continued)

Deposits

The Company receives deposits from potential residents for the purchase of units which are held in a separate trust account until closing at which time the deposits are released and credited to the buyer. In addition, the Company collects waitlist deposits from interested residents.

Notes Receivable

Notes receivable consist of loans made to current residents as revolving lines of credit and financing unit purchases.

Notes Payable

The Company has unsecured notes payable with related parties requiring 40 quarterly payments of principal and interest beginning December 31, 2017. The notes mature September 30, 2027 and carry interest rates of 4%.

Distributions

Distributions will be paid based upon the availability of cash of the Company.

Advertising Costs/Commissions

The Company expenses advertising costs/commissions as incurred. These costs are included in the forecasted statements of operations under marketing expense and other.

Income Taxes

Since limited liability companies have the tax attributes of a partnership, the entity does not incur federal and state income taxes; instead, its taxable income and losses are included in the tax returns of its members and taxed depending on their individual tax situations.

**THE CYPRESS OF RALEIGH, LLC
FINANCIAL FORECAST**

**Summary of Significant Accounting Policies
and Forecasted Assumptions**

Years Ending December 31, 2024 through 2028

See Independent Accountants' Compilation Report

1. Summary of Significant Accounting Policies and Assumptions (continued)

Transactions with Affiliates

The Company engages in various transactions with its affiliates, the Club and the Association. The Association, which is comprised of the owners of units in The Cypress, serves as the governing body for all issues related to the real estate aspects of the units and the common areas of the community. The Association has delegated to the Club the Association's responsibilities with respect to the maintenance of the community's common elements.

Pursuant to a Management Agreement entered into between the Club and the Company, the Company will perform services for which it earns a management fee (overhead payment) based on 10% the total operating costs of the Cypress.

EXHIBIT N

**THE CYPRESS OF RALEIGH, LLC – INTERIM FINANCIAL
STATEMENTS FOR THREE MONTHS ENDED MARCH 2024**

{ATTACHED}

THE CYPRESS OF RALEIGH, LLC
COMPILED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2024

CONTENTS

	<u>Page</u>
INDEPENDENT ACCOUNTANTS' COMPILATION REPORT	1
FINANCIAL STATEMENTS	
Balance Sheet	2
Statement of Operations	3
Statement of Members' Equity	4
Statement of Cash Flows	5



INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

To the Members
The Cypress of Raleigh, LLC
Raleigh, North Carolina

Management is responsible for the accompanying financial statements of The Cypress of Raleigh, LLC (a North Carolina Limited Liability Company), which comprise the balance sheet as of March 31, 2024, and the related statements of operations, members' equity and cash flows for the three months then ended, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion nor provide any form of assurance on these financial statements.

Management has elected to omit substantially, all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's financial position, results of operations and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

Dreher Martin CPAs, P.A.

Raleigh, North Carolina
April 16, 2024

THE CYPRESS OF RALEIGH, LLC
BALANCE SHEET
March 31, 2024

Assets

Current Assets	
Cash & Cash Equivalents	\$ 85,229
Accounts Receivable	220,063
Notes Receivable	606,563
Accrued Interest Receivable	12,157
Total Current Assets	924,012
Property & Equipment	
Furniture, Fixtures, & Equipment	84,328
Rental Unit	666,731
Less Accumulated Depreciation	(144,289)
	606,770
Naming Rights	900,000
Restricted Assets	
Cash and Cash Equivalents for Deposit Escrow in Money Market Fund	525,523
	525,523
Other Assets	
Notes Receivable, Net of Current Portion	306,480
Deposits	23,000
Assets held for investment	54,000
Accrued Interest Receivable, Net of Current Portion	90,899
	474,379
Total Assets	\$ 3,430,684

Liabilities & Members' Equity

Current Liabilities	
Accounts Payable	\$ 7,391
Accrued Trust Liabilities	294,869
Accrued Payroll Liabilities	(360)
Current Portion of Long-Term Debt, Related Party	314,706
Lease payable - Current Portion	3,165
Reservation Deposits Due	223,000
Total Current Liabilities	842,771
Long-term Liabilities	
Long-Term Debt, Related Party	855,379
Total Long-term Liabilities	855,379
Total Liabilities	1,698,150
<u>Members' Equity</u>	
Members' Equity	1,732,534
Total Liabilities & Members' Equity	\$ 3,430,684

See Independent Accountants' Compilation Report.

THE CYPRESS OF RALEIGH, LLC
STATEMENT OF OPERATIONS

	Three Months Ended March 31, 2024
Revenue	
Resale Membership Fees	\$ 160,500
Resale Commissions	72,225
Management Fees	637,197
Total Revenue	869,922
Operating Expenses	
Bank Service Charges	714
Computer Expense	964
Consulting	29,700
Depreciation & Amortization Expense	7,204
Dues & Subscriptions	3,270
Insurance-Liability	173
Licenses & Fees	202
Maintenance and Repairs	252
Management Fee	90,000
Marketing Expense	51,438
Meals & Entertainment	33
Office Supplies	834
Office Expense	9,764
Payroll Expenses	84,298
Postage & Shipping	2,943
Professional Fees	27,505
Property Taxes	(1,200)
Telephone Expense	926
Total Operating Expenses	309,020
Net Operating Income	560,902
Other Income/(Expense)	
Miscellaneous Income	20,844
Miscellaneous Expense	(9,327)
Interest Expense	(12,522)
Interest & Dividend Income	22,807
Total Other Income/(Expenses)	21,802
Net Income (Loss)	\$ 582,704

See Independent Accountants' Compilation Report.

**THE CYPRESS OF RALEIGH, LLC
STATEMENT OF MEMBERS' EQUITY
THREE MONTHS ENDED MARCH 31, 2024**

	Members' Equity
Balance, January 1, 2024	\$ 1,759,431
Distributions	(609,601)
Net Income - Three Months Ended March 31, 2024	<u>582,704</u>
Balance, March 31, 2024	<u><u>\$ 1,732,534</u></u>

See Independent Accountants' Compilation Report.

THE CYPRESS OF RALEIGH, LLC
STATEMENT OF CASH FLOWS

	Three Months Ended March 31, 2024
Cash Provided by Operating Activities:	
Net Income (Loss)	\$ 582,704
Depreciation and Amortization Expense	7,204
Adjustments to Reconcile Change in Operating Activities to Net Cash Provided by:	
(Increase)/Decrease in:	
Accounts & Notes Receivable	(12,000)
Accrued interest receivable	(16,989)
Increase/(Decrease) in:	
Accounts Payable	(45,385)
Reservation Deposits Due	11,000
Accrued Trust Liability	294,740
Accrued Payroll	148
Net Cash Provided by Operating Activities	821,422
Cash Used by Financing Activities:	
Distributions	(609,601)
Payments on Note Payable - Related Parties	(77,506)
Payments on Capital Lease Payable	(767)
Net Cash Used by Financing Activities	(687,874)
Net Increase In Cash	133,548
Beginning Cash	477,204
Ending Cash	\$ 610,752
Cash Consists of:	
Cash	\$ 85,229
Restricted Cash	525,523
	\$ 610,752
Supplemental Disclosures:	
Cash Paid for Interest	\$ 12,522

See Independent Accountants' Compilation Report.

EXHIBIT O
COMMUNITIES PLANNED, DEVELOPED AND/OR MANAGED
BY LIFE CARE SERVICES, LLC

{ATTACHED}

EXHIBIT A
SENIOR LIVING COMMUNITIES MANAGED
BY LIFE CARE SERVICES
AS OF 3/21/2024

Alabama, Birmingham – Galleria Woods
Alabama, Hoover – Danberry at Inverness
Arizona, Chandler – Clarendale of Chandler
Arizona, Fountain Hills – Fountain View Village
Arizona, Phoenix – Clarendale of Arcadia
Arizona, Phoenix – Sagewood
Arizona, Tempe (Phoenix) – Friendship Village of Tempe
California, Cupertino – Forum at Rancho San Antonio, The
California, Palo Alto – Moldaw Residences
California, San Diego – Casa de las Campanas
California, San Rafael – Aldersly
California, Santa Rosa – Arbol Residences of Santa Rosa
California, Santa Rosa – Oakmont Gardens
Connecticut, Essex – Essex Meadows
Connecticut, Mystic – StoneRidge
Connecticut, Southbury – Pomperaug Woods
Delaware, Newark – Millcroft Living
Delaware, Wilmington – Foulk Living
Delaware, Wilmington – Shipley Living
Florida, Aventura – Sterling Aventura
Florida, Bradenton – Freedom Village of Bradenton
Florida, Celebration – Windsor at Celebration
Florida, Clearwater – Regency Oaks
Florida, Hollywood – Presidential Place
Florida, Jacksonville – Cypress Village
Florida, Leesburg – Lake Port Square
Florida, Naples – The Glenview at Pelican Bay
Florida, Naples – The Arlington of Naples
Florida, Palm City – Sandhill Cove
Florida, Port Charlotte – South Port Square
Florida, Seminole – Freedom Square of Seminole
Florida, Seminole – Lake Seminole Square
Florida, Sun City Center – Freedom Plaza
Florida, The Villages – Freedom Point at The Villages
Georgia, Evans – Brandon Wilde
Georgia, Savannah – Marshes of Skidaway Island, The
Illinois, Addison – Clarendale of Addison
Illinois, Algonquin – Clarendale of Algonquin
Illinois, Chicago – Clare, The
Illinois, Chicago – Clarendale Six Corners
Illinois, Godfrey – Asbury Village
Illinois, Lincolnshire – Sedgebrook
Illinois, Mokena – Clarendale of Mokena
Illinois, Naperville – Monarch Landing
Illinois, Wheaton – Wyndemere

Indiana, Carmel – Magnolia Springs at Bridgewater
 Indiana, Carmel – Rose Senior Living – Carmel
 Indiana, Greenwood (Indianapolis) – Greenwood Village South
 Indiana, Indianapolis – Magnolia Springs Southpointe
 Indiana, Indianapolis – Marquette
 Indiana, West Lafayette – Westminster Village West Lafayette
 Iowa, Ames – Green Hills Community
 Iowa, Cedar Rapids – Cottage Grove Place
 Kansas, Atchison – Dooley Center
 Kentucky, Florence – Magnolia Springs Florence
 Kentucky, Lexington – Magnolia Springs Lexington
 Kentucky, Lexington – Richmond Place Senior Living
 Kentucky, Louisville – Magnolia Springs East
 Maryland, Columbia – Residences at Vantage Point
 Maryland, Timonium – Mercy Ridge
 Maryland, Towson (Baltimore) – Blakehurst
 Massachusetts, Woburn – The Delaney at The Vale
 Michigan, Auburn Hills – The Avalon of Auburn Hills
 Michigan, Battle Creek – NorthPointe Woods
 Michigan, Bloomfield Township – The Avalon of Bloomfield Township
 Michigan, Clinton Township – Rose Senior Living – Clinton Township
 Michigan, East Lansing – Burcham Hills
 Michigan, Holland – Freedom Village
 Michigan, Kalamazoo – Friendship Village
 Michigan, Novi – Rose Senior Living at Providence Park
 Michigan, Auburn Hills – The Avalon of Auburn Hills
 Michigan, Commerce Township – The Avalon of Commerce Township
 Minnesota, Buffalo – Havenwood of Buffalo
 Minnesota, Burnsville – Havenwood of Burnsville
 Minnesota, Maple Grove – Havenwood of Maple Grove
 Minnesota, Minnetonka – Havenwood of Minnetonka
 Minnesota, Richfield – Havenwood of Richfield
 Minnesota, Plymouth – Trillium Woods
 Minnesota, Vadnais Heights – Gable Pines
 Missouri, St. Peters – Clarendale of St. Peters
 New Jersey, Bridgewater – Delaney of Bridgewater, The
 New Jersey, Bridgewater – Laurel Circle
 New Jersey, Burlington – Masonic Village at Burlington
 New Jersey, Florham Park – The Delaney at The Green
 New York, Rye Brook – Broadview Senior Living at Purchase College
 New York, Staten Island – Brielle at Seaview, The
 North Carolina, Chapel Hill – Cedars of Chapel Hill, The
 North Carolina, Charlotte – Cypress of Charlotte, The
 North Carolina, Durham – Croasdaile Village
 North Carolina, Greensboro – WhiteStone
 North Carolina, Greenville – Cypress Glen
 North Carolina, Lumberton – Wesley Pines
 North Carolina, Raleigh – Cypress of Raleigh, The
 North Carolina, Wilmington – Porters Neck Village
 Ohio, Avon – Rose Senior Living – Avon
 Ohio, Beachwood – Rose Senior Living – Beachwood

Ohio, Lewis Center – The Avalon of Lewis Center
Ohio, New Albany – The Avalon of New Albany
Ohio, Mason – Magnolia Springs Loveland
Oklahoma, Bartlesville – Green Country Village
Oregon, Dallas – Dallas Retirement Village
Oregon, Salem – Capital Manor
Pennsylvania, Coatesville – Freedom Village at Brandywine
Pennsylvania, Warrington – Solana Doylestown, The
South Carolina, Greenville – Rolling Green Village
South Carolina, Hilton Head Island – Bayshore on Hilton Head Island
South Carolina, Hilton Head Island – Cypress of Hilton Head, The
Tennessee, Brentwood – Heritage at Brentwood, The
Tennessee, Hendersonville – Clarendale at Indian Lake
Tennessee, Memphis – Heritage at Irene Woods
Tennessee, Nashville – Clarendale at Bellevue Place
Texas, Austin – Westminster
Texas, Bedford – Parkwood Healthcare
Texas, Bedford – Parkwood Retirement
Texas, Dallas – Autumn Leaves
Texas, Dallas – Monticello West
Texas, Dallas – Signature Pointe
Texas, Dallas – Walnut Place
Texas, Georgetown – Delaney at Georgetown Village, The
Texas, League City – Delaney at South Shore, The
Texas, Lubbock – Carillon
Texas, Richmond – Delaney at Parkway Lakes, The
Texas, Spring – Village at Gleannloch Farms, The
Texas, The Woodlands – Village at the Woodlands Waterway, The
Texas, Waco – Delaney at Lake Waco, The
Vermont, White River – Village at White River Junction, The
Virginia, Fairfax – Virginian, The
Virginia, Gainesville – Heritage Village Assisted Living and Memory Care
Virginia, Virginia Beach – Atlantic Shores
Washington, Issaquah – Timber Ridge at Talus
Wisconsin, Greendale – Harbour Village
Wisconsin, Milwaukee – Eastcastle Place

EXHIBIT P

THE ROSEWOOD HEALTH CENTER ROOM RATES (2024)

{ATTACHED}

The Rosewood Health Center
2024 Rates
effective 1/1/2024
(Rates are subject to Change)

<u>Type</u>		<u>Member Rate</u>		<u>Non-Member Rate</u>	
		(after free days per Membership Agreement)			
Private Suite	AL*	\$199.00	per day	\$333.00	per day
Semi-Private Suite	SNF**	\$254.00	per day	\$408.00	per day
Private Suite	SNF**	\$308.00	per day	\$513.00	per day
Private Deluxe Suite	SNF**	\$427.00	per day	\$717.00	per day

*AL: Assisted Living

**SNF: Skilled Nursing Care

During the Free Days (per Membership Agreement) for the daily room expense, the following rates apply for the additional meals served:

(the free days are for a semi-private room)

Semi-Private Room: \$25 per day for 2 additional meals

Private Room: \$48 upgrade fee + \$25 per day for meals = \$73 per day differential

Private Deluxe Suite: \$152 upgrade fee + \$25 per day for meals = \$177 per day

The Cypress of Raleigh Non-Member Entrance Fee: \$15,000

Guest Meal Charges

Guest Meals	\$15.00
Guest Meals for 6 and under	No Charge

Rehabilitation

Private Therapy	\$39/visit
Evaluation	\$100.00

Miscellaneous Charges

Hair Salon	As presented
	Based on
Medical Supplies	Usage

Rosewood Salon Price List

Women

Men

Wash, Cut, Style	\$50
Wash & Cut	\$35
Wash/Set or Bdry	\$40
Wet/Dry Cut	\$30
Shampoo Only	\$15
Complete Color	\$95
Color Only	\$85
Complete Perm	\$100
Perm Only	\$85

Wet/Dry Cut	\$30
Beard/Mustache Trim	\$17

Hours:

Tuesday: 10am-4pm

Wednesday: 10am-4pm

Due to Covid-19, days and hours may vary.

Teicher King

For appointments, scheduling and questions, please call (919) 518-8953.

EXHIBIT Q

**AVERAGE RATE INCREASES IN THE
ROSEWOOD HEALTH CENTER ROOM
RATES (FROM 2018)**

{ATTACHED}

Health Center Room Rates							
Private Room Member Rate Average Increase Per Day (\$)							
	2018	2019	2020	2021	2022	2023	2024
Assisted Living	12	6	8	5	10	17	13
Skilled Nursing	13	11	16	9	15	26	20

EXHIBIT R

ANNUAL MONTHLY FEE INCREASE PER UNIT TYPE (FROM 2019)

{ATTACHED}

Annual Average Monthly Fee Increase (\$)											
	2019	2020	2021	2022	2023	2024					
First Person	98	142	91	214	392	258					
Second Person*	24	55	37	86	158	103					
Unit Type	2019 Monthly Fee (\$)	2020 Monthly Fee (\$)	2019-2020 \$ Increase	2021 Monthly Fee (\$)	2020-2021 \$ Increase	2022 Monthly Fee (\$)	2021-2022 \$ Increase	2023 Monthly Fee (\$)	2022-2023 \$ Increase	2024 Monthly Fee (\$)	2023-2024 \$ increase
Alexander	\$2,484	\$2,582	\$98	\$2,647	\$65	\$2,799	\$152	\$3,077	\$278	\$3,260	\$183
Arbor	\$2,659	\$2,764	\$105	\$2,833	\$69	\$2,996	\$163	\$3,294	\$298	\$3,490	\$196
Ascot	\$2,969	\$3,086	\$117	\$3,163	\$77	\$3,345	\$182	\$3,678	\$333	\$3,897	\$219
Ashcroft	\$3,133	\$3,257	\$124	\$3,338	\$81	\$3,530	\$192	\$3,881	\$351	\$4,112	\$231
Azalea I	\$3,610	\$3,753	\$143	\$3,846	\$94	\$4,068	\$221	\$4,472	\$405	\$4,738	\$266
Azalea II	\$3,610	\$3,753	\$143	\$3,846	\$94	\$4,068	\$221	\$4,472	\$405	\$4,738	\$266
Bayberry I	\$3,133	\$3,257	\$124	\$3,338	\$81	\$3,530	\$192	\$3,881	\$351	\$4,112	\$231
Bayberry II	\$3,133	\$3,257	\$124	\$3,338	\$81	\$3,530	\$192	\$3,881	\$351	\$4,112	\$231
Bradford I	\$3,133	\$3,257	\$124	\$3,338	\$81	\$3,530	\$192	\$3,881	\$351	\$4,112	\$231
Bradford II	\$3,133	\$3,257	\$124	\$3,338	\$81	\$3,530	\$192	\$3,881	\$351	\$4,112	\$231
Caldwell	\$3,417	\$3,552	\$135	\$3,641	\$89	\$3,850	\$209	\$4,233	\$383	\$4,485	\$252
Camden	\$3,417	\$3,552	\$135	\$3,641	\$89	\$3,850	\$209	\$4,233	\$383	\$4,485	\$252
Covington	\$3,417	\$3,552	\$135	\$3,641	\$89	\$3,850	\$209	\$4,233	\$383	\$4,485	\$252
Danbury	\$3,514	\$3,653	\$139	\$3,744	\$91	\$3,959	\$215	\$4,353	\$394	\$4,612	\$259
Dogwood	\$3,374	\$3,507	\$133	\$3,595	\$88	\$3,802	\$207	\$4,180	\$378	\$4,429	\$249
Gallery I	\$3,866	\$4,019	\$153	\$4,119	\$100	\$4,356	\$237	\$4,789	\$433	\$5,074	\$285
Gallery II	\$3,866	\$4,019	\$153	\$4,119	\$100	\$4,356	\$237	\$4,789	\$433	\$5,074	\$285

*Please note that the second person monthly fee does not vary based on Unit type and is the same amount for all second person Members.

Unit Type	2019 Monthly Fee (\$)	2020 Monthly Fee (\$)	2019-2020 \$ Increase	2021 Monthly Fee (\$)	2020-2021 \$ Increase	2022 Monthly Fee (\$)	2021-2022 \$ Increase	2023 Monthly Fee (\$)	2022-2023 \$ Increase	2024 Monthly Fee (\$)	2022-2024 \$ increase
Holly	\$4,218	\$4,385	\$167	\$4,494	\$110	\$4,753	\$258	\$5,226	\$473	\$5,536	\$310
Indigo I	\$2,749	\$2,858	\$109	\$2,929	\$71	\$3,097	\$168	\$3,406	\$308	\$3,608	\$202
Indigo II	\$2,749	\$2,858	\$109	\$2,929	\$71	\$3,097	\$168	\$3,406	\$308	\$3,608	\$202
Laurel	\$4,335	\$4,506	\$171	\$4,619	\$113	\$4,884	\$266	\$5,370	\$486	\$5,690	\$320
Magnolia	\$4,557	\$4,737	\$180	\$4,855	\$118	\$5,135	\$279	\$5,646	\$511	\$5,981	\$335
Newport	\$3,610	\$3,753	\$143	\$3,846	\$94	\$4,068	\$221	\$4,472	\$405	\$4,738	\$266
Osprey I	\$4,136	\$4,299	\$163	\$4,407	\$107	\$4,660	\$253	\$5,124	\$464	\$5,429	\$305
Osprey III	\$4,136	\$4,299	\$163	\$4,407	\$107	\$4,660	\$253	\$5,124	\$464	\$5,429	\$305
Park	\$3,393	\$3,527	\$134	\$3,615	\$88	\$3,823	\$208	\$4,203	\$380	\$4,454	\$251
Poplar	\$4,335	\$4,506	\$171	\$4,619	\$113	\$4,884	\$266	\$5,370	\$486	\$5,690	\$320
Prescott	\$3,739	\$3,887	\$148	\$3,984	\$97	\$4,213	\$229	\$4,632	\$419	\$4,908	\$276
Rosewalk	\$3,610	\$3,753	\$143	\$3,846	\$94	\$4,068	\$221	\$4,472	\$405	\$4,738	\$266

EXHIBIT S
MEMBERSHIP AGREEMENT

{ATTACHED}



THE CYPRESS OF RALEIGH MEMBERSHIP AGREEMENT

THIS AGREEMENT is executed as of the ____ day of _____, 20____, by and between **THE CYPRESS OF RALEIGH, LLC**, a North Carolina limited liability company, whose address is 7101 Creedmoor Road, Suite 142, Raleigh, North Carolina 27613 (the "Company"), **THE CYPRESS OF RALEIGH CLUB, INC.**, a North Carolina non-profit corporation, whose address is 7101 Creedmoor Road, Suite 142, Raleigh, North Carolina 27613 ("The Club") and _____, whose address is _____ (the "Member").

WHEREAS, _____ (the "Unit Owner") has entered into a Resale Purchase and Sale Agreement (the "Purchase and Sale Agreement"), for the purchase of Unit No. _____ (the "Unit") of The Cypress of Raleigh, a Continuing Care Retirement Community, located in Raleigh, Wake County, North Carolina ("The Cypress"); and

THIS AGREEMENT OUTLINES MEMBERSHIP RIGHTS AND SERVICES

WHEREAS, to become eligible for residency at The Cypress and to acquire all rights of access to the Club Facilities, the Unit Owner or his approved designee, must acquire membership in The Club simultaneously with the purchase of the Unit and must enter into this Agreement, which outlines the membership rights, obligations and services derived from the membership. The intangible contractual rights and obligations conferred upon the Member pursuant to this Agreement are non-transferable and personal to the Member. Membership in The Club is a contractual interest that is separate and distinct from the fee simple real property interest acquired by the Unit Owner in the Unit. The services provided pursuant to this Agreement encompass meal preparation (personalized for the medical and nutritional needs of the Member), personal safety, socialization, transportation, and monitoring of other activities of daily living, and are part of a coordinated system of care and resources to address both medical and non-medical drivers of health outcomes associated with growing older.

NOW, THEREFORE, in consideration of the mutual promises contained in this Agreement, the receipt and legal sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

DEFINED TERMS

1. Definitions. The following terms used herein are defined as follows:



a. "The Club" shall mean and refer to a non-profit corporation serving as the entity to carry out the plan of membership as hereinafter set forth.

b. "Club Facilities" shall mean and refer to (i) the Clubhouse, an approximately 42,709 square foot building, including, but not limited to, a community hall, kitchen, dining areas, living room, game room, craft room, reading rooms, exercise areas, pool, limited offices, and areas available for commercial lease; and (ii) the Health Care Facility located on the site of and comprising an integral part of The Cypress.

c. "Company" shall mean and refer to The Cypress of Raleigh, LLC, a North Carolina limited liability company.

d. "Condominium" shall mean and refer to The Cypress of Raleigh as described in the Declaration of Condominium creating same.

e. "The Cypress" shall mean and refer to The Cypress of Raleigh, a Continuing Care Retirement Community consisting of the Club Facilities and two (2) types of living units which include attached and/or detached cottages and villa units, all being located upon property in Raleigh, Wake County, North Carolina.

f. "Health Care Facility" shall mean and refer to the approximately 45,836 square foot building consisting of 61 beds (sometimes referred to as "The Rosewood"), and containing licensed nursing care and assistance-in-living facilities located on the site of and comprising an integral part of The Cypress.

g. "Member" shall mean and refer to the second party to this Agreement as hereinabove identified and shall likewise refer, in its generic context, to a person who has acquired a Membership, as hereinafter defined, and is therefore eligible for all rights of access to the Club Facilities.

h. "Membership" shall mean and refer to that certain license or collection of rights, coupled with the corresponding responsibilities and obligations, associated with permanent residency within The Cypress, which is available to persons age sixty-two (62) and over who meet the various requirements set forth in this Membership Agreement.

i. "Membership Fee" shall mean and refer to that certain fee charged for a Membership, as more particularly described in Paragraph 3.



j. "Monthly Payment" shall mean and refer to the payment which covers the cost of the various services provided to Members by The Club, as more particularly described herein (the "Service Fee"), and the monthly contribution to the Condominium (the "Condominium Fee"). In situations where there is a second occupant of the Unit, the Monthly Payment will include a "Second Person Fee". The percentages of the Monthly Payment that are attributable to the Service Fee and the Condominium Fee are set forth in the Notes to Schedule A attached hereto.

k. "Owner" shall mean and refer to a person, firm, corporation, partnership, association, trust or other legal entity which owns a Unit, as hereinafter defined, within the Condominium.

l. "Qualified Appraisal" shall mean and refer to an appraisal conducted by a qualified appraiser agreed upon by the Company and the Unit Owner. In the event the Company and the Unit Owner cannot agree upon the selection of an appraiser, each party shall designate an appraiser and the appraisers so designated shall select a third appraiser; and all three appraisers shall set a value for the Unit in question. In the event there is disagreement as to value among the appraisers, the value shall be set at the greater of (i) the original purchase price of the Unit; or (ii) the average of the three appraisals.

m. "Unit" shall mean and refer to that certain villa or cottage in the Condominium and, when used in its generic sense, denoting any cottage or villa located within The Cypress. Each Unit shall be occupied by no more than two (2) individuals, each of whom must be a Member.

**CYPRESS IS A
CONTINUING CARE
RETIREMENT
COMMUNITY**

2. Statement of Background. The Cypress is a continuing care retirement community located in Raleigh, North Carolina, which offers the opportunity of ownership of real property in a villa or cottage Unit for use by persons age sixty-two (62) and older, accompanied by a Membership which allows the Member access to the Club Facilities. Neither the Company nor the Club has any affiliation with any religious or charitable organizations. The Cypress of Raleigh Owners' Association, Inc. also does not have any affiliation with any religious or charitable organizations.

**ALL CYPRESS
RESIDENTS MUST BE
MEMBERS**

3. Required Membership; Membership Fee. All Unit Owners at The Cypress are required, simultaneously with the purchase of their Unit, to purchase a non-transferable Membership for their use or for use by their approved designee (herein referred to as the "Membership"); and the Unit Owner or his/her designee, as applicable, shall be the holder of the Membership. The Membership entitles the Member to use the Club Facilities and gives the Member the right to live in the Health Care Facility when (s)he is



MEMBERSHIP FEE IS INCLUDED IN PURCHASE PRICE OF UNIT

no longer capable of independent living, as hereinafter more fully provided. The cost of Membership (herein referred to as the Membership Fee) is equal to ten percent (10%) of the gross purchase price of the Unit, as stated in the Purchase and Sale Agreement, and is payable to the Company at or prior to closing on the purchase of a Unit. The Membership Fee is solely for the Member's personal participation in The Club and does not provide Membership in The Club for any purchaser of Member's Unit or any subsequent user of the Unit. In the event that a second person who is not the designated Member (including any subsequent spouse of the designated Member) resides in the Unit, he or she will be required to apply for Membership in The Club, and an additional Membership Fee may be charged by the Company at the then current rates, in accordance with Paragraph 13 (c) below.

MEMBERSHIP IS NON-TRANSFERABLE

4. Membership Non-Transferable. The Membership Fee is personal to the Unit Owner or his/her approved designee, and is non-refundable and non-transferable. If a Unit Owner(s) is the occupant of the Unit, such Unit Owner's Membership will expire when the Unit Owner(s) sells or otherwise disposes of the Unit or ceases to occupy the Unit. Provided however, if a Unit Owner ceases to occupy the Unit and lives in the Health Care Facility, then the Membership will continue and the Member shall continue to be responsible for payment of the Monthly Payment at the applicable Member rate. If a Unit is occupied by a person or persons other than the Unit Owner(s), the provisions of Paragraph 6 hereof shall apply.

RESALE PRICE OF RESIDENCE WILL INCLUDE NEXT BUYER'S MEMBERSHIP FEE

5. Resale of Units. If a Unit is resold, the new buyer of the Unit will be assessed a Membership Fee equal to ten percent (10%) of the purchase price of the Unit. The Membership Fee will be separately identified on the settlement statement and shall be paid to the Company at closing, pursuant to the terms of the purchase agreement. Any real estate commission due in connection with the resale of a Unit shall be based upon the purchase price of the real estate only and without regard to the cost of the Membership Fee.

If a Unit Owner transfers ownership or use of his/her Unit by gift, bequest, lease or any other method of conveyance to a family member or any other person(s), the Membership Fee to be paid to the Company shall be based on the gross fair market value of the Unit as determined by a Qualified Appraisal when such transfer occurs. The transferring Member or the proposed new Member shall be solely responsible for the cost of the appraisals.

WHEN MEMBER IS NOT THE UNIT OWNER

6. Provisions Applicable When Member is Not the Unit Owner. If a Unit Owner acquires a Unit to be used by someone other than him/herself, the Unit Owner must designate the person(s) who shall use the Membership, which Membership must be acquired at the time the Unit is purchased. The designated users of the Membership must: (a) meet the basic eligibility requirements for Membership in The Cypress; (b) be approved by The Club; and (c) have complied with the provisions of Paragraph 7 hereof regarding assurances with respect to the Monthly Payment. When the designated person(s) no longer occupies the Unit; and, thus, ceases to use the Membership, the Membership expires. Provided however, if the designated user ceases to



occupy the Unit and lives in the Health Care Facility then the Membership continues and the Member and the Unit Owner shall continue to be jointly responsible for payment of the Monthly Payment at the applicable Member rate. Any person(s) who subsequently occupy the Unit, including the Unit Owner, must acquire a Membership for their use prior to occupying the Unit. Since under these circumstances there is no sales price upon which to determine the Membership Fee, the Membership Fee is based on the gross fair market value of the Unit, as determined by a Qualified Appraisal. The transferring Member or the proposed new Member shall be responsible for the cost of the appraisal. The Membership Fee will then be assessed at ten percent (10%) of the Unit's gross fair market value, and must be paid prior to re-occupancy of the Unit. This procedure for change of Member due to circumstances other than a sale of the Unit will be followed with regard to each subsequent Member until there is a re-sale of the Unit, in which event the provisions of Paragraph 5 shall apply.

If the Member is not the Unit Owner, the Member and the Unit Owner will be jointly and severally responsible for the Membership Fee and the Monthly Payment. In addition to executing this Agreement, the Unit Owner will execute an agreement, in a form approved by The Club, personally guaranteeing payment of such obligations. In the event the Unit Owner fails to execute such agreement guaranteeing the payment of such obligations, this Membership Agreement shall act as and be the Unit Owner's personal guarantee for the benefit of the Company, its successor and assigns, guaranteeing the Member's payment of the Membership Fee and each Monthly Payment to the Company, its successors, and assigns.

The provisions of this Paragraph 6 also apply to individuals who qualify for membership and move into a Unit with an existing Member, whether through marriage or other arrangements.

**MONTHLY PAYMENT
INCLUDES CYPRESS
SERVICES AND
CONDOMINIUM FEE**

7. Monthly Payment. All Members shall be responsible for a Monthly Payment which includes the Service Fee and the Condominium Fee as discussed in Paragraph 1.j. hereof. The estimated initial Monthly Payment for Members as of the most recent January is set forth on Schedule "A" attached hereto and incorporated herein by reference. The Service Fee and the Condominium Fee (and the Second Person Fee, where applicable) are the sole components of the Monthly Payment. The percentages of the Monthly Payment that are attributable to the Service Fee and the Condominium Fee are set forth in the Notes to Schedule A attached hereto. Company and Member acknowledge that the current amount of Member's Monthly Payment under this Agreement shall be \$ _____, subject to annual adjustments as described in the Notes to Schedule A, and further subject to additional charges for any repair and/or maintenance of "custom changes", as set forth in the Declaration of Condominium, and for any optional services requested by Member, in accordance with Paragraphs 8 and 9 hereof.

**MONTHLY PAYMENT TO
BE ADJUSTED**

The Monthly Payment for the first full year (calendar year 2009) will be based upon estimated costs of operations provided by an experienced



**ANNUALLY WITHIN
LIMITS BASED ON
CONSUMER PRICE
INDICES**

continuing care operator. The Monthly Payment will thereafter be based on the actual operating costs. After the second full year (calendar year 2010), there will be a cap on future increases in the cost of services and features provided by The Club (i.e. the Service Fee). With respect to services provided by The Club, the formula for determining the maximum increase permitted for that portion of the Monthly Payment will be based on the higher of: (a) the annual percentage increase of the Consumer Price Index, U.S. City Average, All Items (1967-100) (hereinafter "C.P.I.") issued by the U.S. City Average, Labor Statistics in its monthly report entitled "The Consumer Price Index, U.S. City Average and Selected Areas," or (b) the annual percentage increase of the Medical Care Component of the C.P.I. An additional three percent (3%) may be added to the higher of the annual percentages. This formula will go into effect after the second full year of operations. The Member shall receive sixty (60) days advance notice of any Monthly Payment adjustment.

As mentioned above, one component of the Monthly Payment is the monthly Condominium Fee to the Condominium for the Unit owned or occupied by the Member. The Condominium Fee will be based on actual Condominium operating costs (together with a reserve for replacements), as shown in the annual Condominium operating budget formulated and adopted in accordance with the Bylaws of the Condominium, and assessed based on the percentage of ownership interest in the Condominium's common elements. The Condominium Fee is a separate cost from the operation of The Club, but is included in the Monthly Payment as a convenience to the Members.

The annual gross operating costs include a corporate overhead payment to the Company which will be ten percent (10%) of the actual total operating and administrative costs of The Club and the Condominium.

**OPTIONAL SERVICES
AVAILABLE FOR
ADDITIONAL COST**

The Monthly Payment covers the cost of the services and features outlined herein which are available to all Members. Members will be required to pay additional charges for any repair and/or maintenance of "custom changes", as set forth in the Declaration of Condominium, and for any optional services requested by them, in accordance with Paragraphs 8 and 9 hereof. The Monthly Payment will be payable on the seventh day of each month, in advance; and additional charges will be payable on the seventh day of each month for the optional services obtained during the preceding month. The Member's responsibility for the Monthly Payment shall commence on the earlier of: (a) actual occupancy of the Unit, or (b) the date on which the Unit will be available for occupancy, as specified in a notice thereof delivered to the Member at least fourteen (14) days prior to the specified date of availability.

**SERVICES INCLUDED IN
MONTHLY PAYMENT**

The following services and features are included in the Monthly Payment:



CLUB ACTIVITIES

a. Club Activities. A full-time Director of Community Life Services is employed by The Club who plans and organizes a variety of events tailored to the special interests of the Members. These programs are focused on wellness to meet the intellectual, physical, emotional, social and spiritual needs of the Members. Activities include cultural excursions, lecture series, dance and art classes, card games, craft activities, tournaments, and shopping. A full-time Wellness Coordinator is employed who plans and organizes fitness and wellness programs such as Tai-Chi, yoga, aquatic, aerobic and strength and balance classes.

URGENT CALL SYSTEM

b. Urgent Call System. All Cottages and Villas have a two-way, telephonic urgent call system. The purpose of this system is to summon help in an emergency. The urgent call system is connected to an indicator panel in the Health Care Facility, which identifies the Cottage or Villa from which the signal was initiated. Licensed nursing personnel with emergency training will respond to calls from the urgent call system and will summon any other appropriate emergency personnel that may be required.

FOOD SERVICE ALLOWANCE

c. Food Service Allowance. Healthy eating and nutrition are central to a Member's well-being and are interrelated with health, personal safety, socialization, transportation and monitoring other activities of daily living that may not be apparent absent daily use of Cypress dining in the presence of trained staff. The excellence of The Cypress of Raleigh's dining program supports the coordinated system of care provided by The Club to address both medical and non-medical drivers of health outcomes associated with growing older.

As part of residency at The Cypress of Raleigh, Members receive meal services as described in this section. To assist in tracking meal usage and monitoring the health of Members, Members receive quarterly meal points, which may be used for food and beverage selections from a varied menu of favorites, seasonal and daily specials, giving the Members optimal choice and flexibility for their dining experience. A Member's meal points are designed to be allocated in the Member's discretion over the course of each calendar quarter and typically are sufficient for one meal per day. With four distinct dining venues, the Members can choose to use meal points on dining experiences in the formal or main dining venues or on quick grab-and-go menu items from the buffet-style bistro and bar menus. Home delivery and take-out meals are also available. A registered dietician is available for consultation. Charges for guest meals will be published by The Club and subject to change without prior notice based on variable food and labor costs. A Member's meal point allowance is not equivalent to dollars, cannot be exchanged for dollars, and does not reflect the actual cost of food and labor utilized for the delivery of food service as part of a Member's residency at The Cypress of Raleigh. Unused meal points will not carry over to the next quarter. Additional meal points cannot be purchased. Any additional meals that may be



requested by a Member in excess of their quarterly meal points will be charged on a per-item basis to the Member at a dollar amount determined by The Cypress of Raleigh. To the extent required by law, appropriate sales and use taxes will be charged to Members and collected on sales of alcohol and guest meals.

PRIVATE DINING ROOM

d. Private Dining Room. A private dining room is available for use by Members and their guests for special family or social occasions. Special meals and wait staff may be available, upon request, for an additional charge. Advance reservations with the Director of Food & Beverage or Dining Room Manager are required. Standing reservations for groups and/or clubs are not available

WEEKLY FLAT LAUNDRY

e. Weekly Flat Laundry. Members receive weekly flat laundry service, which includes sheets, pillow cases, towels, face cloths and dish cloths. The flat laundry will be washed, dried, folded and returned on a weekly basis at the next scheduled housekeeping visit. The Club reserves the right to charge a reasonable fee for additional services to those Members who utilize the flat laundry service in excess of typical Member usage.

WEEKLY HOUSEKEEPING SERVICES

f. Weekly Housekeeping Services. Members will receive weekly housekeeping services. These services include kitchen and bathroom cleaning, surface cleaning, dusting, and vacuuming. Periodically, window washing, carpet cleaning and other additional housekeeping will be performed.

SCHEDULED MAINTENANCE OF COTTAGE OR VILLA AND COMMON AREA

g. Scheduled Maintenance of Cottage or Villa and Common Area: Maintenance, as more particularly described in the Declaration of Condominium, will be provided for each Cottage and Villa, and The Cypress common areas. If a Member needs maintenance service, the Member may submit a request with the Facilities Coordinator or concierge.

GROUNDS CARE AND GARDENING

h. Grounds Care and Gardening. The Club's lawns, trees and shrubs will be maintained, as well as the interior and exterior of the club house, the parking areas, walks and exercise trails. In addition, gardening areas are available for Members' use and will be under the direction of the Director of Community Life Services on a first-come, first-serve basis.

CERTAIN UTILITIES

i. Certain Utilities. Electric, gas (if applicable), water, sewer, and basic cable services will be included in the Monthly Payment for owners of villa Units. Owners of cottage Units must pay a separate charge for electric and gas services.



SCHEDULED TRANSPORTATION

j. Scheduled Transportation. Scheduled transportation is available for The Cypress Members. Scheduled trips include nearby grocery stores, banks, and shopping centers. Special trips may be periodically scheduled at an additional cost to each participant.

CAMPUS SECURITY

k. Campus Security. The Cypress is a gated community with security staff personnel onsite twenty-four (24) hours a day. Additionally, security cameras and a card access only entrance into the Villa Buildings and Health Care Facility are utilized to enhance campus security.

MAIL DELIVERY

l. Mail Delivery. Once each business day, the U.S. Postal Service collects and distributes mail to each Member's personal mailbox. At the request of a Member, mail can be forwarded during the Member's absence from his/her Villa or Cottage.

ABSENCE CREDIT

m. Absence Credit. If a Member provides prior written notice to the Club that the Unit will be unoccupied for a period of not less than fourteen (14) consecutive days, the Member may be entitled to an "absence credit" in an amount determined by the Club to be applied against the Monthly Payment.

HEALTH CARE FACILITY

n. Health Care Facility. The Cypress has secured a license from the North Carolina Department of Health & Human Services, Division of Facility Services to operate fifty-seven (57) skilled nursing beds and four (4) assistance-in-living adult home beds. The skilled nursing care facility and the assistance-in-living facility are collectively referred to as the Health Care Facility. For a period of ninety (90) lifetime cumulative days, each Member will be entitled to receive nursing care in the nursing care facility in a semi-private room in the Health Care Facility, without extra charge, at the current Monthly Payment. During this ninety (90) day period, the Member will continue to pay his/her Monthly Payment, plus the cost of two (2) extra meals per day, nursing supply charges, and those costs outlined in Paragraph 9 hereof. A private room may be available for an additional charge. If the Member needs further care after the ninety (90) cumulative lifetime days of care, the Member will pay, in addition to the Monthly Payment, the applicable Member rate for such care. This rate will include meals and a semi-private room (at the request of a Member, a private room will be provided on an "as available" basis for an additional charge).



If two (2) Members occupy a Unit and one (1) of them becomes a permanent resident of the Health Care Facility, then the Monthly Payment for the Member continuing to occupy the Unit will be reduced to the single occupancy rate. The Member residing in the Health Care Facility will pay the applicable Member rate.

In the unlikely event that accommodations are not immediately available in the Health Care Facility, the Member agrees to relocate to another health care facility with which the Medical Director of The Cypress arranges to provide such care until accommodations at the Health Care Facility are available. The Club shall be responsible for any increased charge associated with the alternate health care accommodations.

It should be noted that, due to the licensing requirements for the Health Care Facility, the facility cannot provide treatment for all conditions (e.g., no psychiatric care will be available). In addition, occupancy at the Health Care Facility may be terminated in accordance with Paragraph 12 hereof.

In no event will a Member be admitted to or treated in the Health Care Facility if such Member requires care that cannot lawfully be provided at the Health Care Facility and/or the Medical Director determines in his or her reasonable opinion that such Member's mental or physical condition is such that his or her admittance or treatment at the Health Care Facility would present an unreasonable risk of injury or detriment to that Member or any other Member receiving treatment or residing at the Health Care Facility, including but not limited to, a situation in which the Member seeking admittance or treatment at the Health Care Facility has been or is suspected to have been infected with a communicable disease for which there is no readily available cure and/or vaccine.

The operation of the Health Care Facility shall be subject to the applicable regulations and licensing standards of the State of North Carolina, including the N.C. Department of Insurance and the North Carolina Department of Human Resources.

HEALTH CENTER ACTIVITIES

o. Health Center Activities. An activities director is responsible for coordinating and directing the arts, crafts, social and recreational activities for the Members in the Health Care Facility. The focus of these activities will be restorative care by enhancing the quality of life through physical, emotional, psychological and spiritual programs while catering to the individual needs of each Member.



MEMBER COMMITTEES

p. Member Committees. Member committees hold regularly scheduled meetings to promote communication between the Members and The Cypress' administration. The six (6) Member committees are finance, buildings and grounds, food and beverage, health and safety, library, and social and activities.

MONTHLY BILLING SERVICE

q. Monthly Billing Service. Monthly statements are placed in each Member's mailbox or other appropriate location on or before the fifth (5th) day of the month. Each monthly statement must be paid within seven (7) days after the delivery date of the statement. Payment may be made at the accounting office, accounting drop box or by mail. Payments made after the seven (7) day period may be subject to a late fee. A staggered billing system may be implemented in the discretion of the Club.

UNCOVERED SURFACE PARKING FOR MEMBERS AND GUESTS

r. Uncovered Surface Parking for Members and Guests. The Cypress has surface parking for both the Members and their invited guests. In addition, all Cottages have a two-car garage. Limited assigned covered parking and garage parking is available to Villa Members at an extra charge. In order to ensure that sufficient parking is available to all of our Members and their invited guests, Members shall be limited to keeping no more than one (1) vehicle on campus for each Member with an active driver's license, except as otherwise agreed to in writing by the Executive Director. Certain Members who joined The Cypress prior to June 1, 2023 are keeping more than one (1) vehicle per licensed driving Member on campus (each an "Excess Vehicle"). In the event an Excess Vehicle is transferred, it may not be replaced with another Excess Vehicle, except as otherwise agreed to in writing by the Executive Director.

INTERRUPTION OR DELAY OF SERVICES

s. Interruption or Delay of Services. If the Club is delayed, hindered, or prevented from delivering or performing any of the services described in the Membership Agreement by reason of any event or circumstance, whether or not foreseeable, not under The Club's reasonable control, including without limitation any governmental restriction, scarcity of labor or materials, strike, riot, civil disorder, fire, natural disaster, extreme weather event, disease, medical epidemics or outbreaks, curtailment of transportation facilities or infrastructure, and/or threats or acts of terrorism, the delivery or performance of such services shall be excused for the period of delay, and the delivery or performance of any such services shall be extended as necessary to complete performance after the delay period.



**ADDITIONAL SERVICES
NOT INCLUDED IN
MONTHLY PAYMENT**

8. Additional Amenities and Services not Included in Monthly Payment. Additional amenities and services which will be available to Members at an additional charge include guest meals, additional meals, valet service, additional housekeeping, beauty parlor, barber shop, personal transportation, and health care services in the Member's Unit.

**ADDITIONAL HEALTH
SERVICES NOT
INCLUDED IN MONTHLY
PAYMENT**

9. Additional Health Services not Included in Monthly Payment. Special health services and supplies, which may include physical therapy, pharmacy, special duty nurses, personal hygiene, personal laundry, equipment rental, home health care and other services upon special arrangement, will be available at an extra charge. These health services and supplies are not included in the charges for care outlined in Paragraph 7 above.

**HEALTH CENTER HAS
MEDICAL DIRECTOR**

A physician in good standing with the Raleigh medical community will be designated as the Medical Director of The Club (herein referred to as "Medical Director"). The Medical Director, although not an employee of The Club, will be on emergency call for Members. For matters other than emergencies, the Member may engage the services of the Medical Director or any other physician, at the Member's expense. The Club will not be responsible for the cost of medical treatment by the Medical Director, or for the cost of medicine, drugs, prescribed therapy and similar treatment.

**MEMBER MUST BE
CAPABLE OF
INDEPENDENT LIVING
TO REMAIN IN
RESIDENCE**

10. Duration of Member's Right to Occupy the Unit. The Member may occupy his/her Unit for as long as he/she (or both) is capable of independent living, and so long as independent living is practical and safe. If, in the opinion of either the Member's attending physician, the Medical Director or The Club, the Member's physical or mental health requires that the Member receive nursing care, the Member agrees to receive the necessary in home assistance through the provision of additional health services described herein, or relocate to the Health Care Facility or to some other health facility of the Member's choice.

**MEMBER'S VOLUNTARY
TERMINATION RIGHTS**

11. Member's Termination Rights. The Member (including both of them if there are two (2) Members) may terminate this Agreement at any time for any reason by giving the Company thirty (30) days prior written notice signed by the Member (or both of them if there are two (2) Members). The Member's obligations hereunder shall continue until the Unit is transferred, sold or otherwise occupied by a successor Member, and the new Member assumes the obligation of the Monthly Payment. Transfer under the last will and testament of a deceased Member, other than to his/her estate, is a conveyance upon which a new Membership Fee must be paid if the devisee or beneficiary elects to become a Member of The Club. In the event of death, the estate of the Member will retain all Membership obligations provided herein until the deceased Member's Unit is transferred, sold or otherwise occupied by a successor Member, and the new Member assumes the obligation of the Monthly Payment. As previously stated, if the Member is not also the Unit Owner, the Unit Owner and the deceased Member's estate shall be jointly and severally



responsible for obligations hereunder.

12. Termination Rights of the Company and/or The Club.

**THE COMPANY AND/OR
THE CLUB MAY
TERMINATE
MEMBERSHIP FOR:**

a. The Company and/or The Club shall not terminate this Agreement except for just cause. The Member agrees that he/she will be obligated to promptly sell his/her Unit if the Company and/or The Club terminates this Agreement for just cause. Just cause includes, but is not limited to, the following:

**FAILURE TO PAY
CHARGES DUE**

i. except as set forth below, failure to pay to The Club any charges due hereunder;

**DETRIMENTAL
DISTURBANCES**

ii. creation by the Member of a disturbance within The Cypress which, in the judgment of The Club or the Company, is detrimental to the health, safety, comfort and peaceful lodging of the other Members; e.g., loud noises, harassing other residents;

**INFECTION WITH
DANGEROUS OR
CONTAGIOUS DISEASE,
MENTAL INSTABILITY**

iii. the Member becomes infected with a dangerous and contagious disease or becomes mentally or emotionally disturbed, and the Medical Director determines that the Member's condition is detrimental to the health, safety or welfare of the Member, other residents or the staff of The Cypress, and the Member's condition cannot be treated in the Health Care Facility; or

**MEMBER REFUSES
MEDICAL TREATMENT**

iv. the Member refuses medical treatment or health care services which, in the opinion of the attending physician or the Medical Director, is medically required for the Member's health or the health or safety of other Members or staff.

**CYPRESS POLICY NOT
TO TERMINATE SOLELY
BY REASON OF
INABILITY TO PAY
MONTHLY CHARGES**

b. Because it is and shall continue to be The Club's policy to endeavor to avoid termination of a Member's Membership Agreement solely by reason of his/her financial inability to pay the total Monthly Payment and other charges, the Member shall be permitted to remain at The Cypress at a reduced monthly charge based on the Member's ability to pay for so long as: (i) he/she establishes facts to justify deferral of the usual charges; (ii) he/she establishes the ability to secure repayment of such deferred charges; and (iii) the determination is made that the deferral of such charges can, in the sole discretion of The Club, be granted without impairing the ability of The Club to operate on a sound financial basis. The loss of revenue to The Club from any such deferral of charges will be borne by The Club until repaid as provided in this Paragraph 12.



**IF THE MEMBER HAS
FINANCIAL
DIFFICULTIES**

c. If the Member encounters financial difficulties making it impossible for him/her to pay the Monthly Payment and other applicable charges, then:

i. the Member may remain until any applicable Title XVIII Medicare benefits and/or third party insurance benefits received by The Club on his/her behalf have been exhausted. The Member shall continue to have the obligation to pay the amount of the Monthly Payment and other charges which are not covered by his/her Medicare or insurance benefits.

ii. the Member shall in any case be permitted to remain at The Cypress after the date of failure to pay until such time as other arrangements can be made for the Member's care; and

**POLICY NOT
APPLICABLE IN CASES
WHERE MEMBER
MAKES UNAPPROVED
GIFTS OR OTHER
TRANSFERS**

any charges deferred, as herein contemplated, will be offset by The Club against the proceeds from the sale of the Member's Unit when such sale occurs, and The Club shall have a first priority claim against such proceeds, subject only to any existing first mortgage lien and the lien of the Condominium for Condominium assessments, as hereafter provided. The Member agrees that his/her financial obligations to The Club constitute a debt which must be repaid. The Member agrees to execute a note and a mortgage on his/her Unit, and any other loan documents required by The Club as security for the repayment of this debt. If the Member is not the Unit Owner, then the Member shall cause the Unit Owner to give a mortgage on the Unit occupied by the Member. It is understood and acknowledged that the lien of such mortgage shall be subordinate to the lien of the Condominium for Condominium assessments and any such mortgage must expressly so provide. The Note shall bear interest at the average prime rate as published in the Wall Street Journal. Notwithstanding the above, the provisions of Paragraphs 12(b) and (c) shall be rendered inoperative and inapplicable if the Member has impaired his/her ability to meet his/her financial obligations hereunder by making unapproved gifts or other transfers.



CYPRESS WILL GIVE 30 DAYS NOTICE AND MEMBER HAS 30 DAYS TO CORRECT PROBLEM

d. Prior to any termination of the Agreement by The Club, The Club will give the Member written notice of the reasons for termination, and the Member will have thirty (30) days thereafter within which to correct the problem. If the problem is corrected within such time period, this Agreement will not be terminated. If the problem is not corrected within such time period, this Agreement will be terminated and the Member must promptly leave The Cypress. Notwithstanding such termination, the Member will continue to pay his/her Monthly Payment and other applicable charges, until his/her Unit has been sold, transferred or otherwise conveyed to a new Member who assumes all obligations hereunder.

MEDICAL DIRECTOR MAY WAIVE NOTICE PERIOD IF LAPSE OF TIME DETRIMENTAL TO MEMBER, OTHER RESIDENTS OR STAFF

e. If the Medical Director determines that either the giving of notice or the lapse of time specified above might be detrimental to the Member or other residents or staff of The Cypress, then such notice and/or waiting period, prior to termination and relocation to an appropriate hospital or other facility, shall not be required and termination of this Agreement shall be deemed to have occurred when the Member is relocated. In such event, The Club is expressly authorized to transfer the Member to an appropriate hospital or other facility and will promptly notify the Member's representative or his/her attending physician. However, the Member will retain all ownership rights and obligations in the Unit until it is sold, transferred or otherwise conveyed to a new Owner who assumes the rights and obligations of membership with respect to the Unit and the Monthly Payment. If the Member is not the Unit Owner, then the Member and the Unit Owner shall be jointly and severally responsible for all such obligations until a new Member assumes all such rights and obligations of membership with respect to the Unit and the Monthly Payment.

13. Miscellaneous Provisions with Respect to the Member's Unit.

UNITS ARE FOR RESIDENTIAL PURPOSES ONLY; OCCUPANCY LIMITED TO TWO (2) INDIVIDUALS

a. All Units are for living purposes only and shall not be used for carrying on any business or profession, nor in any manner in violation of applicable covenants, restrictions, laws and regulations. In no event may a Unit be occupied by more than two (2) individuals, each of whom must be a Member.

PETS ARE PERMITTED WITH STRICT GUIDELINES

b. Subject to the prior written consent of the Executive Director, which may be withheld in the Executive Director's sole discretion, pets may be permitted in the Units. Pets must be on a leash at all times. Pets must be healthy, have current shots and rabies immunization, and be free of fleas and other parasites. The Member owning the pet is responsible for ensuring the pet's good behavior and paying any costs expended by The Club for the failure of the Member to adhere to The Cypress pet policy, including, but not limited to, the cost of disinfection, cleaning and fumigation. Pets are prohibited in the common facilities. Any Member having a pet understands and agrees that the pet will be removed from the Unit if the pet becomes a



nuisance to other Members, as determined by the Executive Director in his or her sole discretion. The Club will provide the Member with fourteen (14) days written notice that the pet must be removed from the Unit.

OCCUPANCY OF UNITS

c. Except as hereinafter provided, no person other than the Member (or both of them) may occupy the Unit without the express written approval of The Club. If a person who is not a party to this Agreement (including any subsequent spouse of the Member) is accepted for residency under this Agreement after the date hereof (such acceptance to be in accordance with admission policies governing all other admissions), an additional Membership Fee and an additional Monthly Payment will be charged to the new resident of the Unit, in accordance with Paragraph 6 above. The amount of the Membership Fee will be based on the gross fair market value of the Unit at the time the new Member is accepted, as determined by a Qualified Appraisal. The new Member will pay the applicable Monthly Payment each month he/she occupies the Unit. If, however, the new prospective resident does not meet the residency requirements for the Unit, such person will not be permitted to occupy the Unit for more than thirty (30) days (except with the express written approval of The Club). If such person does not vacate the Unit after the thirty (30) day period, this Agreement may be terminated in accordance with the terms hereof.

CYPRESS MAY MODIFY UNITS TO MEET LEGAL REQUIREMENTS

d. The Club or the Company may modify a Unit in The Cypress at any time to meet the requirements of applicable law. The Member agrees to temporarily relocate to other facilities provided by The Club, at The Club's cost, if it becomes necessary to vacate his/her Unit in order to make such modifications.

MEMBER MUST OBTAIN INSURANCE FOR PERSONAL PROPERTY

e. Each Member must obtain hazard and liability insurance covering the Member's personal property located within, and the interior of, his/her Unit. A Member's personal property, furniture, clothing, jewelry, etc. located within the Unit may not interfere with the health, safety and general welfare of other Members.



**FUTURE PURCHASERS
MUST MEET CYPRESS
RESIDENCY
REQUIREMENTS;
RETAIL LISTING
PROCESS; THE
COMPANY OFFERS
SERVICES AS BROKER
FOR REALES**

14. Resale. The Member acknowledges that the resale of a Unit in The Cypress must be made to a person(s) who either meets The Cypress Membership and residency requirements or who is purchasing a Unit for or on behalf of a person(s) who meets The Cypress Membership and residency requirements. The Company shall determine whether a person(s) meets such requirements. The Member also acknowledges and agrees that, if he/she moves out of his/her Unit prior to its sale, the Member will be responsible for paying the Monthly Payment until the Unit is sold, transferred or otherwise conveyed to a new Owner who assumes the ownership rights and obligations of membership with respect to the Unit and the Monthly Payment.

As described in this Membership Agreement, the occupancy of a Unit and access to and use of the common elements and services provided by The Club are restricted to a qualified Member or Designated Member, as the case may be. And, membership in The Club is subject to the age, financial and medical qualifications set forth herein. Due to the complex and dual nature of each resale, The Company expends ongoing and considerable resources in marketing The Cypress, including hiring consultants, purchasing third party professional reports, collecting and reviewing data analytics specific to senior citizens, and maintaining Priority Reservation Agreements with individuals who have expressed an interest in The Cypress and have delivered refundable deposits so that they may be advised of community resales when they occur. As well, employees of The Company are well-versed in both the sale of real estate and the qualifications of membership in The Club (including a HIPPA certification to protect the confidential information required to be delivered for consideration of admission as a Member). As part and parcel of this effort, The Company offers its services to owners at the time of a resale at a commission rate considered to be at or below a market rate for the sale of real estate and with no additional consideration for assisting with the membership admission process. Owners are not required to engage The Company for resales, nor is admission of membership contingent on the use of the Company for the resale of a Unit. However, in such cases where an Owner elects to sell a Unit without engaging The Company, The Cypress may impose reasonable restrictions on access to the Unit and common elements for purposes of ensuring the safety and well-being of The Cypress residents. The Company also may charge the Owner a \$1,000 administrative fee per prospective member, payable to the Company in advance, to reimburse The Company for the time and expense of assisting with the membership admission process. This administrative fee shall be non-refundable, whether or not such prospective member is admitted for membership at The Cypress and/or closes on the sale of a Unit. In such instances, an Owner and its agent(s) should engage legal counsel experienced in transactions of this nature, and they shall be responsible for all elements of disclosure required by the CCRC Act and the Condominium Act. The Owner and its agent(s) shall be required to execute an indemnification agreement in favor of The Company, The Club and The Cypress of Raleigh Owners' Association, Inc. covering any liability arising out of the failure to comply with the CCRC Act, the Condominium Act and the requirements set forth in the Disclosure Statement.



ASSOCIATE MEMBERSHIPS

15. Associate Memberships. The Company anticipates that there will be a large demand for membership in The Club. Accordingly, the Company may, in its sole discretion, accept associate members who are not residents of The Cypress, but will have secondary priority access to the Club Facilities.

DISAGREEMENT SETTLED BY ARBITRATION

16. Arbitration. It is the parties' intent that any controversy arising under, out of, in connection with, or relating to, this Agreement and any amendment thereto, or breach thereof, shall be determined and settled by arbitration, in accordance with the rules of the American Arbitration Association. Any decision rendered therein shall be final and binding on each and all of the parties thereto and their personal representatives, and judgment may be entered on any such decision in any court having jurisdiction. Notwithstanding the foregoing, this arbitration provision will not be mandatory for any effort by The Club and/or the Company to collect Monthly Payments, Membership Fees, or other charges, nor with respect to decisions by the Company with respect to the admission of new Members.

17. Amendments.

AMENDMENTS TO AGREEMENT

a. Except as expressly provided herein, no amendment or modification to this Agreement shall be made.

MUST BE IN WRITING

b. No Amendment to this Agreement shall be valid unless in writing and signed by the Member (or both of them if there are two) and the Company, or otherwise approved and made effective in the manner set forth herein. Changes in the Monthly Payment and the Membership Fee are outside the scope of the amendment process and may only be made by the Company, pursuant to the terms and conditions provided herein.

MAY BE AMENDED WITH 51% VOTE OF MEMBERS AND APPROVED BY THE COMPANY

c. This Agreement may be amended only by written approval of not less than fifty-one percent (51%) of the Members, and the Company; provided, however, that no such amendment shall:

i. reduce the aforesaid percentage of Members which is required to consent to any such amendment; or

ii. permit the preference or priority of any Member over any other Member without the consent of each Member.

18. Cancellation Rights.



MEMBER HAS 30 DAYS FROM DATE OF EXECUTION TO RESCIND THIS AGREEMENT

a. This Agreement may be rescinded by the Member within thirty (30) days following the later of the execution of this Agreement or the receipt of a disclosure statement prepared in accordance with North Carolina law; and the Member will not be required to close on the purchase of his/her Unit prior to the expiration of the thirty (30) day period.

AUTOMATIC TERMINATION OF AGREEMENT

b. If a Member dies before closing on the purchase of a Unit or is unable to occupy a Unit due to illness, injury, or incapacity that renders him/her ineligible for Membership, then this Agreement will automatically be terminated and all deposits returned to the Member or his/her estate. If there is more than one purchaser of the Unit, the Agreement will continue to be binding on the surviving or eligible purchaser. The Agreement will also be automatically terminated if a Member sells his/her Unit and does not reside in the Unit or the Health Care Facility.

MEMBER (OR MEMBER'S REPRESENTATIVE) MAY BE ENTITLED TO REFUND UPON RESCISSION OR CANCELLATION

c. If the Agreement is rescinded or canceled pursuant to this Paragraph 18, the Member or his/her legal representative shall receive a refund of all money or property transferred to the Company, less (i) non-standard costs specifically incurred by the Company at the request of the Member, as described in any contract amendment signed by the Member or the Owner; (ii) any non-refundable fees or costs specified and described herein; and (iii) a reasonable service charge not to exceed the greater of one thousand dollars (\$1,000.00) or two percent (2%) of the Membership Fee.

19. Miscellaneous Legal Provisions.



NORTH CAROLINA LAW GOVERNS

NORTH CAROLINA INSURANCE LAW REGARDING CONTINUING CARE RETIREMENT COMMUNITIES CONTROLS

AGENTS OF THE CYPRESS NOT PERSONALLY LIABLE

IF MORE THAN ONE MEMBER, OBLIGATIONS ARE JOINT AND SEVERAL

a. This Agreement will be interpreted in accordance with the laws of the State of North Carolina.

b. The purchase, sale and ownership of the Unit and membership in the Club are subject to the provisions of the North Carolina Condominium Act (North Carolina General Statutes Chapter 47C) and the North Carolina Insurance Law regarding Continuing Care Retirement Communities (North Carolina General Statutes Chapter 58, Article 64). North Carolina also has a law prohibiting transfer fees (North Carolina General Statutes Chapter 39A). In the event of a conflict among these laws, the Member, by execution of this Agreement, evidences the Member's acknowledgement and agreement that the North Carolina Insurance Law regarding Continuing Care Retirement Communities shall control, including specifically North Carolina General Statutes 58-64-85(b) which provides:

(b) Facilities and providers licensed under this Article that also are subject to the provisions of the North Carolina Condominium Act under Chapter 47C of the General Statutes shall not be subject to the provisions of Chapter 39A of the General Statutes, provided that the facility's declaration of condominium does not require the payment of any fee or charge not otherwise provided for in a resident's contract for continuing care, or other separate contract for the provisions of membership or services.

c. The invalidity of any restriction, condition or other provision of this Agreement, or any part of the same, shall not impair or affect in any way the validity or enforceability of the remainder of this Agreement.

d. This Agreement has been executed on behalf of the Company by its duly authorized agent, and no officer, director, agent or employee of the Company shall have any personal liability hereunder to the Member under any circumstances.

e. When more than one Member occupies a Unit, the rights and obligations of such Members are joint and several, except as the context otherwise requires.

f. This Agreement is binding upon and shall inure to the benefit of the heirs, legal representatives, successors and assigns of the parties. The rights of Member pursuant to this Agreement may not be assigned or transferred. Any attempt by Member to assign this Agreement may be deemed a default of Member, and neither the Company nor The Club shall be bound by any such assignment.



MEMBER REPRESENTS HE/SHE IS CAPABLE OF INDEPENDENT LIVING AND HAS SUFFICIENT ASSETS AND INCOME FOR PAYMENT OF MEMBERSHIP OBLIGATIONS

g. By executing this Agreement, the Member represents and warrants that he/she is capable of independent living, with or without reasonable accommodation or modification, and has assets and monthly income which have been represented to The Cypress in writing through a preliminary application which are sufficient, under foreseeable circumstances and after provision for payment of the Member's obligations under this Agreement, to meet his/her ordinary and customary living expenses after assuming Membership and occupancy. The Member further warrants that he/she will continue to carry the applicable Title XVIII Medicare benefits and Medicare Supplement and/or third party insurance policies listed on the preliminary application and that all written representations made with respect to such matters by him/her or on his/her behalf to the Company are true and correct.

MEMBER AGREES TO EXECUTE A POWER OF ATTORNEY

h. Durable Power of Attorney. Each Member agrees to execute and deliver to The Club, at or before assuming residency in The Cypress, a Durable Power of Attorney, in a form acceptable to The Club, naming a person of Member's choice to act on Member's behalf in the capacity of attorney-in-fact in the event it shall become necessary that a third party representative act on behalf of the Member. The Durable Power of Attorney shall comply with all applicable laws, and grant the power and authority to make financial decisions for the Member. The Durable Power of Attorney shall not be affected by the physical disability or mental incompetence of the Member. Each Member shall keep the Durable Power of Attorney in full force and effect throughout the term of this Agreement. The attorney-in-fact, trustee or other representative named in the Durable Power of Attorney shall not be a person employed by The Club, the Company, The Condominium or any other entity engaged in the management of The Cypress. The Durable Power of Attorney must name a successor attorney-in-fact.

MEMBER ACKNOWLEDGES RECEIPT OF ALL DOCUMENTS AND EXHIBITS

20. Acknowledgment and Receipt of Documents. The Member hereby certifies that he/she has received a printed copy of this Agreement, a copy of the Declaration of Condominium establishing The Cypress of Raleigh Condominium, the Public Offering Statement and all Exhibits thereto, the Bylaws of The Cypress of Raleigh Condominium, the current Cypress Disclosure Statement and the Purchase Process worksheet, which sets forth all cost components of the Monthly Payment.

MEMBER ACKNOWLEDGES THIS IS A CONTRACT FOR PERSONAL CONTINUING CARE SERVICES

21. Personal Services Contract. The Member hereby acknowledges that this Agreement is a non-transferable contract for personal continuing care services subject to the provisions of North Carolina General Statutes Chapter 58, Article 64. The Member further acknowledges that the obligations set forth herein are contractual in nature and that this Agreement does not create an estate or interest in real property.



**COUNTERPARTS;
ELECTRONIC
SIGNATURES**

22. Counterparts; Electronic Signatures. This Agreement may be executed in one or more counterparts or counterpart signature pages attached to one copy of this Agreement, each of which shall constitute an original and all of which taken together shall constitute one agreement. Documents executed, scanned (in .PDF or similar reprographic format), and/or executed (and, as appropriate, witnessed and/or notarized) electronically using electronic signature software (e.g., DocuSign or similar software), or similar methods (each a method of "Electronic Execution") and transmitted electronically shall be deemed original signatures for purposes of this Agreement and all matters related thereto, with such Electronic Execution having the same legal and binding effect as original signatures. The parties hereto agree that this Agreement may be accepted, executed and/or agreed to through the use of an electronic signature in accordance with the Electronic Signatures in Global and National Commerce Act (E-Sign Act), Title 15, United States Code, Sections 7001 et seq., the Uniform Electronic Transaction Act (UETA) and any applicable state law. Any document accepted, executed or agreed to in conformity with such laws will be binding on all parties the same as if it were physically executed. The parties (a) consent to the Electronic Execution of the Agreement and the use of electronic signatures, (b) intend to be bound by the signatures on any document delivered via Electronic Execution; (c) are aware that the other party(ies) will rely on such Electronic Execution and electronic signatures; and (d) waive any defenses to the enforcement of the terms of this Agreement based on Electronic Execution or electronic signatures.

(The remainder of this page is intentionally left blank. The next page is the signature page.)



SIGNED and SEALED by Member(s) in duplicate originals as of the day and year first above written.

SIGNED IN THE PRESENCE OF:

"MEMBER(S)"

“UNIT OWNER” (if different from Member)

SIGNED IN THE PRESENCE OF:

"COMPANY"
THE CYPRESS OF RALEIGH, LLC,
a North Carolina limited liability company

By: **THE CYPRESS MANAGEMENT GROUP, LLC, its
Manager**

By: _____
Its:

Attest: _____
Its:

SIGNED IN THE PRESENCE OF:

"CLUB"
**THE CYPRESS OF RALEIGH CLUB,
INC.,** a North Carolina non-profit corporation

By: _____
Its:

Attest: _____
Its:

Villa Type: _____

Villa Number: _____

Cottage Type: _____

Cottage Number: _____



SCHEDULE A

See attached list of Prices, Membership Fees and Monthly Fees.

EXHIBIT T

RESERVED

EXHIBIT U

RESALE PURCHASE AND SALE AGREEMENT

{ATTACHED}

PLEASE NOTE: As discussed on page 28 of this Disclosure Statement, we have attached hereto a Re-Sale Purchase and Sale Agreement substantially in the form that will be used on and after January 1, 2012 for resale of existing Units. Purchase and Sale Agreements signed prior to January 1, 2012 shall be substantially in the form attached as Exhibit P to the Disclosure Statement filed by The Cypress of Raleigh with the Department of Insurance on or around May 28, 2010.



THE CYPRESS OF RALEIGH RESALE PURCHASE AND SALE AGREEMENT

PURCHASER:

whose address is _____,
_____ (the "Purchaser").

SELLER:

whose address is _____,
_____ (the "Seller").

These parties shall hereinafter sometimes be referred to collectively as the "Parties", and individually as a "Party".

THIS RESALE PURCHASE AND SALE AGREEMENT (the "Agreement") is entered into by the Parties this _____ day of _____, 20__.

WITNESSETH:

THE CYPRESS INCLUDES PRIVATE RESIDENCES, CLUB HOUSE AND HEALTH CARE FACILITY

The adult residential continuing care retirement community known as THE CYPRESS OF RALEIGH ("The Cypress"), consisting of a 42,709 square foot "Clubhouse", sixty-one (61) bed "Health Care Facility" (the Clubhouse and the Health Care Facility shall hereinafter sometimes be referred to collectively as the "Club Facilities"), and two (2) types of living units (attached or detached cottages and villa units) has been developed by The Cypress of Raleigh, LLC, a North Carolina limited liability company (the "Company"), upon its real property located in Raleigh, North Carolina (the "Land"); and

RESIDENTIAL UNITS ARE CONDOMINIUMS

All of the living units have been or are to be developed as condominium units (collectively, the "Units"; and each a "Unit") known as THE CYPRESS OF RALEIGH CONDOMINIUM (the "Condominium"), and the Units are or will be sold subject to the Declaration of Condominium recorded in Book 13240, Page 738, Wake County Registry (as amended) (the "Declaration"), a copy of which is enclosed in the Project Documentation – Book of Exhibits provided to Purchaser prior to execution of this Agreement; and

PURCHASE OF RESIDENCE INCLUDES MEMBERSHIP IN THE CLUB

The Club Facilities are operated by The Cypress of Raleigh Club, Inc., a non-profit and non-proprietary corporation ("The Club"). The purchase of a Unit requires that it be coupled with the rights, privileges and responsibilities



of membership in The Club to be utilized by the Purchaser or by his designee approved by The Club who meets the various requirements set forth in The Cypress Membership Agreement. Each owner of a Unit (individually, a “Unit Owner”; and collectively, the “Unit Owners”) or his approved designee must acquire membership simultaneously with the purchase of a Unit and each member shall execute The Cypress Membership Agreement and become eligible for residency and all rights of access to the Club Facilities; and

Seller wishes to sell and Purchaser wishes to acquire the Property hereinafter described and defined, upon the terms and conditions set forth hereinbelow.

NOW, THEREFORE, in consideration of the mutual promises contained in this Agreement, the receipt and legal sufficiency of which are hereby acknowledged, the Parties hereby covenant and agree as follows:

PURCHASE OF RESIDENCE

1. **PURCHASE.** Purchaser hereby agrees to purchase the Property hereinafter described for the purchase price hereinafter set forth, all in accordance with the terms and conditions set forth herein.

**SPECIFIC RESIDENCE AND
PARKING SPACE TO BE
ACQUIRED**

2. **PROPERTY.** The property which is the subject of this Agreement is designated as Unit _____ of the Condominium more fully described in the Declaration, together with an undivided fractional interest in and to the common areas and facilities included in the Condominium (the “Property”), and together with a membership in The Club.

Check the one that applies:

Rights to Parking Space(s) Included: The “Property” also includes all of Seller’s rights to Garage or Covered Parking Space(s): _____, pursuant to a Garage/Covered Space Parking Agreement, which shall be assigned to Purchaser at Closing.

Rights to Parking Space(s) Not Included: The “Property” does not include any of Seller’s rights to any Garage or Covered Parking Space, and Purchaser does not desire to purchase any rights to a Garage or Covered Parking Space.

New Rights to Parking Space: The “Property” does not include any of Seller’s rights to any Garage or Covered Parking Space, but Purchaser desires to purchase rights to a Garage or Covered Parking Space from the Company in accordance with the terms and conditions set forth in a Garage/Covered Space Parking Agreement, which shall be executed by Purchaser at Closing. The rights will be to use Garage or Covered Parking Space(s): _____.



**MEMBERSHIP IN THE CLUB
INTEGRAL PART
OF PURCHASE**

3. **CYPRESS MEMBERSHIP AGREEMENT.** Purchaser hereby expressly acknowledges receipt of The Cypress Membership Agreement, which is being executed simultaneously with this Agreement, a copy of which is included in the Project Documentation – Book of Exhibits provided to Purchaser prior to execution of this Agreement. This Membership Agreement is subject to the Company’s approval. Purchaser further acknowledges that in the event he chooses a designee and this designee is approved by The Club, then the designee will also be required to enter into The Cypress Membership Agreement. The services to which Purchaser will have access as a Member of The Club are described in Paragraph 32 hereof.

PURCHASE PRICE

4. **PURCHASE PRICE.** The “Purchase Price” of the Property is \$_____. The Purchase Price is payable as follows:

DEPOSIT

- a. \$_____, upon the execution hereof by Purchaser, representing fifteen percent (15%) of the Purchase Price as an earnest money deposit (the “Earnest Money”), to be held by the Company as Escrow Agent.
- b. \$_____, the balance of the Purchase Price due at Closing (as defined in Paragraph 12 hereof).

**MEMBERSHIP FEE
INCLUDED IN PURCHASE
PRICE**

The non-refundable and non-transferable Membership Fee which is equal to ten percent (10%) of the Purchase Price is included in the Purchase Price of the Property.

**ALLOCATION OF THE
PURCHASE PRICE**

The Purchase Price of the Property shall be allocated as follows:

- a. \$_____ (90% of the Purchase Price allocated to the purchase and sale of the Unit) shall be payable to the Seller.
- b. \$_____ (10% of the Purchase Price allocated for the non-refundable and non-transferable Membership Fee) shall be payable to the Company.

PARKING SPACE PAYMENT

Check the one that applies:

- For assignment by Seller:** In addition to the Purchase Price, Purchaser shall pay the sum of \$_____ to the Seller to acquire the Seller’s rights to use the Parking Space.
- No Parking Space purchase:** Purchaser has opted not to purchase a Parking Space.
- For new purchase:** In addition to the Purchase Price, Purchaser shall pay the sum of \$_____ to the Company for the rights to use the Parking Space.



**NO FINANCING
CONTINGENCY**

5. **CASH PURCHASE.** This Agreement does **not** contain a financing contingency.

PHASED DEVELOPMENT

6. **PHASED DEVELOPMENT.** All of Phases I, II and III of The Cypress have been constructed on the Land. Phase I and Phase II consist of 168 villa Units in 3 mid-rise buildings (Buildings A, B and C) and 34 cottage Units. Phase III, which was completed in the fall of 2020, includes three (3) additional Cottages and two mid-rise buildings (Buildings D and E), which each contain fifty-seven (57) villa homes. The Cypress condominium includes a Clubhouse of approximately 42,709 square feet and a sixty-one (61) bed Health Center.

**DEVELOPER MAY
DEVELOP ADDITIONAL
UNITS**

The Company does not currently have plans to construct additional villas or cottages at The Cypress of Raleigh, but it reserves the right (but not the obligation) to develop an additional phase of the Condominium consisting of up to one hundred eleven (111) units (the "Additional Phase Property"). The total number of Units for all phases shall be as specified in the Declaration for the Condominium. If the Additional Phase Property is added, the number and architectural design of the units shall be solely in the discretion of Company. The Company has reserved the assignable right to provide other improvements in The Cypress that may be used by purchasers of units in additional phases and to grant to such purchasers the right to use the common elements of The Cypress. Reference is made to the Declaration for specific discussion of the Additional Phase Property.

CLOSING

7. **CLOSING DATE.** Closing on the purchase of the Property (the "Closing") shall be held at a mutually agreed upon location on or before _____, 20__, time being of the essence (the "Closing Date").

**SELLER AND PURCHASER
RESPONSIBLE FOR
CERTAIN CLOSING
EXPENSES**

8. **CLOSING EXPENSES.** Each Party shall be responsible for those Closing costs customarily paid by sellers and purchasers in Raleigh, North Carolina. For example, Seller shall be responsible for paying the revenue stamps on the deed, as well as for preparation of the deed and lien affidavit. Purchaser shall be responsible for recording fees for the deed and for any costs associated with financing the purchase of the Property, including, without limitation, title examination, loan documentation preparation, deed of trust recording fees, and title insurance, if applicable.

PRORATIONS

9. **PRORATIONS.** Property taxes, the Monthly Payment (as defined in Paragraph 16 hereof), and the applicable assessments on the Property shall be prorated between the Parties on a calendar year basis as of the Closing Date.

**SPECIAL WARRANTY DEED
GIVEN**

10. **CONVEYANCE OF TITLE.** Fee simple title to the Property shall be conveyed by Seller via special warranty deed free and clear of all encumbrances save and except:



- a. taxes and assessments not yet due;
- b. the terms, provisions, covenants, easements, restrictions and reservations set forth in the Declaration, the Bylaws (the “Bylaws”) of The Cypress of Raleigh Owners’ Association, Inc. (the “Association”), the Membership Agreement, and the Rules and Regulations of the Association (the “Rules and Regulations”), and all exhibits and amendments thereto;

TITLE CONDITIONS

- c. general utility easements of record and all other easements and restrictions of record which do not impair Purchaser’s use of the Unit for residential purposes;
 - a. easements established under the North Carolina Condominium Act;
 - b. all facts and conditions which may be shown by survey and physical examination of the Property;
 - c. any applicable zoning and/or development laws and ordinances, including those of Wake County and the City of Raleigh.

ACCEPTANCE OF PROPERTY “AS IS”

11. **ACCEPTANCE OF PROPERTY.** Purchaser has inspected and accepts the Property “as is”, except as may otherwise be stated in this Agreement. All appliances, heating, plumbing and air conditioning systems will be in good working order on the Closing Date.

PURCHASER AGREES TO BE BOUND BY THE CONDOMINIUM DOCUMENTS

12. **DECLARATION OF CONDOMINIUM.** The Company has formed the Condominium by filing the Declaration pursuant to the provisions of the North Carolina Condominium Act (N.C. Gen. Stat. § 47C et seq., as amended) (the “Act”). Purchaser agrees to be bound by the Declaration, the Association’s Articles of Incorporation (the “Articles of Incorporation”), the Bylaws and the Rules and Regulations. The Company has reserved the right to make such changes in the Declaration, Articles of Incorporation, Bylaws and the Exhibits thereto as may be necessary to conform to applicable laws and governmental regulations, to meet requirements of lending institutions, to expedite the sale of the other Units in the Condominium and to establish or reconfigure common areas; **PROVIDED**, such changes shall not substantially diminish the Purchaser’s interest in the Unit.



**CYPRESS MEMBER HAS
ACCESS TO CLUB
FACILITIES**

13. **CLUBHOUSE AND HEALTH CARE FACILITY.** The Club Facilities include the Clubhouse and Health Care Facility. The Company has received from the State of North Carolina a Certificate of Need for the Health Care Facility.

The Company, per the Declaration, has made the Club Facilities part of the Condominium. The Company has negotiated and executed a management agreement for the Club Facilities with a qualified operator. Pursuant to the terms of the Membership Agreement, the Purchaser, or his designee approved for Membership by The Club, as a benefit and membership right under his membership, will be entitled to admission to the Health Care Facility so long as his attending physician or the Medical Director of The Club determine that this type of care is needed.

**SELLER HAS OPTION TO
REPAIR DAMAGE OR
CANCEL AGREEMENT**

14. **RISK OF LOSS.**

- a. Partial loss or damage to the Property by fire, storm or other casualty between the date hereof and Closing shall not void or impair this Agreement, but all such damage will be the responsibility of Seller.
- b. In the event of total or substantial loss as a result of the hazards mentioned above, Seller shall have the option to repair all damage at Seller's own cost or through insurance proceeds from the Association, or to cancel this Agreement and refund to Purchaser all monies paid hereunder.
- c. If Seller is required or elects to repair the loss or damage to the Property caused by the hazards mentioned above, the time for Closing shall be extended for such time as may be reasonably required to repair the damage.

**WARRANTIES ARE
TRANSFERRED TO
PURCHASER**

15. **WARRANTY.** At Closing, Seller shall transfer to Purchaser all of Seller's right, title and interest in and to any manufacturer's warranty furnished to Seller covering any equipment or appliance installed in the Property, and Seller makes no warranty or agreement of any kind with respect to any such equipment or appliance.

16. **CLOSING AND POST-CLOSING FINANCIAL OBLIGATIONS OF PURCHASER.**

**MONTHLY PAYMENT
INCLUDES CONDOMINIUM
FEE AND SERVICE FEE**

- a. Purchaser agrees to accept responsibility for the Monthly Payment which includes the Condominium Fee and the Service Fee, as the same are defined in Paragraph 1(g) of the Membership Agreement. If the Member (as defined in the Membership Agreement) is not the Purchaser of the Unit, the



Member and the Purchaser shall be jointly and severally responsible for the Monthly Payment. In such circumstances, the Member and the Purchaser shall execute a guaranty agreement in a form approved by The Club further evidencing this joint and several responsibility (each a “Guaranty Agreement”). In the event that Purchaser fails to execute the Guaranty Agreement, Section 6 of the Membership Agreement, which shall be signed by Purchaser and Member, shall serve as Purchaser’s personal guaranty of payment of the Member’s Monthly Payments to the Company, its successors, and assigns. The services included in the Monthly Payment are described in Paragraph 32 hereof.

**CONDOMINIUM
OPERATIONS AND
EXPENSES**

- b. Purchaser acknowledges and agrees to accept responsibility for his continuing obligation pursuant to the Declaration, beginning with the date of Closing, to pay his Condominium Fee consisting of his pro rata share of any common expenses, operating expenses, capital expenses and debt service, if any, assessed against the Property. For purposes of this Agreement, debt service is limited to possible future loans voted on and approved by Unit owners after Closing. It does not include development loans. Such assessments shall be for authorized purposes, including, but not limited to, expenses incurred for landscaping, maintenance, repairs, general area maintenance, administration supplies, professional services, utilities, garbage services, insurance, etc. Each purchaser’s pro rata share will be determined in accordance with statutory percentage values as stated in the Declaration.

**SERVICE FEE INCLUDES
ELECTRICITY IN THE
VILLA UNITS**

- c. Electricity and natural gas for the villa Units will be part of the Service Fee, while cottage Unit owners will be directly responsible for the payment of electricity and gas for their Units.

**INSURANCE EXPENSES
AND TWO MONTHS
COMMON EXPENSES DUE
AT CLOSING FOR
WORKING CAPITAL FUND**

- d. At Closing, Purchaser shall pay to the Association a payment in the amount of \$ _____, constituting two (2) months common expenses as the Property’s contribution to a working capital fund for the Condominium. Purchaser shall also pay to the Association a payment in the amount of \$ _____, constituting twelve (12) months hazard and flood insurance premiums for the Property.

THE SERVICE FEE

- e. Purchaser agrees to accept responsibility on the Closing Date for the Service Fee. Purchaser acknowledges his continuing obligation as a Member to pay his share of the cost of the services provided by The Club (the Service Fee) in accordance with the Membership Agreement, to contribute toward the expenses of operating the Club Facilities, as well



as any capital purchases and debt service, if any, necessary for repair, maintenance and modification of the Club Facilities.

PERSONAL PROPERTY AND CUSTOM CHANGES

- f. Purchaser agrees to pay the additional cost of repairs to appliances which are the personal property of the Purchaser. In addition, if custom changes have been or will be made to a Unit, including, without limitation, non-standard or upgraded appliances or flooring, the Unit owner will reimburse the Association for any amounts expended to maintain, repair, insure and replace the custom changes, to the extent such amounts exceed the amount which would have been expended for standard appliances, fixtures and finishes. This provision also applies to any increased costs for the maintenance of landscape additions to cottage Units.

GARAGE/COVERED PARKING

- g. All Purchasers who have entered into Garage/Covered Parking Space Agreements as referenced in Paragraph 2 above may be responsible for an additional periodic assessment to cover the actual pro rata costs of maintenance and repair of the garage and/or covered parking space area.

SPECIAL OPERATING RESERVE ACCOUNT REQUIRED BY N.C. DEPT. OF INSURANCE

- 17. **OPERATING RESERVE DEPOSIT.** The State of North Carolina Department of Insurance, in accordance with Article 64, Chapter 58 of the North Carolina General Statutes, requires that all continuing care facilities maintain operating reserves equal to 50% of the total operating costs projected for a twelve (12) month period following the period covered by the most recent annual statement filed with the Department. Facilities that maintain an occupancy level in excess of 90% shall only be required to maintain a 25% operating reserve upon approval of the Commissioner. These reserves are to be used for the benefit of The Club as required by the State of North Carolina in the event of emergencies and/or unexpected operating shortfalls.

PURCHASER TO MAKE A DEPOSIT INTO THE OPERATING RESERVE ACCOUNT

At Closing, Purchaser shall be responsible for paying to The Club an Operating Reserve Deposit in the amount of \$14,000. This deposit, along with deposits in the same amount from all other purchasers, will be held in a separate account (the "Operating Reserve Account").

Each subsequent Unit purchaser shall be obligated to pay \$14,000 into the Operating Reserve Account so that upon resale of the Unit, any unused portion of the \$14,000 deposit paid by the Purchaser shall be returned to Purchaser.

PURCHASER MUST INSURE PERSONAL PROPERTY

- 18. **INSURANCE ON PERSONAL PROPERTY.** Purchaser is responsible for insuring his personal property (i.e. furniture, clothing, jewelry, china, silver, etc.) located in his Unit and for liability insurance for any occurrences within the Unit.



OCCUPANCY BY SOMEONE OTHER THAN OWNER

19. **PROVISIONS APPLICABLE WHERE MEMBER IS NOT THE PURCHASER.** If the Unit purchased by Purchaser will be used by someone other than Purchaser, then Purchaser must designate the person(s) who will use the membership which must be acquired at the time the Unit is purchased (the “Designated Member”). The Designated Member must: (a) meet the basic eligibility requirements for membership in The Cypress; (b) be approved by the Company; (c) execute the Membership Agreement; and (d) comply with the terms of the Membership Agreement, including, without limitation, assurances regarding the Monthly Payments. The Designated Member and Purchaser shall be jointly and severally liable for the Monthly Payment and all other obligations outlined in the Membership Agreement. The Designated Member’s membership in The Club will terminate when the Designated Member ceases to reside at The Cypress. Any subsequent residents of the Unit, including the Purchaser, must acquire their own membership in The Club prior to occupying the Unit. The Membership Fee for the membership will be assessed at the then applicable rate for future Members and must be paid to the Company prior to occupancy of the Unit.

DEFAULT PROVISIONS

20. **DEFAULT.** If Purchaser defaults in the performance of any obligation of this Agreement, Seller may, in its sole discretion (i) seek to recover all damages, including interest on the balance due, resulting from Purchaser’s default, and in each instance shall be entitled to the legal costs incurred by the Seller in enforcing its rights; or (ii) retain all funds paid by or on behalf of Purchaser as liquidated damages, in which event Seller shall have no further obligation to Purchaser under this Agreement. In the event of a default in the performance of any of the obligations of the Seller pursuant to this Agreement, Purchaser shall be entitled, as Purchaser’s sole and exclusive remedy, to (i) terminate this Agreement and receive a refund of the Earnest Money, or (ii) seek specific performance according to law. Either Seller or Purchaser is hereby allowed fifteen (15) days after receipt of written notice of default to cure such default prior to termination hereof by the non-defaulting Party as provided herein.

NOTICE PROVISIONS

21. **NOTICES.** Any notice to a Party shall be in writing and shall be delivered to the Party’s address stated above, or such other address as shall subsequently be provided by appropriate notice. Notice may be either hand delivered or deposited in the U.S. Mail or with a courier company such as Federal Express. If mailed or couriered, any written notice shall be deemed received on the second calendar day following the date of mailing if addressed and mailed by certified or registered mail, postage paid, to the addressee set forth above.

COMPANY RESERVES A RIGHT OF FIRST REFUSAL ON FUTURE SALES

22. **RIGHT OF FIRST REFUSAL.** The Purchaser hereby acknowledges that the Declaration provides that when the Purchaser wishes to sell the Property and Purchaser has received a bona fide purchase offer from a third party (each a “BFP Offer”), Purchaser shall then offer the Property for sale, in



writing, to the Company, its successors or assigns for the same price at which the highest BFP Offer has been made for the Property, and the Company shall have thirty (30) days after receipt of written notice of the price and terms of such BFP Offer within which to exercise its option to purchase the Property at this price. If the Company fails or refuses, within thirty (30) days after receipt of written notice of the BFP Offer, to exercise its option to purchase the Property at the offered price, then Purchaser shall have the right to sell the Property to the third party, subject, however, to all covenants, restrictions, limitations and affirmative obligations and other agreements referenced and contained in this Agreement. This Paragraph shall not be construed to impair the right of foreclosure of a mortgage on the Property and improvements thereon. The right of first refusal shall be set out in the deed to the Unit from the Seller to the Purchaser (“Deed”) and shall obligate the Company to exercise the right of first refusal within thirty (30) days after the date the Company receives the written notice of the BFP Offer and, in any event, no later than twenty one (21) years after the death of the last survivor of two (2) lives in being on the date of the Deed. The Purchaser shall designate the two (2) lives in being in the Deed. The reason for the provisions related to the exercise of the right of first refusal no later than twenty one (21) years after the death of the last survivor of the two (2) lives in being is intended to comply with the North Carolina common law rule against perpetuities.

**RESALE PRICE OF UNIT
WILL INCLUDE NEXT
PURCHASER’S
MEMBERSHIP FEE**

23. **PAYMENT OF MEMBERSHIP FEE ON RESALE.** Purchaser understands that, in accordance with the terms of the Membership Agreement, when he sells the Property, the Membership Fee for the new purchaser is to be paid to the Company at the resale closing as part of the Property’s gross sales price. The Membership Fee to be allocated upon sale by Purchaser shall be ten percent (10%) of the gross sales price. Any real estate commission will be based on the real estate portion of the Property and paid from the proceeds of the sale net of the Membership Fee and not on the gross sales price.

**MEMBERSHIP FEE WILL BE
BASED ON FAIR MARKET
VALUE IF PURCHASER
GIVES PROPERTY TO
THIRD PARTY**

In the event the Purchaser gives or wills his Property to any other person or entity (including an entity solely owned by the Purchaser), the Membership Fee paid to the Company shall be based on the fair market value of the Property when the gift or devise is made and ownership of the Property is transferred. The Purchaser acknowledges that the Company has the unconditional right to approve or disapprove memberships in The Club.

24. **CERTAIN RESERVED RIGHTS OF COMPANY.**

**COMPANY MAY LEASE
UNSOLD UNITS**

- a. The Company shall have the absolute right and privilege of leasing any or all of the Units owned by Company on a short or long term basis for use in the manner contemplated by the Membership Agreement and the Declaration. The Company’s lessees shall be entitled and subject to all of the privileges, rights, obligations and requirements as outlined in the Membership Agreement.



**UNITS MAY BE USED AS
SALES MODELS**

- b. The Company is entitled to use one or more of the Units as models for purposes of a sales model and/or offices and/or guest rooms. Further, as provided in the Declaration, the Company is entitled to the use of offices in the Clubhouse for administrative and sales purposes, including resales.
- c. The Company is entitled to use up to nine (9) rooms in the Club Facilities as office and storage facilities for sales activity and related administrative and management purposes at no charge to Company, as more particularly described in Section 14.4 of the Declaration.

25. **MISCELLANEOUS.**

**AGREEMENT BINDING ON
HEIRS AND SUCCESSORS.**

**MAY NOT BE ASSIGNED
WITHOUT CONSENT OF
SELLER OR COMPANY**

**DEATH OF PURCHASER
PRIOR TO CLOSING**

- a. This Agreement is binding upon and shall inure to the benefit of the heirs, legal representatives, successors and assigns of the Parties. The rights of Purchaser pursuant to this Agreement may not be assigned or transferred without the express written consent of Seller or the Company. Any attempt by Purchaser to assign this Agreement without such consent may be deemed by Seller a breach of this Agreement by Purchaser, and Seller shall not be bound by any such assignment. **Notwithstanding the foregoing, in the event of the death of Purchaser prior to Closing, the Purchaser's obligations shall cease, the Agreement shall be automatically terminated, and all deposits returned to Purchaser's estate. In addition, if on account of illness, injury or incapacity, Purchaser would be precluded from occupying the Unit under the terms of the Membership Agreement prior to Closing, Purchaser's obligations shall cease, the Agreement shall be automatically terminated, and all deposits returned to Purchaser's estate. If there is more than one Purchaser, the Agreement will continue to be binding on the surviving Purchaser.**

**TERMS SURVIVE THE
CLOSING**

- b. The terms of this Agreement shall survive the Closing of the transaction contemplated hereby and shall thereafter continue to bind the Parties and their successors to this Agreement. This Agreement may be executed in duplicate originals.

**IF PART OF AGREEMENT
UNENFORCEABLE THAT
SHALL NOT AFFECT
REMAINDER**

- c. If any provision of this Agreement is held to be invalid or unenforceable, it shall not affect the validity or enforceability of any other provision hereof. All titles or captions in this Agreement are for convenience in reference and in no way define, limit or extend this Agreement.



**WAIVER OF RIGHTS MUST
BE IN WRITING**

- d. No failure of a Party to exercise any power or right granted hereunder or to insist upon strict compliance with any obligation specified herein, and no practice at variance with the terms hereof, shall constitute a waiver of said power or right unless expressly authorized in writing by the affected Party.

**THIS AGREEMENT
SUPERSEDES OTHER
AGREEMENTS**

- e. This Agreement supersedes any and all understandings and agreements between the Parties regarding the Property and constitutes the sole agreement between the Parties regarding the Property. No oral statements or representations shall be deemed to modify this Agreement or bind either Party.

**INDIVIDUAL MAY ACT FOR
CORPORATION OR
PARTNERSHIP**

- f. If Purchaser is a trust, corporation or partnership, Purchaser shall provide evidence that the persons executing this Agreement are authorized to act on behalf of the entity.

**ALL REPRESENTATIONS
MADE BY SELLER ARE
STATED IN THIS
AGREEMENT**

- g. By execution of this Agreement, Purchaser agrees that Seller has made no covenants or commitments regarding the Property, except as stated in this Agreement.

**SMOKING RESTRICTION/
AIR PURIFICATION
INSTALLATION
REQUIREMENT**

- h. Purchaser or Purchaser's guests shall not be permitted to smoke cigarettes, pipes, or cigars in Purchaser's Unit unless Purchaser has installed an air purification system (approved by the Company) in the Unit at the Purchaser's sole cost and expense.

**AMENDMENTS MUST BE IN
WRITING**

**AMENDMENTS MUST BE
APPROVED BY THE
COMPANY IN WRITING**

- 26. **AMENDMENTS.** NO AMENDMENT SHALL BE MADE TO THIS AGREEMENT EXCEPT AS EXPRESSLY AUTHORIZED IN WRITING BY SELLER AND ACCEPTED BY PURCHASER. ALL AMENDMENTS MUST BE APPROVED BY THE COMPANY IN WRITING. PURCHASER ACKNOWLEDGES THAT HE HAS READ THIS AGREEMENT AND UNDERSTANDS AND AGREES TO ALL OF ITS TERMS.



**PURCHASER
ACKNOWLEDGES RECEIPT
OF DOCUMENTS**

27. **ACKNOWLEDGMENT OF RECEIPT.** By execution of this Agreement, Purchaser acknowledges receipt, review and approval of the form and content of the documents listed below, some of which are packaged in a booklet entitled “The Cypress of Raleigh Project Documentation – Book of Exhibits,” and agrees to be bound by the terms and provisions thereof, together with such amendments as are authorized herein:

- a. Working with Real Estate Agents Brochure
- b. Waiver of Repurchase Option and Consent to Sale
- c. The Cypress of Raleigh Third Party Real Estate Transfer: Representation and Indemnification Agreement
- d. Resale Certificate
- e. Addendum to Resale Purchase and Sale Agreement
- f. Assignment of Villa Garage/Covered Parking Space Agreement
- g. The Cypress of Raleigh Membership Agreement
- h. Receipt of Resale Purchase and Sale Agreement and Other Project Documents
- i. Purchase Process Spreadsheet
- k. Disclosure Statement
- l. Project Documentation – Book of Exhibits
 1. Declaration of Condominium
 2. Bylaws of and Rules of Conduct – The Cypress of Raleigh Owners’ Association, Inc.
 3. Articles of Incorporation – The Cypress of Raleigh Owners’ Association, Inc.
 4. Condominium Management Agreement
 5. Club Management Agreement
 6. Projected Annual Budget for Association
 7. Projected Annual Budget for The Club
 8. Projected Annual Budget for Association and The Club
 9. Permitted Exceptions

BROKERAGE COMMISSION

28. **BROKERAGE.** Seller and the resale marketing division of the Company entered into a listing agreement for the sale of the Property (the “Listing Agreement”). The Company has earned its commission under the Listing Agreement (the “Property Commission”), and the Seller agrees to pay the Property Commission to the Company at Closing, in accordance with the terms of the Listing Agreement. If Purchaser defaults hereunder and the Earnest Money is forfeited to Seller in accordance with Paragraph 19 hereof, the Company will be entitled to one-half (1/2) of the forfeited Earnest Money as its full compensation from Seller.

**PURCHASER’S RIGHT TO
CANCEL**

29. **PURCHASER’S RIGHT TO CANCEL.** (In the event of Purchaser’s cancellation in accordance with the terms of this Agreement, all payments made by Purchaser prior to such cancellation shall be refunded to Purchaser in accordance with N.C.G.S. §58-64-25(a)(3). Notwithstanding the fact that N.C.G.S. §47C-4-108 provides for a seven (7) day cancellation period for condominium acquisitions, this Agreement



provides for a longer cancellation period as set forth in this Paragraph 29.) Purchaser shall have the absolute right to cancel this Agreement at any time by delivering written notice to Seller during the thirty (30) calendar day period immediately following the later of the full execution of this Agreement or the receipt of the Disclosure Statement (the “Cancellation Period”). Purchaser’s cancellation of this Agreement during the Cancellation Period is without penalty, and all payments made by the Purchaser before such cancellation shall be refunded by Seller within ten (10) days after the expiration of the Cancellation Period. Purchaser is not required to move into the Unit before the expiration of the Cancellation Period.

NORTH CAROLINA LAW GOVERNS

30. **NORTH CAROLINA LAW GOVERNS.** This Agreement will be interpreted in accordance with the laws of the State of North Carolina.

NORTH CAROLINA INSURANCE LAW REGARDING CONTINUING CARE RETIREMENT COMMUNITIES CONTROLS

31. **NORTH CAROLINA INSURANCE LAW REGARDING CONTINUING CARE RETIREMENT COMMUNITIES CONTROLS.**

The purchase, sale and ownership of the Unit and membership in the Club are subject to the provisions of the North Carolina Condominium Act (North Carolina General Statutes Chapter 47C) and the North Carolina Insurance Law regarding Continuing Care Retirement Communities (North Carolina General Statutes Chapter 58, Article 64). North Carolina also has a law prohibiting transfer fees (North Carolina General Statutes Chapter 39A). In the event of a conflict among these laws, Purchaser, by execution of this Agreement, evidences Purchaser’s acknowledgement and agreement that the North Carolina Insurance Law regarding Continuing Care Retirement Communities shall control, including specifically North Carolina General Statutes 58-64-85(b) which provides:

(b) Facilities and providers licensed under this Article that also are subject to the provisions of the North Carolina Condominium Act under Chapter 47C of the General Statutes shall not be subject to the provisions of Chapter 39A of the General Statutes, provided that the facility's declaration of condominium does not require the payment of any fee or charge not otherwise provided for in a resident's contract for continuing care, or other separate contract for the provisions of membership or services.

SERVICES INCLUDED IN MONTHLY PAYMENT

32. **SERVICES INCLUDED IN MONTHLY PAYMENT.** The services and features listed in this section 32 are included in the Monthly Payment. These services encompass meal preparation (personalized for the medical and nutritional needs of the Member), personal safety, socialization, transportation, and monitoring of other activities of daily living, and are part of a coordinated system of care and resources to address both medical and non-medical drivers of health outcomes associated with growing older.

CLUB ACTIVITIES

a. **Club Activities.** A full-time Director of Community Life Services is employed by The Club who plans and organizes a variety of events tailored to the special interests of the Members. These programs are focused on wellness to meet the intellectual, physical,



emotional, social and spiritual needs of the Members. Activities include cultural excursions, lecture series, dance and art classes, card games, craft activities, tournaments, and shopping. A full-time Wellness Coordinator is employed who plans and organizes fitness and wellness programs such as Tai-Chi, yoga, aquatic, aerobic and strength and balance classes.

URGENT CALL SYSTEM

b. Urgent Call System. All Cottages and Villas have a two-way, telephonic urgent call system. The purpose of this system is to summon help in an emergency. The urgent call system is connected to an indicator panel in the Health Care Facility, which identifies the Cottage or Villa from which the signal was initiated. Licensed nursing personnel with emergency training will respond to calls from the urgent call system and will summon any other appropriate emergency personnel that may be required.

FOOD SERVICE ALLOWANCE

c. Food Service Allowance. Healthy eating and nutrition are central to a Member's well-being and are interrelated with health, personal safety, socialization, transportation and monitoring other activities of daily living that may not be apparent absent daily use of Cypress dining in the presence of trained staff. The excellence of The Cypress of Raleigh's dining program supports the coordinated system of care provided by The Club to address both medical and non-medical drivers of health outcomes associated with growing older.

As part of residency at The Cypress of Raleigh, Members receive meal services as described in this section. To assist in tracking meal usage and monitoring the health of Members, Members receive quarterly meal points, which may be used for food and beverage selections from a varied menu of favorites, seasonal and daily specials, giving the Members optimal choice and flexibility for their dining experience. A Member's meal points are designed to be allocated in the Member's discretion over the course of each quarter and typically are sufficient for one meal per day. With four distinct dining venues, the Members can choose to use meal points on dining experiences in the formal or main dining venues or on quick grab-and-go menu items from the buffet-style bistro and bar menus. Home delivery and take-out meals are also available. A registered dietician is available for consultation. Charges for guest meals will be published by The Club and subject to change without prior notice based on variable food and labor costs. A Member's meal point allowance is not equivalent to dollars, cannot be exchanged for dollars, and does not reflect the actual cost of food and labor utilized for the delivery of food service as part of a Member's residency at The Cypress of Raleigh. Unused meal points will not carry over to the next quarter. Additional meal points cannot be purchased. Any additional meals that may be requested by a Member in excess of their quarterly meal points will be charged on a per-item basis to the Member at a dollar amount determined by The Cypress of Raleigh. To



the extent required by law, appropriate sales and use taxes will be charged to Members and collected on sales of alcohol and guest meals.

PRIVATE DINING ROOM

d. Private Dining Room. A private dining room is available for use by Members and their guests for special family or social occasions. Special meals and wait staff may be available, upon request, for an additional charge. Advance reservations with the Director of Food & Beverage or Dining Room Manager are required. Standing reservations for groups and/or clubs are not available

WEEKLY FLAT LAUNDRY

e. Weekly Flat Laundry. Members receive weekly flat laundry service, which includes sheets, pillow cases, towels, face cloths and dish cloths. The flat laundry will be washed, dried, folded and returned on a weekly basis at the next scheduled housekeeping visit.

WEEKLY HOUSEKEEPING SERVICES

f. Weekly Housekeeping Services. Members will receive weekly housekeeping services. These services include kitchen and bathroom cleaning, surface cleaning, dusting, and vacuuming. Periodically, window washing, carpet cleaning and other additional housekeeping will be performed.

SCHEDULED MAINTENANCE OF COTTAGE OR VILLA AND COMMON AREA

g. Scheduled Maintenance of Cottage or Villa and Common Area: Maintenance, as more particularly described in the Declaration of Condominium, will be provided for each Cottage and Villa, and The Cypress common areas. If a Member needs maintenance service, the Member may submit a request with the Facilities Coordinator or concierge.

GROUNDS CARE AND GARDENING

h. Grounds Care and Gardening. The Club's lawns, trees and shrubs will be maintained, as well as the interior and exterior of the club house, the parking areas, walks and exercise trails. In addition, gardening areas are available for Members' use and will be under the direction of the Director of Community Life Services on a first-come, first-serve basis.

CERTAIN UTILITIES

i. Certain Utilities. Electric, gas (if applicable), water, sewer, and basic cable services will be included in the Monthly Payment for owners of villa Units. Owners of cottage Units must pay a separate charge for electric and gas services.

SCHEDULED TRANSPORTATION

j. Scheduled Transportation. Scheduled transportation is available for The Cypress Members. Scheduled trips include nearby grocery stores, banks, and shopping centers. Special trips may be periodically scheduled at an additional cost to each participant.



CAMPUS SECURITY

k. Campus Security. The Cypress is a gated community with security staff personnel onsite twenty-four (24) hours a day. Additionally, security cameras and a card access system provide security to all buildings and the community.

MAIL DELIVERY

l. Mail Delivery. Once each business day, the U.S. Postal Service collects and distributes mail to each Member's personal mailbox. At the request of a Member, mail can be forwarded during the Member's absence from his/her Villa or Cottage.

ABSENCE CREDIT

m. Absence Credit. If a Member provides prior written notice to the Club that the Unit will be unoccupied for a period of not less than fourteen (14) consecutive days, the Member may be entitled to an "absence credit" in an amount determined by the Club to be applied against the Monthly Payment.

HEALTH CARE FACILITY

n. Health Care Facility. The Cypress has secured a license from the North Carolina Department of Health & Human Services, Division of Facility Services to operate fifty-seven (57) skilled nursing beds and four (4) assistance-in-living adult home beds. The skilled nursing care facility and the assistance-in-living facility are collectively referred to as the Health Care Facility. For a period of ninety (90) lifetime cumulative days, each Member will be entitled to receive nursing care in the nursing care facility in a semi-private room in the Health Care Facility, without extra charge, at the current Monthly Payment. During this ninety (90) day period, the Member will continue to pay his/her Monthly Payment, plus the cost of two (2) extra meals per day, nursing supply charges, and those costs outlined in Paragraph 9 hereof. A private room will be available for an additional charge. If the Member needs further care after the ninety (90) cumulative lifetime days of care, the Member will pay, in addition to the Monthly Payment, the applicable Member rate for such care. This rate will include meals and a semi-private room (at the request of a Member, a private room will be provided on an "as available" basis for an additional charge).

If two (2) Members occupy a Unit and one (1) of them becomes a permanent resident of the Health Care Facility, then the Monthly Payment for the Member continuing to occupy the Unit will be reduced to the single occupancy rate. The Member residing in the Health Care Facility will pay the applicable Member rate.

In the unlikely event that accommodations are not immediately available in the Health Care Facility, the Member agrees to relocate to another health care facility with which the Medical



Director of The Cypress arranges to provide such care until accommodations at the Health Care Facility are available. The Club shall be responsible for any increased charge associated with the alternate health care accommodations.

It should be noted that, due to the licensing requirements for the Health Care Facility, the facility cannot provide treatment for all conditions (e.g., no psychiatric care will be available). In addition, occupancy at the Health Care Facility may be terminated in accordance with Paragraph 12 hereof.

In no event will a Member be admitted to or treated in the Health Care Facility if such Member requires care that cannot lawfully be provided at the Health Care Facility and/or the Medical Director determines in his or her reasonable opinion that such Member's mental or physical condition is such that his or her admittance or treatment at the Health Care Facility would present an unreasonable risk of injury or detriment to that Member or any other Member receiving treatment or residing at the Health Care Facility, including but not limited to, a situation in which the Member seeking admittance or treatment at the Health Care Facility has been or is suspected to have been infected with a communicable disease for which there is no readily available cure and/or vaccine.

The operation of the Health Care Facility shall be subject to the applicable regulations and licensing standards of the State of North Carolina, including the N.C. Department of Insurance ("NCDI") and the North Carolina Department of Human Resources ("NCDHR").

HEALTH CENTER ACTIVITIES

o. Health Center Activities. An activities director is responsible for coordinating and directing the arts, crafts, social and recreational activities for the Members in the Health Care Facility. The focus of these activities will be restorative care by enhancing the quality of life through physical, emotional, psychological and spiritual programs while catering to the individual needs of each Member.

MEMBER COMMITTEES

p. Member Committees. Member committees hold regularly scheduled meetings to promote communication between the Members and The Cypress' administration. The six (6) Member committees are finance, buildings and grounds, food and beverage, health and safety, library, and social and activities.



MONTHLY BILLING SERVICE

q. Monthly Billing Service. Monthly statements are placed in each Member's mailbox or other appropriate location on or before the fifth (5th) day of the month. Each monthly statement must be paid within seven (7) days after the delivery date of the statement. Payment may be made at the accounting office, accounting drop box or by mail. Payments made after the seven (7) day period may be subject to a late fee.

UNCOVERED SURFACE PARKING FOR MEMBERS AND GUESTS

r. Uncovered Surface Parking for Members and Guests. The Cypress has surface parking for both the Members and their invited guests. In addition, all Cottages have a two-car garage. Limited assigned covered parking and garage parking is available to Villa Members at an extra charge. In order to ensure that sufficient parking is available to all of our Members and their invited guests, Members shall be limited to keeping no more than one (1) vehicle on campus for each Member with an active driver's license, except as otherwise agreed to in writing by the Executive Director. Certain Members who joined The Cypress prior to June 1, 2023 are keeping more than one (1) vehicle per licensed driving Member on campus (each an "Excess Vehicle"). In the event an Excess Vehicle is transferred, it may not be replaced with another Excess Vehicle, except as otherwise agreed to in writing by the Executive Director.

INTERRUPTION OR DELAY OF SERVICES

s. Interruption or Delay of Services. If the Club is delayed, hindered, or prevented from delivering or performing any of the services described in the Membership Agreement by reason of any event or circumstance, whether or not foreseeable, not under The Club's reasonable control, including without limitation any governmental restriction, scarcity of labor or materials, strike, riot, civil disorder, fire, natural disaster, extreme weather event, disease, medical epidemics or outbreaks, curtailment of transportation facilities or infrastructure, and/or threats or acts of terrorism, the delivery or performance of such services shall be excused for the period of delay, and the delivery or performance of any such services shall be extended as necessary to complete performance after the delay period.

OWNER MUST SELL UNIT IF MEMBERSHIP AGREEMENT TERMINATED FOR JUST CAUSE

33. OWNER MUST SELL UNIT IF MEMBERSHIP AGREEMENT TERMINATED FOR JUST CAUSE. If a Unit Owner or his approved designee's Membership Agreement is terminated for just cause in accordance with Section 12 of The Cypress Membership Agreement, such Owner will be obligated to promptly sell his/her Unit.

COUNTERPARTS; ELECTRONIC SIGNATURES

34. COUNTERPARTS; ELECTRONIC SIGNATURES. This Agreement may be executed in one or more counterparts or counterpart signature pages attached to one copy of this Agreement, each of which shall constitute an original and all of which taken together shall constitute one agreement. Documents executed, scanned (in .PDF or similar reprographic format), and/or executed (and, as appropriate, witnessed and/or notarized) electronically using electronic signature software (e.g., DocuSign or similar



software), or similar methods (each a method of "Electronic Execution") and transmitted electronically shall be deemed original signatures for purposes of this Agreement and all matters related thereto, with such Electronic Execution having the same legal and binding effect as original signatures. The parties hereto agree that this Agreement may be accepted, executed and/or agreed to through the use of an electronic signature in accordance with the Electronic Signatures in Global and National Commerce Act (E-Sign Act), Title 15, United States Code, Sections 7001 et seq., the Uniform Electronic Transaction Act (UETA) and any applicable state law. Any document accepted, executed or agreed to in conformity with such laws will be binding on all parties the same as if it were physically executed. The parties (a) consent to the Electronic Execution of the Agreement and the use of electronic signatures, (b) intend to be bound by the signatures on any document delivered via Electronic Execution; (c) are aware that the other party(ies) will rely on such Electronic Execution and electronic signatures; and (d) waive any defenses to the enforcement of the terms of this Agreement based on Electronic Execution or electronic signatures.

**FUTURE PURCHASERS
MUST MEET CYPRESS
RESIDENCY
REQUIREMENTS; RESALE
LISTING PROCESS; THE
COMPANY OFFERS
SERVICES AS BROKER FOR
RESALES**

35. **RESALE LISTING PROCESS.** As described in the Disclosure Statement, each resale of a Unit at The Cypress of Raleigh involves both the corresponding purchase of a fee interest in real estate and the purchase of a membership in The Club. Membership in The Club is not incidental to the ownership of a home; however, the occupancy of a home and access to and use of the common elements and services provided by The Club are restricted to a qualified Member or Designated Member, as the case may be. And, as elsewhere described in the Disclosure Agreement, membership in The Club is subject to the age, financial and medical qualifications set forth therein and more fully described in the Membership Agreement. Due to the complex and dual nature of each resale, The Company expends ongoing and considerable resources in marketing The Cypress, including hiring consultants, purchasing third party professional reports, collecting and reviewing data analytics specific to senior citizens, and maintaining Priority Reservation Agreements with individuals who have expressed an interest in The Cypress and have delivered refundable deposits so that they may be advised of community resales when they occur. As well, employees of The Company are well-versed in both the sale of real estate and the qualifications of membership in The Club (including a HIPPA certification to protect the confidential information required to be delivered for consideration of admission as a Member). As part and parcel of this effort, The Company offers its services to owners at the time of a resale at a commission rate considered to be at or below a market rate for the sale of real estate and with no additional consideration for assisting with the membership admission process. Owners are not required to engage The Company for resales, nor is admission of membership contingent on the use of the Company for the resale of a home. However, in such cases where an Owner elects to sell a home without engaging The Company, The Cypress may impose reasonable restrictions on access to the home and common elements for purposes of ensuring the safety and well-being of The Cypress residents. The Company also may charge the Owner a \$1,000 administrative fee per prospective member, payable to the Company in advance, to reimburse The Company for the time and expense of assisting with the membership admission process. This administrative fee shall be non-refundable, whether



or not such prospective member is admitted for membership at The Cypress and/or closes on the sale of a home. In such instances, an Owner and its agent(s) should engage legal counsel experienced in transactions of this nature, and they shall be responsible for all elements of disclosure required by the CCRC Act and the Condominium Act. The Owner and its agent(s) shall be required to execute an indemnification agreement in favor of The Company, The Club and The Cypress of Raleigh Owners' Association, Inc. covering any liability arising out of the failure to comply with the CCRC Act, the Condominium Act and the requirements set forth in the Disclosure Statement.

(The remainder of this page is intentionally left blank. The next page is the signature page.)



SIGNED and SEALED by Purchaser in duplicate originals as of the day and year first above written.

WITNESSES:

PURCHASER: *(If more than one, each should sign)*

SIGNED and SEALED by Seller in duplicate originals this ____ day of _____, 20__.

WITNESSES:

SELLER: *(If more than one, each should sign)*

EXHIBIT V
AGENCY DISCLOSURE

{ATTACHED}



Working With Real Estate Agents Disclosure (For Buyers)

IMPORTANT

This form is not a contract. Signing this disclosure only means you have received it.

- In a real estate sales transaction, it is important that you understand whether an agent represents you.
- Real estate agents are required to (1) review this form with you at first substantial contact - before asking for or receiving your confidential information and (2) give you a copy of it after you sign it. This is for your own protection.
- Do not share any confidential information with a real estate agent or assume that the agent is acting on your behalf until you have entered into an agreement with the agent to represent you. Otherwise, the agent can share your confidential information with others.

Note to Agent: Check all relationship types below that may apply to this buyer.

 Buyer Agency: If you agree, the agent who gave you this form (and the agent's firm) would represent you as a buyer agent and be loyal to you. You may begin with an oral agreement, but your agent must enter into a written buyer agency agreement with you before preparing a written offer to purchase or communicating an oral offer for you. The seller would either be represented by an agent affiliated with a different real estate firm or be unrepresented.

 Dual Agency: Dual agency will occur if you purchase a property listed by the firm that represents you. If you agree, the real estate firm and any agent with the same firm (company), would be permitted to represent you and the seller at the same time. A dual agent's loyalty would be divided between you and the seller, but the firm and its agents must treat you and the seller fairly and equally and cannot help you gain an advantage over the other party.*

 Designated Dual Agency: If you agree, the real estate firm would represent both you and the seller, but the firm would designate one agent to represent you and a different agent to represent the seller. Each designated agent would be loyal only to their client.*

**Any agreement between you and an agent that permits dual agency must be put in writing no later than the time you make an offer to purchase.*

 X **Unrepresented Buyer** (Seller subagent): The agent who gave you this form may assist you in your purchase, but will not be representing you and has no loyalty to you. The agent will represent the seller. Do not share any confidential information with this agent.

Note to Buyer: For more information on an agent's duties and services, refer to the NC Real Estate Commission's "Questions and Answers on: Working With Real Estate Agents" brochure at ncrec.gov (Publications, Q&A Brochures) or ask an agent for a copy of it.

_____ Buyer's Signature	_____ Buyer's Signature	_____ Date
<u> Evelyn Hughes </u> Agent's Name	<u> 163441 </u> Agent's License No.	<u> The Cypress of Raleigh, LLC </u> Firm Name

EXHIBIT W
HEALTH CARE LICENSES

{ATTACHED}

State of North Carolina

Department of Health and Human Services
Division of Health Service Regulation

Effective January 1, 2024, this license is issued to

The Cypress of Raleigh Club Inc

to operate an Nursing facility known as

The Rosewood Health Center

located at 8710 Cypress Club Drive

Raleigh, NC 27615

County: Wake

*This license is issued subject to the statutes of the
State of North Carolina, is not transferable and shall expire
midnight December 31, 2024*

Facility ID: 050891

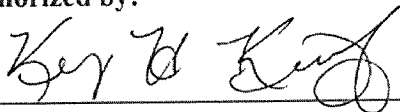
License Number: NH0622

Bed Capacity: 61

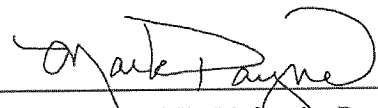
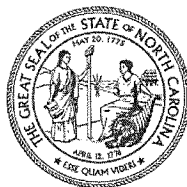
Nursing Facility Beds: 57

Adult Care Home Beds: 4

Authorized by:



Secretary, N.C. Department of Health and
Human Services



Director, Division of Health Service Regulation

State of North Carolina

Department of Health and Human Services
Division of Health Service Regulation

Effective January 1, 2024, this license is issued to

The Cypress of Raleigh Club, Inc.

to operate a home care agency known as

The Cypress of Raleigh Home Care

located at 8801 Cypress Lakes Drive

Raleigh, NC 27615

County: Wake

*This license is issued subject to the statutes of the
State of North Carolina, is not transferable and shall expire
midnight December 31, 2024*

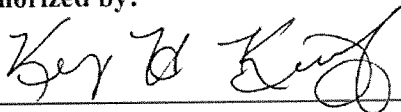
Facility ID: 090658

License Number: HC3875

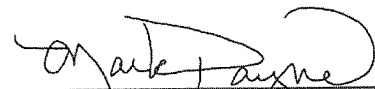
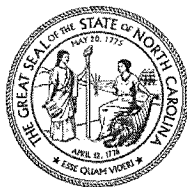
Home Care Services:

Companion, Sitter and Respite, In-Home Aide, Nursing Care.

Authorized by:



Secretary, N.C. Department of Health and
Human Services



Director, Division of Health Service Regulation

EXHIBIT X

CHARGES FOR ADDITIONAL SERVICES AVAILABLE TO MEMBERS

{ATTACHED}



Independent Living

Additional Charges (Effective 1/1/2024)

Dining:

Member meals	Per menu
Additional surcharge for guest plated meals	\$ 4.00
Additional surcharge for guest buffet meals	\$ 6.00
Catering/Private Parties	As agreed upon
Bar Charges (beer, wine, mixed drinks)	\$ 3.00 & up plus tax
Additional meals during temporary stay in Rosewood	\$ 25.00 per day

Housekeeping Services:

Additional Housekeeping Services	\$ 40.00 per hour
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Transportation Services:

Transportation to Airport	\$ 30.00 per trip
Valet Transportation	\$ 25.00 per half hour
Medical Appointments-10 mile radius	No Charge between 8am and 4pm
Valet Transportation After Hours (4:00 pm)	\$ 50.00 per hour
Bus Rental-Large Bus	\$ 100.00 per hour
Bus Rental-Medium Bus	\$ 80.00 per hour
Bus Rental-Van	\$ 65.00 per hour

Maintenance Services:

Additional Maintenance Services	\$ 25.00 per half hour
IT services	\$ 25.00 per half hour

Miscellaneous:

Activities Charges	As presented
Hair Salon Services	As presented
Printing/Copying Services	\$.20/page B & W, \$.50/page Color
Returned check fee	\$ 30.00
Late Fee after 10 days	\$ 15.00 or 5% of balance
Replacement Name Badge	\$ 35.00/\$10.00 each
Replacement Magnets	\$ 5.00 each
Replacement FOB	\$ 20.00 each
Replacement PERS Pendant	\$ 150.00 each
Replacement House Key	\$ 20.00 each
Replacement Mailbox Key	\$ 15.00 each
Additional/Replacement Storage Key	\$ 10.00 each
Additional/Replacement Transponder	\$ 65.00 each