



## **Disclosure Statement**

**February 28, 2024**

**Lutheran Retirement Center-Clemmons, Inc.**

**DBA**

**Trinity Elms**

**7543 Fair Oaks Drive**

**Clemmons, NC 27012**

**In accordance with Chapter 58, Article 64-20(b) of the North Carolina General Statutes of the State of North Carolina:**

- **This disclosure Statement may be delivered until revised, but not after February 27, 2025.**
- **Delivery of the Disclosure Statement to a contracting party before the execution of a contract for the provision of continuing care is required by NCGS 58-64;**
- **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.**

# TRINITY ELMS DISCLOSURE STATEMENT

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**Included at the end of the Disclosure Statement are four exhibits:**

- **Exhibit A:** Interim Financial Statements
- **Exhibit B:** Certified Financial Statements
- **Exhibit C:** Five Year Projection Statements
- **Exhibit D:** Residency Agreements

## **I. Organization Introduction and Information**

### **A. Description of the Organization**

Lutheran Retirement Center-Clemmons, Inc., Lutheran Home-Forsyth County, Inc., Lutheran Home Forsyth County Property, Inc., LSA Elms Tanglewood, Inc., LSA Elms Property, Inc. DBA Trinity Elms is an affiliate of Lutheran Services for the Aging, Inc. (LSA). LSA is publicly branded as Lutheran Services Carolinas (LSC).

LSC is a non-profit corporation headquartered in Salisbury, North Carolina and is affiliated with the North Carolina Evangelical Lutheran Church in America. LSC was established in 1960 and began operations in 1962 as North Carolina Lutheran Homes. LSC has grown from a small nursing home in Hickory to currently managing its three skilled nursing facilities, three skilled nursing/assisted living combination facilities, one stand-alone assisted living home facility, one CCRC, and one rental retirement community. LSC also owns and operates a pharmacy, an adult day service, and a home care company and is co-owner of a therapy company. Lastly, LSA provides management services to two unaffiliated nursing homes.

LSC has an affiliate company, LSA Management, Inc., (LSAM) which is the management company for all the senior service communities that LSC owns and operates.

### **B. Mission, Vision and Values**

#### **Mission**

“Empowered by Christ, we walk together with all we serve.”

#### **Vision**

The vision of Lutheran Services Carolinas is to fulfill the proclamation of Christ in John 10:10, “I came that they may have life and have it abundantly.”

#### **Values**

- **Compassion:** Compassion is at the foundation of the LSC ministry. To be compassionate is to recognize the hurt or unhappiness of another and act to change it. LSC employees work in a compassionate manner to improve the lives of all they serve.
- **Faith:** Many employees choose to work at LSC because the desire to serve is intrinsic to their faith; they feel called to love and to serve. LSC employees strive to be content and joyful in their work and to create an atmosphere of support and forgiveness.
- **Integrity:** LSC employees work responsibly, honestly, and in a transparent manner. There is an expectation of honesty at all levels of the organization. LSC promotes a just culture, where employees feel comfortable voicing concerns, seeking help, or admitting failures.
- **Respect:** LSC strives to create a diverse and inclusive workplace where everyone is treated with dignity, and differences are accepted and enjoyed. LSC employees embrace the gifts of all and recognize the worth of each person.
- **Excellence:** Any job worth doing is worth doing well. LSC employees strive for excellence and encourage it in others. Employees seek out opportunities for personal growth and development and encourage others to do so as well.

- **Collaboration:** Bringing together the skills and knowledge of many individuals broadens perspective and improves decision making. Collaboration fosters an atmosphere of trust and cooperation while enriching the workplace and the LSC organization.
- **Justice** -- God calls us to "Do Justice," to be in a right relationship with God and with each other. Every person should live free of bias, favoritism, and discrimination. The people of LSC will work to create a just culture throughout the organization and in all the communities we serve

## **II. Community Introduction and Information**

### **A. Description of the Community and its Operation**

The Trinity Elms apartments are built on a site of approximately three acres. The site is located at 7543 Fair Oaks Drive, Clemmons, North Carolina. Trinity Elms apartments are adjacent to Trinity Elms nursing home and Trinity Elms assisted living.

Trinity Elms nursing home has been in operation since 2013 and is licensed for 100 skilled nursing beds that are dually certified for Medicare and Medicaid. Trinity Elms assisted living has been in operation since 1999 and is licensed for 104 assisted living beds. As of the date of this disclosure statement, the number of residents being served at Trinity Elms nursing home is 82 and Trinity Elms assisted living is 80.

Trinity Elms independent living consists of 54 rental apartments that are located in two adjacent buildings. Each building has 27 apartments, with 8 two-bedroom apartments and 19 one-bedroom apartments. There is also a community building that has a community room, a kitchen area, and a marketing office. The community building is available for all residents and their families, and community activities and events are also held here. Trinity Elms IL has the capacity to serve about 70 residents. On the date of this disclosure statement, 50 of the 54 residents were occupied and 2 additional residences are under contract, which leaves 2 vacant residences.

Because the apartments are located next to the nursing home and assisted living community, many activities and amenities that are offered at each of these locations are available to the residents of the apartments.

### **B. Non-Profit Status and Legal Description**

All of the Trinity Elms communities are not-for-profit North Carolina corporations sponsored by Lutheran Services for the Aging, Inc., (LSA) which is publicly branded as Lutheran Services Carolinas (LSC), a not-for-profit social ministry agency affiliated with the North Carolina Synod of the Evangelical Lutheran Church in America, and is a 501(c) (3) tax-exempt facility under the Internal Revenue Code. In 2004, Lutheran Services for the Aging, Inc. (LSA) created a management company, LSA Management, Inc., (LSAM) to provide management services.

LSAM is an affiliate organization of LSA and is a 501(c) (3) tax-exempt company under the Internal Revenue Code. LSAM provides management services to Trinity Elms. LSA will be responsible for the financial and/or contractual obligations of Trinity Elms. Trinity Elms does not expect to have funds to assist Residents unable to meet the full cost of the monthly fees.

## C. Organization Leadership

Ted W. Goins, Jr. began his career in long-term care as a nursing assistant, and was a certified nursing assistant for 20 years. A graduate of Lenoir-Rhyne University, Goins is a licensed nursing home administrator and served at Trinity Village in that capacity for 10 years prior to being named president and CEO in 2000. Goins has served as Board Chair for Lutheran Services in America, on the NC Legislative Study Commission on Aging, on the NC State Board of Examiners for Nursing Home Administrators, and on the Board of LeadingAge. He is currently on the Board of Lutheran Immigration and Refugee Service, the Editorial Board of the North Carolina Journal of Medicine, and the Board of the NC Health Care Facilities Association.

Kirby D. Nickerson, Chief Financial Officer/Treasurer, Lutheran Services Carolinas (LSC) – Kirby D. Nickerson joined LSC as CFO/Treasurer in June 2012 after stints in similar roles in senior living organizations beginning in 1995 in Florida, North Carolina and Virginia; he has held a nursing home administrator’s license since 2008. He has served on various boards of directors including The Pines at Whiting (NJ CCRC), Shared Services (southeast regional group purchasing organization) and Virginia Senior Care Group (insurance collaboration of CCRCs in VA). Nickerson received undergraduate degrees from Gordon College and an MBA from Florida State University; he is an active church member and also served on the board of directors of a local men’s homeless shelter in Winchester, VA.

Kesha L. Smith, Chief Operating Officer, Lutheran Services Carolinas (LSC). Kesha L. Smith provides management and oversight for the LSC senior service operations. Smith holds a BS in Accounting from the University of North Carolina at Charlotte. She is a licensed nursing home administrator and a licensed real estate broker. Smith joined LSC in 2003 and served as special projects coordinator, operations coordinator, and chief administrative officer before being named COO in 2013. In addition to other duties, Smith is charged with LSC construction management.

**Officers and Directors.** Below are the names and business addresses of officers and directors of the Provider.

### **Chair of the Board and Director**

Mr. Gregory Hudgins  
2 Kersey Court  
Durham, NC 27713

Salisbury, NC 28145-0947

### **Vice Chair of the Board and Director**

Mr. Cary Grant  
113 Bennington Parkway  
Durham, NC 27713

### **Secretary**

(Corporate Secretary of Lutheran Retirement Center – Clemmons, Inc. dba Trinity Elms)  
Mrs. Karen K. Maddry  
P. O. Box 947  
Salisbury, NC 28145-0947

### **President and Director**

(President of Lutheran Retirement Center – Clemmons, Inc. dba Trinity Elms)  
Mr. Ted W. Goins, Jr.  
P.O. Box 947

### **Treasurer**

(Treasurer of Lutheran Retirement Center – Clemmons, Inc. dba Trinity Elms)  
Mr. Kirby Nickerson  
PO Box 947  
Salisbury, NC 28145-0947

The only officers and directors that have a 10% or greater interest in any organization, or which any organization has in the officers and directors, that currently or is expected to provide \$500 or more of goods, leases or services to the facility or to residents of the facility, are as follows:

Ted W. Goins, Jr. is President and Chief Executive Officer, Kirby Nickerson is Treasurer and Chief Financial Officer, and Karen K. Maddry is Secretary of LSC, which provides financial and management services to Trinity Elms.

No member of the Management Staff nor the Board of Directors (i) 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, if the felony or civil action involved fraud, embezzlement, fraudulent conversion, or misappropriation of property; or (ii) is subject to a currently effective injunctive 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 an action brought by a governmental agency or department, if the order or action arose out of or related to business activity 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 this Article or a similar law in another state. [NCGS 58-64-20(a) (3) (c)].

### **III. Policies and Procedures-Admission and Occupancy**

Upon execution of the Residency Agreement and fulfillment of his/her obligations hereunder, the Resident will be qualified for admission as an occupant of Trinity Elms subject to the terms and conditions of this section.

#### **A. Non-Binding Reservation Agreement**

A non-binding reservation agreement is no longer being used at this community since the community achieved full occupancy in 2019. The community maintains full occupancy unless a resident moves or passes away, but a waiting list is kept so vacant residences are filled quickly.

#### **B. Binding Residency Agreement**

Upon selection of a Residence, the Resident will execute a Residency Agreement. Accompanying this Residency Agreement will be Security Deposit equal to one month's rent. If the agreement is terminated at the end of the lease term then the Resident will receive a full refund of the Security Deposit less a \$400 administrative fee and less any money owed to Trinity Elms for damages beyond normal wear and tear or any other charges or fees owed to Trinity Elms.

Upon providing the Resident with the Residency Agreement, the Marketing Representative will provide the Resident with a copy of Trinity Elms' Disclosure Statement which fully describes the organization, facilities, policies, services, fees, financial condition, projections, and the vital information related to Trinity Elms. Included in the Disclosure Statement is a Residency Agreement and four addendums. Addendum III "Receipt of the Disclosure Statement", must be signed and returned to Trinity Elms at or prior to execution of the Residency Agreement.

### **C. Application for Admission**

A Resident must also submit an Application for Admission. The Application for Admission will include a Personal Health History section and a Confidential Financial Information section. The Application must be returned on or before the date of execution of the Residency Agreement.

The Admissions Committee will review the completed Application Forms including financial information as a basis for initial approval for admission to Trinity Elms. The Resident must have an interview with a representative from Trinity Elms prior to being approved by the Director. The Director will accept or deny the application within 15 days of receipt of completed documents, based on criteria and policies established for admission. The marketing representative will notify the Resident in writing of the action taken by the Admissions Committee. If the Resident does not meet Trinity Elms' admissions requirements, this Agreement shall be null and void and the Resident shall receive a refund of any Security Deposit previously paid. In order to confirm continued acceptability for residency, updated physical and updated financial statements may be required within 120 days prior to occupancy. If the Resident has a change in financial or health status that may affect eligibility for admission, it is the responsibility of the Resident to submit updated documents to Trinity Elms as soon as possible.

### **D. Addendums**

- Addendum I, Commencement of Residency. This addendum must be signed to acknowledge the Availability Date of the Residence. The monthly rent will begin on the Availability Date.
- Addendum II, Notice of Health and Financial Status. This addendum must be completed at time of or prior to the execution of Addendum I if the original health statement and financial statements were completed more than 60 days prior to the Availability Date.
- Addendum III, Receipt of Disclosure Statement.
- Addendum IV, Transfer Amendment. If a Resident(s) transfers to a new Residence, the Transfer Amendment must be completed prior to occupancy of the new Residence. The Transfer Amendment will become part of the Resident's Residency Agreement.

### **E. Notification of Availability.**

After the Resident is approved for admission, the Marketing Representative will notify the Resident of the Residence's projected date of availability for occupancy. The Resident must begin paying the monthly rental fee on the date of Availability.



## **F. Health Criteria**

Admission requirements for residents at Trinity Elms are nondiscriminatory. Admission is restricted to persons sixty-two (62) years of age or older. Trinity Elms is open to anyone regardless of race, color, religion, sex, handicap, familial status, or national origin as set forth in the Residency Agreement and Admission Application. Trinity Elms requires that a Resident submit a report of a physical examination completed by a physician selected by the resident with the Application. If the examination was completed more than sixty (60) days prior to the Availability Date, the Resident(s) may be asked to submit an updated physical with Addendum II.

If the health of the Resident(s), as disclosed by Addendum II, differs materially from that disclosed in the Resident's Application for admission, Trinity Elms shall have the right to decline admission of the Resident(s) and to terminate the agreement.

## **G. Financial and Insurance Criteria**

Financial guidelines required for acceptance of a Resident are reviewed by the Admissions Committee on a case-by-case basis. However, Residents of Trinity Elms are expected to have sufficient financial resources to pay the monthly fee and other personal expenses for the duration of the anticipated residence at the community.

If the Application and submission of confidential financial information was completed more than sixty (60) days prior to the Availability Date, the Resident(s) may be asked to submit updated financial information and complete Addendum II, as described above in Section D. If the finances of the Resident(s), as disclosed by Addendum II, differ materially from that disclosed in the Resident's Application, Trinity Elms shall have the right to decline admission of the Resident(s) and to terminate the agreement.

Resident shall maintain Medicare Part A and Medicare Part B to assure Resident's ability to cover such health care related costs, and shall furnish to Trinity Elms evidence of such coverage as it may from time to time request. In the event Resident is not eligible or does not qualify for Medicare Part A or Part B, Resident shall maintain other health insurance approved by Trinity Elms. If insurance coverage is provided through a managed health care policy, terms of the policy may dictate where the Resident may receive health care services.

## **H. Cancellation/Termination.**

**Right of Rescission.** Notwithstanding anything herein to the contrary, Resident may rescind any contract with Trinity Elms requiring the payment of a fee within thirty (30) days of the later of the execution of the contract or receipt of a disclosure statement, in which event any money paid to Trinity Elms will be returned in full, less any standard customary charges the Resident and Trinity Elms agree in advance shall be nonrefundable. Resident is not required to move into a residence before the expiration of the aforesaid thirty (30) day rescission period. Resident acknowledges that he/she has received, prior to execution of this Agreement, a copy of Trinity Elms' current Disclosure Statement that meets the requirements of Section 58-64-20, et seq. of the North

Carolina General Statutes. If Resident moves into the Residence during the Rescission Period and rescinds this Agreement during the thirty (30) day period, Resident will not receive a refund for the monthly rental fee but will receive a refund of one half of the security deposit paid to Trinity Elms, less any cost for upgrades agreed upon by Trinity Elms and the Resident that have already been paid for by Trinity Elms and less and unexpected wear and tear or damage. .

Any refund due under this Section shall be paid within sixty (60) days of termination of this Agreement.

**Termination after Rescission Period, Prior to Occupancy.** If a Resident or Resident's spouse or companion/roommate dies prior to occupancy, or if, on account of illness, injury or incapacity, a resident would be precluded from occupying a Residence at Trinity Elms under the terms of the contract, the contract will be automatically terminated. In this event, the Resident shall receive a full refund of the amount of the Security Deposit paid to Trinity Elms.

This Agreement may be terminated by Resident at any time for any reason prior to Resident taking occupancy at Trinity Elms and after the Rescission Period by Resident giving written notice to Trinity Elms. In this event, Resident will not receive a refund of the Security Deposit.

This Agreement may be terminated by Trinity Elms at any time prior to the date that the Resident takes occupancy if Trinity Elms determines that the Resident does not meet the physical, mental or financial requirements for admission. In the event of such termination, Resident shall receive a refund of the Security Deposit paid by the Resident, less (i) any nonstandard costs, if any.

Any refund due shall be paid within sixty (60) days of (i) Trinity Elms' receipt of written request to terminate Agreement; (ii) from the day the Agreement automatically terminates; or (iii) from the day Trinity Elms terminates Agreement for any reason.

**Termination after Occupancy, Prior to 13 months:** Should a Resident desire to cancel his/her Residency Agreement after occupancy, Resident may terminate this Agreement by giving written notice to the Executive Director no less than sixty (60) days before Resident intends to move out of Trinity Elms. Resident is responsible to pay Monthly Rental Fees during the sixty (60) period. The Resident will not receive a refund of the security deposit if the Resident terminates the agreement prior to the initial 13 month agreement and after the thirty (30) day rescission period

**Termination after Occupancy, at or after 13 months:** Should a Resident desire to cancel his/her Residency Agreement after occupancy, Resident may terminate this Agreement by giving written notice to the Executive Director no less than sixty (60) days before Resident intends to move out of Trinity Elms. Resident is responsible to pay Monthly Rental Fees during the sixty (60) period. The Resident will receive a refund of the security deposit less any money owed to Trinity Elms for damages beyond normal wear and tear or any other charges or fees owed to Trinity Elms and less the \$400.00 administrative fee.

See Section (K) for details on Refunds.

**Termination by Death after Occupancy:** If Resident should die during the term of this Agreement, this Agreement shall terminate. The Monthly Charge will be paid until such time the Resident's belongings are removed from the Apartment and the Apartment is returned to Trinity Elms in good and habitable condition. The Resident's Security Deposit will be refunded less any money owed to Trinity Elms for damages beyond normal wear and tear or any other charges or fees owed to Trinity Elms and less the \$400.00 administrative fee.

**Termination by Trinity Elms.** The Executive Director may, upon notice and opportunity to cure as herein provided, revoke Resident's right to reside at Trinity Elms and terminate this Agreement upon the occurrence of any default by the Resident in meeting the covenants, warranties, representations and terms of Residency provided for in this Agreement or for violations of policies stated in the Residents Handbook. Trinity Elms may also terminate this Agreement at any time for any good cause.

Good cause shall be limited to:

1. Proof that you are a danger to yourself or others;
2. Nonpayment by you of any fee due to the Community;
3. Repeated conduct by you that interferes with other residents' quiet enjoyment of the Community;
4. Persistent refusal by you to comply with the reasonable written rules and regulations of the Community;
5. Material misrepresentation made intentionally or recklessly by you in your application for residency, or related materials regarding information which, if accurately provided, would have resulted in either a failure of you to qualify for residency or a material increase in the cost of providing to you the care and services provided under this Agreement, including with respect to those items referred to in this Agreement;
6. Material breach by you of this Agreement. However, Trinity Elms shall not terminate the Agreement as provided herein until Trinity Elms has given Resident written notice of, and a reasonable opportunity to cure within a reasonable period, the conduct warranting the cancellation of this Agreement.

**Notice and Right to Cure after Occupancy:** Trinity Elms shall not terminate the Agreement as provided herein until Trinity Elms provides the Resident a written notice of, and a reasonable opportunity to cure within a reasonable period, the conduct warranting the cancellation of the Agreement. Once Resident has occupied the Residence, Trinity Elms shall give Resident notice in writing of any default by Resident which may not involve the payment of money and Resident shall have thirty (30) days thereafter within which to correct such default. If Resident corrects such default within such time, the Residency Agreement shall not then be terminated. If Resident fails to correct such default within such time, Trinity Elms may, at its sole option, terminate the Residency Agreement at the expiration of the thirty (30) day period.

If the Resident corrects the default but in the future defaults again for the same cause, Trinity Elms may terminate the Residency Agreement without any option to cure.

**Remedies upon Termination.** Upon notification of opportunity to cure any default as described in Section H of this Agreement, the Executive Director may, without further notice to Resident and without further demand for amounts due, terminate this Agreement, suspend all services provided hereunder and enter the Residence and remove all persons and property. Resident hereby waives all demand and any and all service of notice in writing or otherwise, prescribed by any statute or any other law whatever, of intention to re-enter and waives all claims for damages that may be caused by Trinity Elms in re-entering and taking possession of the Residence.

If Resident shall abandon or vacate the Residence before the termination of this Agreement, Resident will pay Trinity Elms liquidated damages in an amount equal to the full amount of the Monthly Rental Fee due for the period of abandonment or vacation until a termination of this Agreement is effected as provided in Section (H). Pursuit of any of the above remedies shall not preclude pursuit of any other remedies herein provided or any other remedies given by law or equity. All of the remedies given to Trinity Elms in this document, and all rights and remedies given by law or equity shall be cumulative and concurrent.

#### **I. Marriage/New Second Occupant.**

**Permitted Occupants.** It is agreed that the Resident(s) named herein and no other person(s) shall reside in or occupy the Residence during the term of this Agreement, except with the express prior written approval of the Executive Director.

**Occupancy by Two Residents.** In the event that two Residents occupy a Residence under the terms of this Agreement, upon the permanent transfer to the Health Care Center or the death of one of such Residents, or in the event of the termination of this Agreement with respect to one of such Residents, such as in the case of death or divorce, the Agreement shall continue in effect as to the remaining or surviving Resident who shall have the option to retain the same Residence or to move to a smaller Residence (if available), in which event there will be no refund of the Security Deposit. The remaining or surviving Resident will thereafter pay the Monthly Rental Fee associated with the Residence occupied by the Resident.

**New Second Occupant/Sharing Occupancy after Admission.** If a Resident, while occupying a Residence, marries a person who is also a Resident, or wishes to share a Residence with a person who is also a Resident, the two Residents may, with the prior written consent of Trinity Elms, occupy the Residence of either Resident and shall surrender the Residence not to be occupied by them. No refund will be payable with respect to the Residence surrendered, except for a refund of the Security Deposit less any damages beyond normal wear and tear and less the \$400 administrative fee. In the event that a Resident shall marry a person who is not a Resident of Trinity Elms, or wish to share a Residence with a person who is not a Resident (“Non-Resident”), the Non-Resident may become a Resident if such individual meets all of the then current requirements

for entry to Trinity Elms; and enters into a then current version of the Residency Agreement with the Corporation. If the Non-Resident does not meet the requirements of Trinity Elms for entry as a Resident, the Resident may terminate this Agreement in the manner as provided in Section (H) with respect to a voluntary termination.

## **J. Moves and Transfers**

**Change in Apartments.** It is understood Trinity Elms, in its sole discretion, has the right to make a change in apartment assignments if necessary in order to best serve the needs of the Resident. A Resident may not transfer from one apartment to another apartment during the initial thirteen (13) month term unless pre-approved in writing by the Director of Trinity Elms. Approval is subject to the sole and absolute discretion of the Director of Trinity Elms on a case by case basis.

**Transfer to Trinity Elms Assisted Living.** Resident agrees that Trinity Elms shall have the authority to determine when or if a Resident should be transferred from the Apartment to Trinity Elms assisted living for assisted living care facilities operated by its affiliates.

Such determination shall be made based on the professional opinion of the Executive Director of Trinity Elms and shall be made only after consultation, to the extent practical, with the Resident, a representative of the Resident's family or the sponsor of Resident, the Resident's attending physician, as well as the Director of Health Services at Trinity Elms assisted living. Admission to such assisted living facility is contingent upon a Resident meeting the regulatory requirements for admission and upon bed availability. If there is no bed available at Trinity Elms' affiliates, or a Resident does not meet the admission requirements, Trinity Elms will make reasonable efforts to assist the Resident in finding placement at another community.

The Resident will be given priority application access at other assisted living communities operated by Lutheran Services Carolinas or its affiliates.

**Transfer to Trinity Elms Health and Rehab.** Resident agrees that Trinity Elms shall have the authority to determine when or if a Resident should be transferred from the Apartment to the Trinity Elms health and rehab for skilled nursing care. Such determination shall be made based on the professional opinion of the Executive Director of Trinity Elms and shall be made only after consultation, to the extent practical, with the Resident, a representative of the Resident's family or the sponsor of Resident, the Resident's attending physician, as well as the Director of Nursing at Trinity Elms health and rehab. Admission to Trinity Elms health and rehab is contingent upon the Resident meeting the regulatory requirements for admission and upon bed availability. If there is no bed available at Trinity Elms, or a resident does not meet the admission requirements, Trinity Elms will make reasonable efforts to assist the Resident in finding placement at another community. The Resident will be given priority application access at other skilled nursing communities operated by Lutheran Services Carolinas or its affiliates.

**Transfer to Other Health Care Facility.** If it is determined by the Executive Director that the Resident needs care beyond that which can be provided by Trinity Elms, Resident may be transferred to a hospital or other center or institution equipped to give such care, which care will

be at the expense of Resident. Such transfer of Resident will be made only after consultation, to the extent possible, with Resident, a representative of Resident's family or the sponsor of Resident, and Resident's attending physician.

**Permanent Transfers.** If a determination is made by Trinity Elms that any transfers are permanent in nature, Resident agrees to surrender the Apartment. If Trinity Elms subsequently determines that the Resident can resume occupancy in any apartment, Resident shall have application priority to a comparable apartment as soon as it would become available. Resident will be obligated to pay rent for the Apartment until all personal belongings are removed from the Apartment.

#### **K. Refunds.**

Refunds of the Security Deposit will be issued as followed:

**During the Rescission Period:** The resident will receive a refund of the Security Deposit less the \$400 administrative fee, less any nonstandard costs incurred by Trinity Elms on behalf of the Resident and less any costs associated with damages beyond normal wear and tear.

**After the Rescission Period and Prior to Occupancy:** The resident will not receive a refund of the Security Deposit.

**After the Rescission Period and Prior to First 13 Months:** The resident will not receive a refund of the Security Deposit.

**After First 13 Months:** The Resident will receive a refund of the Security Deposit, less any money owed to Trinity Elms for damages beyond normal wear and tear or any other charges or fees owed to Trinity Elms hereunder and less the \$400.00 administrative fee.

**Due to Death or Transfer to Higher Level of Care After Occupancy:** The Resident will receive a full refund of the Security Deposit less the \$400 administrative fee, less any nonstandard costs incurred by Trinity Elms on behalf of the Resident and less any costs associated with damages beyond normal wear and tear.

**Due to Death or Transfer to High Level of Care Prior to Occupancy:** The Resident will receive a full refund of the Security Deposit less any nonstandard costs incurred by Trinity Elms on behalf of the Resident and less any costs associated with damages beyond normal wear and tear.

#### **L. Inability to Pay.**

Resident agrees that in the event he/she shall become unable to pay the Monthly Maintenance Fee, or any part thereof, Trinity Oaks may, at its sole discretion, credit such fees or charges against any amounts which Trinity Oaks would be required to reimburse to Resident under the provisions of Section 8 of this document. Trinity Oaks is a charitable, not-for-profit organization with a desire not to terminate the residency of Resident solely by reason of financial inability of Resident to pay the total Monthly Maintenance Fee described herein or any other fees or charges assessed under the Residency Agreement, even though Resident's right to reimbursement of any portion of the Entrance Fee has been extinguished by reason of the credits referred to above, so long as the following conditions have been met: (i) in the sole discretion of Trinity Oaks, the ability of Trinity Oaks to operate on a sound financial basis is not impaired; and (ii) after entering into the Residency Agreement, Resident shall not have impaired his/her ability to meet financial obligations to Trinity Oaks; and (iii) Resident has applied for and submitted documented justification for special financial consideration.

#### **M. Nature and Extent of Rights.**

Resident's right to occupy the Residence for a term of years or for life shall exist unless terminated as provided for in the Residency Agreement. Nothing contained herein shall be construed or is intended to require that Trinity Elms care for the Resident for life, nor shall this Agreement be construed as a life-care contract.

#### **N. Rights of Resident.**

Signing of this Residency Agreement and payment of the Security Deposit does not deliver title to real or personal property, and may not be assigned, transferred, inherited or devised. Any rights, privileges, benefits, or interests created by or under this Agreement shall be subordinated to any mortgage, deed of trust, or other security interest created on any of the premises or interests in real estate of Trinity Elms and to all amendments, modifications, replacements or refunding thereof.

Resident agrees to execute and deliver any document required by Trinity Elms or by the holder of any mortgage, deed of trust or other interest to evidence or effect such subordination.

**O. Alteration or Modification.** Notwithstanding any other provisions in this Agreement, Trinity Elms may alter or modify the Residence to meet requirements of any statute, law or regulation of the Federal, State or local Government. Resident may not, without prior written consent of the Executive Director, make any alterations or modifications to the Residence.

**P. Use.** The Residence shall be used for residential purposes only and shall not be used for business or professional purposes, nor in any manner in violation of any zoning or health ordinances.

#### **IV. Services**

**A. Standard Services.** Services provided by Trinity Elms which are included in the base fee are as follows: Residences, individually controlled heating/air conditioning, water/sewer, internet, phone, trash removal, certain furnishings, bi-weekly housekeeping services, grounds keeping, maintenance, activities, maintenance, access to beauty parlor, and access to other common areas on the campus.

**B. Description of the Living Residence.** A full description of the Residence will be given to the Resident by the Marketing Team prior to signing the Residency Agreement. Trinity Elms will provide the Resident with the most recent marketing materials that accurately describe the Residence that is being considered by the Resident.

**C. Additional Services.** A list of additional services provided at an additional cost including, meal deliveries, shall be made available to Resident upon request.

#### **D. Health Care Services Available**

**Trinity Elms.** Health care accommodations and services at Trinity Elms nursing home and Trinity Elms assisted living shall be made available to Residents on a priority basis, if available, subject to the terms of this Agreement and to all admissions requirements imposed by applicable laws and regulatory procedures. In the event Trinity Elms nursing home or assisted living has no beds available, Trinity Elms will assist Resident in finding another health care center as close as possible to quality and price as Trinity Elms nursing home or assisted living.

Trinity Elms nursing home contracts with a licensed physician (therein referred to as the "Medical Director") to assist in establishing and implementing health care related policies and practices at Trinity Elms and to perform such other duties described in this document or prescribed by Trinity Elms. Expenses for Resident-related physician services are the responsibility of the Resident. Trinity Elms also will employ licensed personnel to perform all such duties prescribed by the Medical Director within such person's licensed authority.

The Director of Nursing, the Social Worker, or designee will make available, or arrange for other health care services for the Resident, including but not limited to physical therapy, occupational therapy, rehabilitative treatments and equipment, ambulance services, pharmacy services, and physician services. All Residents at Trinity Elms are responsible for their pharmacy copayments. Charges for these health care services will be in addition to the Monthly Fee.

**Other Health Care Center.** In the event a Resident requires the services of a health care center and there is no availability at Trinity Elms, Trinity Elms will assist a Resident in finding another health care center as close as possible to the quality and price of Trinity Elms.

**Temporary Stay.** If a temporary stay at Trinity Elms, a Resident will continue to pay the Monthly Rent for their Trinity Elms apartment residence.

**Permanent Stay.** If a permanent transfer to Trinity Elms assisted living or nursing home, the Resident will continue paying the Monthly Fee until the residence is vacated including the return of the keys to the residence.



## V. Fees

**A. One-Time Administrative Fee.** In consideration for refurbishment of the Apartment at the conclusion of this Agreement, and certain administrative costs associated with the initiation and maintenance of this Agreement, Resident agrees to pay a one-time administrative fee of \$ 400.00. Such fee is due upon execution of this Agreement and is non-refundable. Such fee will be deducted from the Security Deposit.

**B. Security Deposit.** A resident will provide a Security Deposit equal to one month's rent at time of signing the Residency Agreement. Upon termination of the Agreement at the end of the rental agreement term, the Resident will receive a refund of the Security Deposit, less any money owed to Trinity Elms for damages beyond normal wear and tear or any other charges or fees owed to Trinity Elms hereunder and less the \$400.00 administrative fee.

**C. Damages beyond Normal Wear and Tear.** Resident understands that the one-time administrative fee covers only normal wear and tear. Resident agrees to immediately pay to Trinity Elms a sum equal to the cost of repairs beyond normal wear and tear, non-payment of rent, costs associated with removal or storage of Resident's property, or any costs associated with any breach of this Agreement by the Resident.

**D. Monthly Charge.** Commencing on the initial Date of Occupancy and continuing throughout the entire term of this Agreement, Resident agrees to pay Trinity Elms a Monthly Rental Fee. Trinity Elms shall have the right to adjust such Monthly Charges on an annual basis as of October 1<sup>st</sup> of each year during the term of this Agreement. The Monthly Charge is payable in advance on or before the first day of such calendar month during the entire term of the Agreement. The Monthly Charge may be prorated on a per day rate and calculated based on the number of days in the calendar month in which the prorated amount is due/owed.

Trinity Elms will provide Resident with a monthly statement of the total charges owed by the Resident. Trinity Elms may assess a late payment charge of \$25 for statements not paid within ten (10) calendar days after the monthly statement is furnished.

### **E. Charges at Trinity Elms' Communities.**

**Charges at Trinity Elms Assisted Living.** Charges at the Trinity Elms assisted living facility will be incurred at the published per diem rate for the accommodations occupied by the Resident, plus other charges for other services not included in such per diem rate.

**Charges at Trinity Elms Health and Rehab.** Charges at the Trinity Elms health and rehab facility will be incurred at the published per diem rate for the accommodation occupied by the Resident, plus other charges for other services not included in such per diem rate.

**Charges for Care in Other Health Care Facilities.** Should Resident require care that requires transfer to another health care facility, all expenses which will result from such transfer and related care shall be borne entirely by Resident.

**F. Additional Charges.** Trinity Elms will furnish a list of additional services to the Resident. The Resident agrees to pay any and all additional amounts which may become due under the Residency Agreement and any and all charges for additional or optional services provided to the Resident.

**H. History of Fees for Communities Operated by Lutheran Services for the Aging, Inc.**

Lutheran Services for the Aging, Inc. (LSA, Inc.) has included tables that demonstrate the frequency and average dollar amount of increases in charges for the previous five years. Trinity Oaks and Trinity Landing are the only other continuing care retirement community that LSA, Inc. currently operates. Trinity Oaks is located in Salisbury, North Carolina and provides skilled nursing services, assisted living services, and independent living residences.

**Lutheran Retirement Center-Salisbury, Inc. d/b/a Trinity Oaks Changes in Monthly Fees for the Previous Five Years-2018-2022**

<b>Assisted Living</b>	2019	2020	2021	2022	2023
% Increase	3%	3%	3%	3%	4%
\$ Increase	\$157	\$162	\$167	\$172	\$236

<b>Independent Living</b>	2019	2020	2021	2022	2023
% Increase	3%	3%	3%	3%	5%
\$ Increase					
Studio	\$56	\$58	\$59	\$61	\$105
1 Bedroom	\$70	\$72	\$75	\$77	\$132
1 Bedroom Deluxe	\$75	\$78	\$80	\$82	\$141
2 Bedroom	\$90	\$93	\$95	\$98	\$169
2 <sup>nd</sup> Occupant Apt.	\$31	\$32	\$33	\$34	\$35
Cottage	\$97	\$100	\$103	\$106	\$182
2 <sup>nd</sup> Occupant Cottage	\$34	\$35	\$37	\$38	\$39

Trinity Landing is located in Wilmington, North Carolina and provides skilled nursing services, assisted living services, and independent living residences.

**Lutheran Retirement Center-Wilmington, Inc. d/b/a Trinity Landing  
Monthly Fees for the Year -2022 2023**

<b>Independent Living</b>	2023	2024
% Increase	n/a	n/a
\$ Increase		
Pamlico - 1 BR	\$3,221	\$3,221
Pamlico II - 1 BR	\$3,692	\$3,692
I Ocracoke - 1 BR / Den	\$3,880	\$3,880
Ocracoke II - 1 BR / Den	\$4,139	\$4,139
Ocracoke III - 1 BR / Den	\$4,213	\$4,213
Currituck - 2 BR	\$4,456	\$4,456
Currituck II - 2 BR	\$4,437	\$4,437
Roanoke - 2 BR Deluxe	\$4,624	\$4,624
Roanoke II - 2 BR Deluxe	\$4,681	\$4,681
Roanoke III - 2 BR Deluxe	\$4,770	\$4,770
Roanoke IV – 2 BR Deluxe	\$4,828	\$4,828
Manteo - 2 BR / Den	\$4,910	\$4,910
Manteo II – 2 BR / Den	\$5,025	\$5,025
Beaufort - 2 BR / Den Deluxe	\$5,137	\$5,137
Beaufort II – 2 BR / Den Deluxe	\$5,241	\$5,241
Second Person Fee	\$986	\$986
Sealevel - 1 BR / Den	\$4,147	\$4,147
Rodanthe - 2 BR	\$4,434	\$4,434
Nags Head - 2 BR Deluxe	\$4,898	\$4,898
Hatteras - 2 BR Sunrise	\$5,143	\$5,143
Kitty Hawk - 2 BR / Den	\$5,151	\$5,151
Southport - 2 BR / Den Deluxe	\$5,234	\$5,234
Bald Head - 2 BR Sunrise / Den	\$5,618	\$5,618

## **VI. Miscellaneous Provisions**

**A. Religious Affiliation.** Trinity Oaks is a nonprofit, nonstock North Carolina corporation sponsored by Lutheran Services Carolinas (LSC), a not-for-profit social ministry agency affiliated with the North Carolina Synod of the Evangelical Lutheran Church in America and is a 501(c)(3) tax-exempt facility under the Internal Revenue Code. In 2004, LSA created a management company, LSA Management, Inc., to provide management services. LSA Management, Inc., is an affiliate organization of LSA and is a 501(c)(3) tax-exempt company under the Internal Revenue Code. LSA will not be responsible for the contractual obligations of Trinity Oaks. Through private contributions, Trinity Oaks may have, from time to time, funds available to assist Residents unable to meet the full cost of the monthly fees, but it cannot contract in advance for any such assistance to be made available. (LSA recently rebranded as Lutheran Services Carolinas (LSC)).

**B. Funeral Expenses.** Trinity Elms will not be liable for the cost of the burial of the Resident. The costs of burial and related services shall be paid for by the Resident's estate, the Resident's relatives, or other agent designated by the Resident.

**C. Personal Belongings.** Jewelry and personal possessions or effects brought into Trinity Elms by the Resident will remain the property of the Resident. Resident is strongly encouraged to have a will providing for the disposition of his or her real and personal property and provision for proper burial at his or her own expense. Resident agrees to notify the Executive Director of Trinity Elms as to the location of this will and to notify Trinity Elms of the Resident's Executor under such will.

**D. Indebtedness to Trinity Elms and LSA Affiliates.** To the extent allowed by applicable law, Trinity Elms and other LSC affiliates shall have a preferred claim against the estate of the Resident for any care furnished or for any funds which may be advanced for the residency or care of the Resident which may remain unpaid, and any personal property or real estate which the Resident owns shall stand as security for and is hereby pledged to the payment of any unpaid claims due to Trinity Elms and other LSC affiliates. To the extent allowed by applicable law, the Resident for himself/herself, his/her heirs and legal representatives, hereby waives any and all claims which the Resident might have to exemption and agrees that these personal assets shall be liable for any debts owed Trinity Elms and other LSC affiliates by Resident.

### **E. Casualty Loss, Condemnation**

**(a) Total Destruction.** If Resident's Residence at Trinity Elms is totally destroyed or damaged by fire or other casualty not occurring through fault or negligence of Trinity Elms or those employed by or acting for Trinity Elms, that the same cannot be repaired and restored within a period of ninety (90) days, this Agreement shall absolutely cease and terminate, and the Monthly Rental Fee shall abate for the balance of the term as of the date of the casualty.

**(b)Partial Destruction.** If the damage caused as described in Section E (a) is only partial, so that the Resident's Residence can be reasonably restored within a period of ninety (90) days to its condition prior to the partial destruction, Trinity Elms may, at its option, terminate this Agreement, provide alternative temporary housing, or restore Trinity Elms to such condition reserving the right to enter the Residence for that purpose. In any event, the Monthly Rental Fee may be reduced during the time Trinity Elms is in possession, taking into account the extent that the Residence is rendered untenable and the duration of Trinity Elms' possession.

**(c)Condemnation.** If Trinity Elms is taken or condemned for a public or quasi-public use or a deed in lieu is given, in whole or in part, so that Trinity Elms can no longer be operated reasonably in the opinion of Trinity Elms' Board of Directors, this Agreement shall terminate as the date title shall rest in the condemner, and the Monthly Fee shall abate. In the event of condemnation, the Resident waives all claims against Trinity Elms, and Resident agrees that he/she will not make or be entitled to any claim or recovery against the condemning authority.

**F. Government Eligibilities.** Should either Trinity Elms or the Resident be eligible for federal, state or other funds on behalf of the Resident, nothing in this Agreement shall be construed so as to make either party ineligible for such funds, and the Resident expressly waives any provision in this Agreement which might now or hereafter be in conflict with any federal, state or other law or regulations, and agrees to apply for and cooperate in obtaining such benefits.

**G. Liability of Trinity Elms.** The death of the Resident will cancel any and all obligations or liability of Trinity Elms under the terms of this Agreement.

**H. Rights of Management.** The absolute rights of management are reserved by Trinity Elms. Trinity Elms reserves the right to accept or reject any person for residency. The rights of the Resident do not include any right to participate in the management of Trinity Elms, to determine admissions or terms of admission of any other Resident, to alter common areas within Trinity Elms, or to make unapproved alterations to their Residence. Resident agrees to allow Trinity Elms, including its employees and agents, to enter the Residence for purposes of housekeeping, repairs, maintenance, inspection, and in the event of an emergency.

**I. Relationships between Residents and Staff.** Trinity Elms is built on mutual respect and instructs its staff to be cordial and helpful to the Resident. The relationship is to remain professional. Employees must not be delayed or deterred by Residents in the performance of their duties. Management is solely responsible for the supervision of staff. Complaints or requests for special assistance must be made to the appropriate supervisor. Giving gratuities or bequests to employees or employees' families is not permitted. The Resident will not employ Trinity Elms employees nor hire former Trinity Elms employees without the prior written consent of management.

**J. Binding Effect.** The covenants and conditions of this Agreement shall bind and benefit respectively Trinity Elms and its successors and assigns, and Resident and his/her heirs, personal representatives, successors and assigns, except as herein otherwise specified in this Agreement.

This Agreement, together with the rules and regulations provided for, shall constitute the full and entire Agreement and understanding between the parties. There are no restrictions, promises, warranties, covenants or undertakings, other than those set forth or referred to in this Agreement. This Agreement, the Exhibits to this Agreement, and other documents and Agreements referred to herein supersede all prior Agreements and undertakings between the parties with respect to this subject matter.

**K. Interruptions.** Trinity Elms shall not be required to perform any condition, term or covenant in the Residency Agreement so long as such performance is delayed or prevented by force majeure, which shall mean acts of God, strikes, material or labor shortages or failures, lockouts, restrictions by any governmental authority, civil riot, floods and any other cause not reasonably within the control of Trinity Elms and which by the exercise of ordinary care Trinity Elms is unable, wholly or in part, to prevent or overcome.

**L. Severability.** If any clause or provision of the Residency Agreement should be illegal, invalid or unenforceable, these provisions shall be deemed to be severable and the remainder of this Agreement shall not be affected by this action.

In lieu of the clause or provision that is illegal, invalid, or unenforceable, there shall be substituted a clause or provision as similar in terms to the illegal, invalid, or unenforceable clause or provision as may be legal, valid and enforceable. No amendment of this Agreement will be valid and enforceable unless in writing and executed by the Executive Director and Resident except that management may amend this Agreement from time to time so that this Agreement complies with applicable laws, rules and regulations of the Federal, State or local government.

**M. Governing Law.** The Residency Agreement will be governed by and construed under the laws of the State of North Carolina.

**N. Execution.** The Residency Agreement will be executed on behalf of Trinity Elms by its duly authorized agent. No officer, director, agent or employee of Trinity Elms shall have any personal liability hereunder to Resident under any circumstances.

**O. Waiver.** No waiver of any term or condition of the Residency Agreement shall be effective unless made in writing and executed by the parties to the Agreement. Nor shall any waivers be deemed to excuse the performance of any act other than those specifically referred to in the written notice of waiver. Any failure of Trinity Elms to insist upon strict and/or prompt performance of the requirements, covenants, terms or conditions of the Residency Agreement, and/or the acceptance of such performance thereafter, will not constitute or be construed as a waiver or the relinquishment of Trinity Elms' right to thereafter enforce the same strictly in the event of a continuing or subsequent default on the part of the Resident.

**P. Interruption.** The captions contained herein are for convenience and reference only and in no way define, limit, or describe the scope or intent of the Residency Agreement or affect any of the terms and provisions of the Residency Agreement. Any reference expressed in any gender shall

be deemed to include each of the other genders, and the singular shall be deemed to include the plural and vice versa, unless the context otherwise requires.

**Q. Tobacco Policy.** The use of tobacco in any form by residents, guests, employees, contractors, or any other person is prohibited in any area within the confines of the Trinity Elms Campus.

**R. Notice.** All notices and other communication hereunder shall be in writing and shall be deemed given if delivered personally or mailed by first class mail (postage paid) to the persons at the following addresses (or at such other address for a party as shall be specified by like notice):

(a) **If to Trinity Elms:**

(i) **LUTHERAN RETIREMENT CENTER - CLEMMONS, INC.**  
**Attn: Director**  
**7543 Fair Oaks Drive**  
**Clemmons, NC 27012**

(b) **If to the Resident:**

(i) **If before Occupancy, as follows:**

\_\_\_\_\_  
\_\_\_\_\_

(ii) **If after Occupancy, at the Residence.**

**S. Multiple Originals.** The Residency Agreement shall be executed in multiple originals, so that each Resident and Trinity Elms shall retain an original, fully executed document.

**T. Material Differences Between Forecasted Statements and Actual Statements.** In 2022, the material differences between the forecasted statements and the actual statements are in Trinity Elms' favor. Please see following statements on page 24 for further explanation.





## **VII. Financial Information**

### **A. Reserves, Escrow and Trusts**

Section 58-64-33 of the North Carolina General Statutes requires continuing care facilities to establish operating reserves equal to a percentage (based upon maintenance of occupancy levels) of total operating costs projected in forecasted financial statements for the following 12-month periods.

As indicated in the forecasted financial statements, the amount of the operating reserve for 2022 is \$224,000. To the extent the operating reserve requirement increases in future years the remaining amount needed to comply with the operating reserve requirement will be funded out of long-term investments and board designated funds, which are presently on hand; investments will be managed by an institutional investment manager.

### **B. Interim Financial Statements**

The Financial Statements of Trinity Elms are included as Exhibit A.

### **C. Current Certified Financial Statements**

The Audited Financial Statements of Lutheran Services for the Aging, Inc. and Lutheran Family Services in the Carolinas and Affiliates for Year End 2020 & 2021 are included as Exhibit B.

### **D. Five Year Projection Statements**

An actuarial report is not included since this community has been operating since December 2018. The projected financials for the next five years are included as Exhibit C.

## **VIII. Residency Agreement**

### **A. Residency Agreement**

The Residency Agreement which complies with all contract specifications as per North Carolina General Statute G.S. 58-64-24 (a) and (b) is included as Exhibit D.

# **Exhibit A**

# **Interim Financial**

# **Statements**

## Trinity Elms Campus Consolidated Balance Sheet

	YTD Dec FYE 2024
<b>Assets</b>	
Current Assets	
Cash and cash equivalents	\$ 6,784,082
Investments	9,508,618
Receivables, net of allowance	2,950,081
Other	104,542
Inventories	97,259
Total current assets	19,444,582
Assets limited as to use	210,000
Net Property and Equipment	26,106,839
<b>Total assets</b>	<b>\$ 45,761,421</b>
 Liabilities	
Current Liabilities	
Current portion of long-term debt	\$ 940,000
Accounts payable - trade	193,454
Accrued salaries and payroll taxes	745,564
Accrued employee benefits	34,714
Refundable fee deposits - current	31,810
Total current liabilities	1,945,543
Other liabilities and credits	
Refundable fee deposits	123,764
Deferred revenue	133,592
Long-term debt	28,039,988
Total other liabilities and credits	28,297,344
Unrestricted	15,505,139
Temporarily restricted	13,395
Total net assets	15,518,534
<b>Total liabilities and net assets</b>	<b>\$ 45,761,421</b>

## Trinity Elms Campus Consolidated Income Statement

	YTD Dec FYE 2024
Revenue and other Support	
Net resident service revenue	\$ 4,742,274
Other revenue	472,657
Total revenue and other support	<u>\$ 5,214,931</u>
Expenses	
Salaries and Wages	2,189,034
Employee Benefits	329,708
Supplies and Other	1,751,702
Marketing	3,127
Depreciation	278,750
Interest and Amortization	233,405
Total expenses	<u>4,785,725</u>
<b>Operating income (loss)</b>	<b>429,206</b>
Other Income	
Investment Income	117,664
Unrealized Gain (Loss)	733,922
Unrestricted contributions and beques	1,200
Total other income (loss)	<u>852,786</u>
<b>Excess revenues over expenses</b>	<b>\$ 1,281,992</b>
Temporary restricted	
Contributions	2,350
Net assets released from restrictions	1
Increase (decrease) temp. restricted	<u>2,351</u>
Increase (decrease) net assets	1,284,343
Net assets - beginning of year	14,234,191
<b>Net assets - end of year</b>	<b><u><u>\$ 15,518,534</u></u></b>

**Trinity Elms Campus Consolidated**  
Statement of Cash Flows

	<b>YTD Dec FYE 2024</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Change in net assets	\$ 1,284,343
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	278,750
(Gain) loss on disposal of assets	
Realized/unrealized (gain) loss on investments	(733,922)
(Increase) decrease in other current assets	192,584
Increase (decrease) in accounts payable/accrued expenses	133,990
Increase (decrease) in deferred revenue	(1)
<b>Net cash provided by operating activities</b>	<b><u>1,155,744</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Purchase of property and equipment	(33,747)
Investments (net)	(103,878)
<b>Net cash used in investing activities</b>	<b><u>(137,625)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Net proceeds from bond issue/debt payments	(41,433)
Advanced fees received, net	(938)
<b>Net cash provided by financing activities</b>	<b><u>(42,371)</u></b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>975,748</b>
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	<u>5,808,334</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b><u>\$ 6,784,082</u></b>

**Exhibit B**  
**Certified Financial**  
**Statements**




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# **Lutheran Services for the Aging, Inc. and Lutheran Family Services in the Carolinas and Affiliates**

**Independent Auditor's Report, Consolidated Financial  
Statements and Supplementary Information**

September 30, 2023 and 2022



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## Independent Auditor's Report

Board of Trustees  
Lutheran Services for the Aging, Inc. and  
Lutheran Family Services in the Carolinas and Affiliates  
Salisbury, North Carolina

### ***Opinion***

We have audited the consolidated financial statements of Lutheran Services for the Aging, Inc. and Lutheran Family Services in the Carolinas (nonprofit organizations) and Affiliates (the "Organizations"), which comprise the consolidated balance sheets as of September 30, 2023 and 2022, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of September 30, 2023 and 2022, and the results of their operations, changes in their net assets 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organizations 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 Consolidated Financial Statements***

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

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

## ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's 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 GAAS 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Organizations' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organizations' 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.



***Supplemental Schedules***

Our audit was performed for the purpose of forming an opinion on the consolidated financial statements that collectively comprise the Organizations' basic consolidated financial statements. The Room and Board Computation and consolidating information listed in the table of contents is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations and changes in net assets of the individual companies, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The Room and Board Computation and consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

**FORVIS,LLP**

**Raleigh, North Carolina  
January 26, 2024**

**Lutheran Services for the Aging, Inc. and  
Lutheran Family Services in the Carolinas and Affiliates  
Consolidated Balance Sheets  
September 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 55,862,551	\$ 52,172,064
Investments	52,527,232	31,785,084
Accounts receivable, residents and clients, net of allowance for doubtful accounts of approximately \$1,992,000 and \$2,420,000 in 2023 and 2022, respectively	23,223,232	16,814,641
Current portion of other receivables	1,672,724	4,514,273
Employee retention credit receivable	5,931,577	5,851,233
Inventories	1,416,589	1,387,909
Prepaid expenses	1,933,418	686,051
Residents' funds	276,509	222,680
	<u>142,843,832</u>	<u>113,433,935</u>
Total current assets		
Assets limited as to use:		
Investments - donor-restricted endowment funds	3,308,845	3,292,798
Investments - temporarily restricted	3,574,085	2,859,084
Investments - board designated funds	9,494,087	8,449,616
Assets limited to use - operating reserve requirement	7,033,000	3,295,000
Assets limited to use - deposits held in escrow	-	2,790,010
Assets limited to use - bond funds	10,847,182	11,426,284
Assets restricted by donor for investment in property and equipment	1,441,053	1,596,739
	<u>35,698,252</u>	<u>33,709,531</u>
Total assets limited as to use		
Property and equipment, net	227,023,624	215,959,656
Other receivables, less current portion, net	406,686	98,295
Other assets	15,628,306	13,240,943
	<u>15,628,306</u>	<u>13,240,943</u>
Total assets	<u>\$ 421,600,700</u>	<u>\$ 376,442,360</u>

**Lutheran Services for the Aging, Inc. and  
Lutheran Family Services in the Carolinas and Affiliates  
Consolidated Balance Sheets  
September 30, 2023 and 2022**

(Continued)

	<u>2023</u>	<u>2022</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Current maturities of long-term debt	\$ 5,099,347	\$ 9,505,604
Current portion of split-interest liability	49,000	49,000
Accounts payable, trade	5,182,866	8,574,828
Accrued salaries and payroll taxes	7,040,657	5,326,891
Accrued health benefits	309,173	309,173
Accrued interest payable	522,026	531,986
Refundable fees - current	231,661	862,760
Deferred revenue from grants and other	227,536	269,470
Other accrued liabilities	1,449,961	1,236,961
Residents' funds liability	276,509	222,680
Total current liabilities	<u>20,388,736</u>	<u>26,889,353</u>
Long-term liabilities:		
Long-term debt, less current maturities	156,377,958	158,058,567
Refundable fees	25,600,828	18,764,228
Deferred revenue from advance fees	52,214,957	29,587,002
Pension liability	378,887	-
Split-interest liability	500,209	600,435
Total long-term liabilities	<u>235,072,839</u>	<u>207,010,232</u>
Total liabilities	<u>255,461,575</u>	<u>233,899,585</u>
Net assets:		
Net assets without donor restrictions		
Without donor restrictions, undesignated	145,223,475	123,876,396
Without donor restrictions, board designated funds	9,494,087	8,449,616
Total net assets without donor restrictions	<u>154,717,562</u>	<u>132,326,012</u>
Net assets with donor restrictions	11,421,563	10,216,763
Total net assets	<u>166,139,125</u>	<u>142,542,775</u>
Total liabilities and net assets	<u>\$ 421,600,700</u>	<u>\$ 376,442,360</u>

**Lutheran Services for the Aging, Inc. and  
Lutheran Family Services in the Carolinas and Affiliates  
Consolidated Statements of Operations and Changes in Net Assets  
Years Ended September 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Changes in net assets without donor restrictions:		
Revenues and other support:		
Net patient service revenue	\$ 156,767,022	\$ 120,637,028
Amortization of deferred entrance fees	4,209,815	1,995,964
Service fees - state, county and other	9,071,500	9,895,965
Federal grants and other	15,038,807	11,113,702
Net assets released from restrictions for operating purposes	1,412,189	711,330
Management fees	1,005,429	1,163,594
Other revenue	3,094,398	1,811,862
Total revenue	<u>190,599,160</u>	<u>147,329,445</u>
Expenses:		
Salaries and wages	88,909,019	68,185,971
Employee benefits	14,415,973	12,791,290
Supplies and other	63,337,311	46,335,381
Medicaid bed assessment	4,296,846	2,008,424
Marketing expense	791,833	790,954
Depreciation and amortization	9,934,713	6,389,010
Interest expense	3,332,668	3,706,596
Total operating costs and expenses	<u>185,018,363</u>	<u>140,207,626</u>
Operating income	5,580,797	7,121,819
Nonoperating gains (losses):		
Investment income	4,582,076	6,158,947
Unrealized gains (losses) on investments	4,404,714	(8,391,959)
Net gain on disposal of property and equipment	295,496	147,772
Contributions	2,316,349	14,285,064
Loss on extinguishment of debt	-	(756,112)
Employee retention credit	-	7,090,516
Other nonoperating gains (losses)	(385,940)	-
Total net nonoperating gains	<u>11,212,695</u>	<u>18,534,228</u>
Excess of revenues over expenses	<u>16,793,492</u>	<u>25,656,047</u>

**Lutheran Services for the Aging, Inc. and  
Lutheran Family Services in the Carolinas and Affiliates  
Consolidated Statements of Operations and Changes in Net Assets  
Years Ended September 30, 2023 and 2022**

**(Continued)**

	<b>2023</b>	<b>2022</b>
Excess of revenues over expenses	<b>\$ 16,793,492</b>	\$ 25,656,047
Other changes in net assets without donor restrictions:		
Net asset released from restrictions for capital purposes	<b>160,518</b>	223,421
Contributions of equity	<b>5,437,540</b>	17,570,990
Other	-	11,664
Change in net assets without donor restrictions	<b>22,391,550</b>	43,462,122
Changes in net assets with donor restrictions:		
Contributions and grants	<b>2,088,250</b>	1,362,238
Investment income	<b>361,966</b>	149,024
Unrealized gains (losses) on investments	<b>327,291</b>	(1,535,475)
Net assets released from restrictions	<b>(1,572,707)</b>	(934,751)
Change in net assets with donor restrictions	<b>1,204,800</b>	(958,964)
Change in net assets	<b>23,596,350</b>	42,503,158
Net assets at beginning of year	<b>142,542,775</b>	100,039,617
Net assets at end of year	<b>\$ 166,139,125</b>	\$ 142,542,775

**Lutheran Services for the Aging, Inc. and  
Lutheran Family Services in the Carolinas and Affiliates  
Consolidated Statements of Cash Flows  
Years Ended September 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 23,596,350	\$ 42,503,158
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	9,934,713	6,389,010
Amortization of debt issuance costs, discount, and premiums	(471,811)	102,544
Net gain on disposal of property and equipment	(295,496)	(147,772)
Loss on early extinguishment of debt	-	756,112
Provision for bad debt	2,183,685	3,142,390
Amortization of deferred entrance fees	(4,209,815)	(1,995,964)
Receipt of non-refundable entrance fees	29,681,245	24,482,570
Equity in income of joint ventures	(2,984,026)	(4,257,765)
Dividends received from equity investment	526,500	2,013,360
Realized gains on investments	(550,966)	(317,882)
Unrealized (gains) losses on investments	(4,732,005)	9,927,434
Contributions of equity	(5,437,540)	-
Changes in assets and liabilities:		
Accounts receivable, residents and clients	(7,656,437)	(5,317,691)
Other receivables	2,764,771	(2,524,627)
Employee retention credit receivable	(80,344)	(5,851,233)
Other assets	(1,177,778)	(450,429)
Accounts payable and other accrued liabilities	(1,874,940)	(2,203,519)
Deferred revenue from grants and other	(57,616)	(1,288,886)
Other liabilities	161,181	37,006
Net cash provided by operating activities	<u>39,319,671</u>	<u>64,997,816</u>
Cash flows from investing activities:		
Purchase of property and equipment	(17,543,689)	(44,155,882)
Proceeds from sale of property and equipment	-	18,726
Cash assumed from acquisition of GlenFlora	2,190,426	-
Purchase of investments	(50,612,832)	(55,648,273)
Proceeds from sale of investments	32,740,470	61,927,744
Net cash used in investing activities	<u>(33,225,625)</u>	<u>(37,857,685)</u>
Cash flows from financing activities:		
Proceeds from issuance of debt obligations	3,918,938	65,562,966
Payment of bond issuance costs	-	(1,012,789)
Principal payments on debt	(9,533,993)	(79,682,762)
Receipt of refundable entrance fees	9,542,047	10,050,671
Refunds of refundable fees	(6,712,712)	(3,868,614)
Change in obligations under capital leases and other liabilities	(46,397)	(7,593)
Net cash used by financing activities	<u>(2,832,117)</u>	<u>(8,958,121)</u>
Net increase in cash, cash equivalents, and restricted cash	3,261,929	18,182,010
Cash, cash equivalents, and restricted cash, beginning of year	<u>65,196,322</u>	<u>47,014,312</u>
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 68,458,251</u>	<u>\$ 65,196,322</u>

Supplemental cash flow disclosure information:



**Lutheran Services for the Aging, Inc. and  
Lutheran Family Services in the Carolinas and Affiliates  
Consolidated Statements of Cash Flows  
Years Ended September 30, 2023 and 2022**

(Continued)

	<b>2023</b>	<b>2022</b>
Interest paid, net of amounts capitalized	<u>\$ 3,814,439</u>	<u>\$ 3,108,674</u>
Noncash investing and financing activities:		
Assumption of cash for Aston Park	<u>\$ -</u>	<u>\$ 1,735,985</u>
Assumption of resident funds for Aston Park	<u>\$ -</u>	<u>\$ 26,373</u>
Assumption of investments for Aston Park	<u>\$ -</u>	<u>\$ 8,389,677</u>
Assumption of patient accounts receivable for Aston Park	<u>\$ -</u>	<u>\$ 866,830</u>
Assumption of other receivable for Aston Park	<u>\$ -</u>	<u>\$ 1,249,331</u>
Assumption of inventories for Aston Park	<u>\$ -</u>	<u>\$ 110,993</u>
Assumption of prepaid expense for Aston Park	<u>\$ -</u>	<u>\$ 164,554</u>
Assumption of property and equipment for Aston Park	<u>\$ -</u>	<u>\$ 4,561,471</u>
Assumption of resident funds for GlenFlora	<u>\$ 45,175</u>	<u>\$ -</u>
Assumption of investments for GlenFlora	<u>\$ 4,094</u>	<u>\$ -</u>
Assumption of patient accounts receivable for GlenFlora	<u>\$ 867,970</u>	<u>\$ -</u>
Assumption of other receivable for GlenFlora	<u>\$ 299,482</u>	<u>\$ -</u>
Assumption of inventories for GlenFlora	<u>\$ 13,936</u>	<u>\$ -</u>
Assumption of prepaid expense for GlenFlora	<u>\$ 44,073</u>	<u>\$ -</u>
Assumption of property and equipment for GlenFlora	<u>\$ 3,138,247</u>	<u>\$ -</u>
Assumption of accounts payable for GlenFlora	<u>\$ 238,419</u>	<u>\$ -</u>
Assumption of other accrued liabilities for GlenFlora	<u>\$ 161,365</u>	<u>\$ -</u>
Assumption of pension liability for GlenFlora	<u>\$ 637,917</u>	<u>\$ -</u>
Assumption of deferred revenue for GlenFlora	<u>\$ 15,682</u>	<u>\$ -</u>
Assumption of other liabilities for GlenFlora	<u>\$ 112,480</u>	<u>\$ -</u>

## **Notes to Consolidated Financial Statements**

### **1. Operations and Summary of Significant Accounting Policies**

#### ***Nature of Organization***

Effective July 1, 2011, Lutheran Services for the Aging, Inc. and Lutheran Family Services in the Carolinas and Affiliates (the "Organizations") underwent an organizational restructure forming a collective ministry. Lutheran Services for the Aging, Inc. and Lutheran Family Services in the Carolinas and Affiliates are affiliated with the Evangelical Lutheran Church in America ("ELCA"). The financial statements are presented on a consolidated basis due to the existence of both an economic interest and control.

Lutheran Services for the Aging, Inc. and Affiliates ("LSA") is a nonprofit senior services provider throughout North Carolina and South Carolina. LSA is supported primarily through service fees, contributions, and investment earnings. LSA owns and operates nine nursing homes, four retirement centers, one assisted living residence, an adult day services program, home care services, and provides associated ancillary and management services.

Lutheran Family Services in the Carolinas and Affiliates ("LFS") is a nonprofit child and family services organization. LFS has various types of programs (adoption, partnership initiatives, community-based counseling and family services, foster care, inmate/family consultation and support, disaster response, refugee and immigration services, residential services for adults, and residential services for children) which provide services throughout North Carolina and South Carolina. LFS is supported primarily through service fees, contributions, and grants. LFS is managed by LSA under a management agreement.

#### ***Program of All-Inclusive Care for the Elderly***

LSA is a member of four nonprofit organizations: Senior TLC, Inc., PACE of Guildford and Rockingham Counties, Inc., PACE @ Home, Inc., and PACE of the Southern Piedmont. The nonprofits provide services to seniors through Program of All-Inclusive Care for the Elderly ("PACE") programs. PACE programs provide comprehensive long-term services and support to Medicaid and Medicare enrollees. An interdisciplinary team of health professionals provides individuals with coordinated care.

During 2012, LSA entered into a revolving credit agreement with Senior TLC, Inc. as the lender for an amount not to exceed \$1,000,000 at any one time with an interest rate of 5% per annum; interest began to accrue January 1, 2016. Principal payments equal to the excess of cash above 60 days cash on hand will begin the month following the month in which Senior TLC, Inc. achieves 60 days cash on hand. As of September 30, 2023 and 2022, the line had a balance of \$0.

Effective June 1, 2020 LSA purchased a 15% equity interest in PACE of Guildford and Rockingham Counties, Inc. for approximately \$1,400,000. Investments without readily determinable fair values are accounted for at cost less impairment. No impairment has been recognized on the investment in PACE of Guildford and Rockingham Counties, Inc. as of September 30, 2023 and 2022.

**Lutheran Services for the Aging, Inc. and  
Lutheran Family Services in the Carolinas and Affiliates  
Notes to Consolidated Financial Statements**

Effective October 2019, LSA had a 50% equity interest in PACE @ Home, Inc. As of September 30, 2023 and 2022, the investment with PACE @ Home, LLC was approximately \$1,162,000 and \$458,000, respectively, and is accounted for under the equity method of accounting. Condensed financial information for PACE @ Home, LLC at September 30:

<u>2023</u>	<u>PACE @ Home, Inc.</u>	<u>50% equity interest PACE @ Home, Inc.</u>
Assets	\$ 6,887,882	\$ 3,443,942
Liabilities	4,378,427	2,189,214
Equity	2,509,455	1,254,728
Net Income	1,332,586	666,293

<u>2022</u>	<u>PACE @ Home, Inc.</u>	<u>50% equity interest PACE @ Home, Inc.</u>
Assets	\$ 3,051,454	\$ 1,525,727
Liabilities	2,085,170	1,042,585
Equity	966,284	483,142
Net Income	641,833	320,917

LSA has guaranteed 50% of PACE @ Home, Inc.'s debt with a total amount of \$1,000,000. LSA would be obligated to perform under this guarantee should PACE @ Home, Inc. fail to make required payments to the lender when due. In addition LSA has guaranteed certain other liabilities in PACE @ Home, Inc.'s balance sheet. There was no outstanding balance as of September 30, 2023 and 2022.

Effective June 29, 2020 LSA purchased a 50% equity interest in PACE of Southern Piedmont, Inc. for approximately \$7,000,000. In November 2021, LSA received a \$500,000 equalization payment from the other owner of PACE of Southern Piedmont. As of September 30, 2023 and 2022, the investment with PACE of Southern Piedmont, Inc. was approximately \$9,043,000 and \$8,354,000, respectively, and is accounted for under the equity method of accounting. Condensed financial information for PACE of Southern Piedmont, Inc. at September 30:

<u>2023</u>	<u>PACE of Southern Piedmont</u>	<u>50% equity interest PACE of Southern Piedmont</u>
Assets	\$ 10,288,111	\$ 5,144,056
Liabilities	4,253,175	2,126,588
Equity	6,034,936	3,017,468
Net income	413,397	206,699
Distributions	-	-

<u>2022</u>	<u>PACE of Southern Piedmont</u>	<u>50% equity interest PACE of Southern Piedmont</u>
Assets	\$ 8,993,100	\$ 4,496,550
Liabilities	4,463,847	2,231,923
Equity	4,529,253	2,264,627
Net income	2,181,830	1,090,915
Distributions	-	-

**Lutheran Services for the Aging, Inc. and  
Lutheran Family Services in the Carolinas and Affiliates  
Notes to Consolidated Financial Statements**

***Unity Senior Care Group, LLC***

LSA is a 5.6% member of Unity Senior Care Group, LLC ("Unity"). Unity was formed in 2011 as a risk purchasing group, consisting of LSA and seventeen other nonprofit healthcare facilities. Unity administers and facilitates the purchase of group insurance, currently limited to professional, general liability, and workers compensation on behalf of its members. Each member has its own individual policy with the respective insurance company. The investment in Unity is accounted for at cost. There were no capital contributions nor any income (loss) for Unity in 2023 or 2022.

***Trinity Rehab, LLC***

LSA originally had a 50% equity interest in Trinity Rehab, LLC. In January 2022, LSA sold 20% of its ownership. Formed during 2013, Trinity Rehab, LLC provides therapeutic services for residents of LSA. As of September 30, 2023 and 2022, the investment with Trinity Rehab, LLC was approximately \$299,000 and \$317,000, respectively, and is accounted for under the equity method of accounting. Condensed financial information for Trinity Rehab, LLC at September 30:

<u>2023</u>	<u>Trinity Rehab, LLC</u>	<u>30% Equity Interest LSA Therapy, Inc.</u>
Assets	\$ 4,001,423	\$ 1,200,433
Liabilities	1,367,755	410,327
Equity	2,633,668	790,106
Net Income (30%)	2,311,495	693,448
Dividends (30%)	1,755,000	526,500

<u>2022</u>	<u>Trinity Rehab, LLC</u>	<u>50% through 12/31/21 30% 1/1/2022 – 9/30/22 LSA Therapy, Inc.</u>
Assets	\$ 3,347,525	\$ 1,004,258
Liabilities	1,270,352	381,106
Equity	2,077,173	623,152
Net Income Q1 (50%)	1,792,837	896,419
Net income Q2-Q4 (30%)	1,188,373	356,512
Dividends Q1 (50%)	1,836,000	918,000
Dividends Q2-Q4 (30%)	611,200	183,360
Other Distributions (50%)	1,404,806	702,403

At September 30, 2023 and 2022, the Organizations had approximately \$644,000 and \$596,000, respectively, in accounts payable due to Trinity Rehab, LLC. The Organizations had incurred approximately \$10,900,000 and \$7,000,000 in expenses to Trinity Rehab, LLC for rehabilitative services, included under the supplies and other expense line item in the years ended September 30, 2023 and 2022, respectively.

Distributions received from equity method investees are classified in the consolidated statement of cash flows under the cumulative earnings approach, in which distributions received are considered returns on investment and classified as cash inflows from operating activities, unless the cumulative distributions received less distributions received in prior periods that were determined to be returns of investment exceed cumulative equity in earnings recognized. When such an excess occurs, distribution up to this excess would be considered a return of investment and classified as cash inflows from investing activities.

**Lutheran Services for the Aging, Inc. and  
Lutheran Family Services in the Carolinas and Affiliates  
Notes to Consolidated Financial Statements**

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***Income Taxes***

Substantially all Affiliates of LSA and LFS are organized as North Carolina nonprofit organizations and are exempt from income taxes under Internal Revenue Code (IRC) Section 501(c)(3) under a group exemption of the ELCA. LFS Real Properties, Inc. is exempt under IRC Section 501(c)(2).

The Organizations record a liability for any tax position taken that is beneficial to the Organizations, including any related interest and penalties, when it is more likely than not the position of management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of September 30, 2023.

***Principles of Consolidation***

The consolidated statements include balances of Lutheran Services for the Aging, Inc., Lutheran Family Services in the Carolinas, LSA Management, Inc., LSA Pharmacy, Inc., Lutheran Home - Albemarle, Inc., Lutheran Home - Hickory, Inc., Lutheran Home at Trinity Oaks, Inc., Lutheran Home - Hickory West, Inc., Lutheran Home - Winston Salem, Inc., Lutheran Home - Forsyth County, Inc., Lutheran Home - Wilmington, Inc., Lutheran Home Albemarle Property, Inc., Lutheran Home Hickory Property, Inc., Lutheran Home Trinity Oaks Property, Inc., Lutheran Home Hickory West Property, Inc., Lutheran Home Winston-Salem Property, Inc., Lutheran Home Forsyth County Property, Inc., Lutheran Home Wilmington Property, Inc., Lutheran Services Property, Inc., Lutheran Retirement Center - Salisbury, Inc., Lutheran Retirement Center - Wilmington, Inc., Lutheran Retirement Center at Lutheridge, Inc., LSA Elms at Tanglewood, Inc., LSA Elms Property, Inc., The Foundation for Abundant Living, Abundant Living Adult Day Services, Inc., LSA Therapy, Inc., Trinity at Home, Inc., Trinity Guardian Services, Inc., LFS Real Properties, Inc., Mountain Ridge Home, Inc., Lutheran Retirement Center - Clemmons Inc., Whittecar Home, Inc., and Dallas High School Apartments, Inc. Transactions between affiliated organizations are eliminated in the consolidated financial statements.

On September 1, 2022, Aston Park Heath Care Center (Aston Park) in Asheville, NC became an affiliate of Lutheran Services for the Aging, Inc. Aston Park is a nonprofit organization that has 120 skilled nursing beds and 19 assisted living beds.

On October 1, 2022, GlenFlora became an affiliate of Lutheran Services for the Aging, Inc. GlenFlora is a nonprofit organization that has 52 skilled nursing beds and 20 assisted living beds.

***Basis of Presentation***

The consolidated financial statements have been prepared on the accrual basis of accounting. In preparing its consolidated financial statements, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and the 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 management actions of the Organizations and/or by the passage of time. This also includes net assets subject to donor-imposed stipulations that they be maintained permanently by the Organizations. Generally, the donors of these assets permit the Organizations to use all or part of the earnings on related investments for general or specific purposes.

***Cash and Cash Equivalents***

LSA and LFS consider all unrestricted short-term investments with an original maturity of three-months or less when purchased to be cash equivalents. The Organizations maintain their cash accounts with high quality financial

**Lutheran Services for the Aging, Inc. and  
Lutheran Family Services in the Carolinas and Affiliates  
Notes to Consolidated Financial Statements**

institutions, which at times, exceed federally insured limits. They have not experienced any losses in such accounts and do not believe they are exposed to any significant credit risk on cash.

Restricted cash is included with cash and cash equivalents in the consolidated statements of cash flows. The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated balance sheets that sum to the total amounts shown in the statements of cash flows for the period ended September 30:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 55,862,551	\$ 52,172,064
Residents' funds	276,509	222,680
Assets limited as to use:		
Investments - temporarily restricted	32,947	39,125
Assets limited to use - deposits held in escrow	-	2,790,010
Bond funds	10,845,191	8,375,704
Assets restricted by donor for investment in PPE	<u>1,441,053</u>	<u>1,596,739</u>
Total cash, cash equivalents and restricted cash shown in statements of cash flows	<u>\$ 68,458,251</u>	<u>\$ 65,196,322</u>

**Net Service Fees**

Net service fees for the Organizations are reported at the estimated net realizable amounts from clients, third party payors and others for services rendered.

LSA provides services to patients covered under the Medicaid and Medicare programs. LFS provides services to clients utilizing Medicaid and through contractual arrangements with managed care organizations for developmental disabilities, mental health, and substance abuse services and others located in North and South Carolina. During 2023 and 2022, approximately 59% and 54%, respectively, of net service revenue was derived from services provided under these arrangements. Likewise, a substantial portion of accounts receivable are due from these agencies. Management does not believe there are significant credit risks with these programs.

Payment arrangements include prospectively determined rates. However, federal and state regulations provide for certain retroactive adjustments, to current and prior years' payment rates, based on industry-wide and entity-specific data. Provisions for estimated third-party settlements are provided in the period the related services are rendered. Any differences between estimated final settlement amounts and actual final settlements are recorded in the year the final settlement is determined.

The Organizations perform an evaluation of the collectability of net revenues recorded and records an allowance for doubtful accounts. Provisions for doubtful accounts is primarily estimated based on cash collection analysis by payor classification and the age of the account. When considering the adequacy of allowances for doubtful accounts, receivable balances are routinely reviewed in conjunction with historical collection rates, industry trends, and other business and economic conditions that might reasonably be expected to affect the collectability of accounts. Accounts receivable are written off after collection efforts have been pursued in accordance with established policies and procedures.

**Inventory**

Inventory consists of pharmaceutical, medical, housekeeping, and dietary supplies and is stated at the lower of cost (first-in, first-out) or net realizable value.

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***Investments***

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values on the consolidated balance sheets. Management believes investments to be trading securities and as such unrealized gains and losses are included in the performance indicator.

***Fair Value of Financial Instruments***

The carrying amount of cash and cash equivalents approximates its fair value. The fair value of the Organizations' investments is presented in Note 10 and is based on quoted market prices. The carrying values of accounts receivable, third-party reserves, other receivables, accounts payable, and accrued expenses approximate fair value due to the short-term nature of these instruments. The fair value of the long-term debt was estimated using discounted cash flows based on market yield on comparable bonds for a similar type of borrowing arrangement. The Organizations' debt carrying values approximate fair values of those obligations.

***Fair Market Measurements***

The Organizations follow the Fair Value Measurements accounting standard. Under this standard, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

- **Level 1** - Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organizations have the ability to access.
- **Level 2** - Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.
- **Level 3** - Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

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

Additionally, from time to time, the Organizations may be required to record at fair value other assets on a nonrecurring basis in accordance with generally accepted accounting principles. These adjustments to fair value usually result from the application of the lower-of-cost-or-market accounting or write down of individual assets.

***Assets Limited as to Use***

Assets limited as to use, reported at fair value, include donor-restricted endowment funds, assets temporarily restricted for long-term purposes, assets reserved in accordance with statutory operating reserve requirements, waiting list deposits held in escrow, bond funds restricted under debt agreements - (money market funds, equity mutual funds, fixed income mutual funds and U.S. Government Securities mutual funds), and funds designated by the Board of Trustees for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes.

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***Property and Equipment***

Property and equipment expenditures are capitalized at cost. The Organizations' capitalization policy requires individual assets greater than \$1,000 for LSA and \$2,500 for LFS with a useful life of two or more years to be capitalized. Depreciation of property and equipment is provided for by the straight-line method over the following estimated useful lives:

Land improvements	5 – 25 years
Buildings	27 – 40 years
Building improvements	20 years
Certificate of need	15 years
Leasehold improvements and furnishings and equipment	5 years
Computer software	3 – 5 years
Automotive equipment	5 years

Leasehold improvements are depreciated using the shorter of their useful life or the lease term.

Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets and depreciated over the estimated useful lives by the straight-line method of depreciation.

Property and equipment includes purchases through and for use in government programs. Under the terms of these programs' agreements, title to the property and equipment shall revert back to the contracting governmental agency upon termination of the contract. As of September 30, 2023 and 2022, property and equipment costs incurred under the above-mentioned contracts were approximately \$613,000 with a net carrying value of approximately \$194,000 and \$183,000, respectively, subject to potential future reversion.

The Organizations evaluate, on an on-going basis, the carrying value of property and equipment based on estimated future undiscounted cash flows. In the event such cash flows are not expected to be sufficient to recover the carrying value of the assets, the useful lives of the assets are revised or the assets are written down to their estimated fair values.

***Debt Issuance Costs***

Debt issuance costs are being amortized using the straight-line method, which approximates the effective interest method, over the term of the related financing agreement and are offset against long-term debt on the consolidated balance sheets.

***Advance Fees***

Fees paid by a resident upon entering into a residency agreement at Trinity Oaks and Trinity Landing - LSA's continuing care retirement communities, net of the portion thereof that is refundable to the resident, are recorded as deferred revenue and are amortized to income using the straight-line method over the estimated remaining life expectancy of the resident.



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Through July 31, 2013, Trinity Oaks offered two types of agreements. One type, the 80% Entrance Fee Refund Plan, states the refund is equal to the entrance fee less a four percent (4%) non-refundable fee paid at time of occupancy and by one percent (1%) per month for the first 16 months of occupancy, after which 80% of the entrance fee is refundable. The other type, the Limited Refund Plan, states the refund for apartments is equal to the entrance fee less a four percent (4%) non-refundable fee paid at time of occupancy and two percent (2%) per month for the first 48 months, after which the entrance fees is non-refundable; the refund for cottages under the Limited Refund Plan is equal to the Entrance Fee, which is comprised of the basic Cottage fee and selected Major Options, reduced by five percent (5%) per month, or any portion of a month of occupancy for the first twenty (20) months of occupancy. Following twenty (20) months of occupancy, there is no refund on any amount paid by the resident. Any refund is payable upon re-occupancy or within two years, whichever occurs first. LSA records a current portion of advance fees that is expected to be refunded in the next year.

Beginning August 1, 2013, Trinity Oaks offers three types of agreements. The 90% Refund Plan, states the refund is equal to the entrance fee less a one percent (1%) non-refundable fee paid at time of occupancy and by one half percent (0.5%) per month for the first 18 months of occupancy, after which 90% of the entrance fee is refundable. The 50% Refund Plan, states the refund is equal to the entrance fee less two percent (2%) non-refundable fee paid at time of occupancy and by one percent (1%) per month for the first 48 months of occupancy, after which 50% of the entrance fee is refundable. The Limited Refund Plan, states the refund is equal to the entrance fee less a four percent (4%) non-refundable fee paid at the time of occupancy and two percent (2%) per month for the first 48 months, after which the entrance fee is non-refundable. Any refund is payable upon re-occupancy.

Trinity Landing opened during 2022 and offers three types of agreements. The 90% Refund Plan, states the refund is equal to the entrance fee less a one percent (1%) non-refundable fee paid at time of occupancy and by one half percent (0.5%) per month for the first 18 months of occupancy, after which 90% of the entrance fee is refundable. The 50% Refund Plan, states the refund is equal to the entrance fee less two percent (2%) non-refundable fee paid at time of occupancy and by one percent (1%) per month for the first 48 months of occupancy, after which 50% of the entrance fee is refundable. The Limited Refund Plan, states the refund is equal to the entrance fee less a four percent (4%) non-refundable fee paid at the time of occupancy and two percent (2%) per month for the first 48 months, after which the entrance fee is non-refundable. Any refund is payable upon re-occupancy.

***Contributions, Grants, and Federal Awards***

Contributions, grants, and federal awards received by the Organizations are recorded as support with donor restrictions or support without donor restrictions depending on the existence and/or nature of any donor/grantor restrictions. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return or release - are recognized when the conditions on which they depend are substantially met. Certain grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-adjusted interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue.

***Donated Assets and Services***

Donated materials and property and equipment are recorded at their estimated fair values at the date of receipt and are reflected as contributions in the accompanying consolidated financial statements. The Organizations do not imply time restrictions on gifts of long-lived assets. Various contributed services are performed for the Organizations by volunteers. The services are significant and form an integral part of the efforts of the Organizations, but these services do not meet the criteria for recognition as contributed services.

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***Advertising***

The cost of advertising is expensed as incurred. LSA and LFS incurred advertising costs of approximately \$987,000 and \$32,000, respectively, for the year ended September 30, 2023 and approximately \$750,000 and \$41,000, respectively, for the year ended September 30, 2022.

***Derivatives***

Derivative financial instruments, such as interest rate swap agreements, are recognized in the consolidated financial statements and measured at fair value, regardless of the purpose or intent for holding them. The carrying value of LSA's financial instruments approximate fair value. Fair value is based on estimates using present value or other valuation techniques.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements, and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Risk Management***

The Organizations are exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; employee health, dental, and accident benefits; and medical malpractice. Commercial insurance and stop loss coverage is purchased for claims arising from such matters, subject to various deductibles.

**2. Revenue Recognition**

The Company generates revenues, primarily by providing housing and health services to its residents and patients. The following streams of revenue are recognized as follows:

Monthly service fees:

The residency agreement that residents sign requires an advanced fee and monthly fees based upon the type of space they are applying for. Resident fee revenue for recurring and routine monthly services is generally billed monthly in advance. Payment terms are usually due within 30 days. The services provided encompass social, recreational, dining along with assisted living and nursing care and these performance obligations are earned each month. Under ASC Topic 606, management has determined that the performance obligation for the standing obligation to provide the appropriate level of care is the predominant component and does not contain a lease component under ASC Topic 842. Resident fee revenue for non-routine or additional services are billed monthly in arrears and recognized when the service is provided.

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Entrance fees:

The nonrefundable entrance fees are recognized as deferred revenue upon receipt of the payment and included in liabilities on the consolidated balance sheet until the performance obligations are satisfied. The refundable portion of an entrance fee is not considered part of the transaction price and as such is recorded as a liability on the consolidated balance sheet. Additionally, management has determined the contracts do not contain a significant financing component as the advanced payment assures residents priority access to health care in the future. These deferred amounts are then amortized on a straight-line basis into revenue monthly over the life of the resident as the performance obligation is the material right associated with access to future services as described in FASB ASC 606-10-55 paragraph 42 and 51.

Net Patient Service Revenue:

LSA provides assisted living and nursing care to residents and other patients who are covered by government, commercial, and private payers. The Organizations are paid fixed daily rates from government payors. The fixed daily rates and other fees are billed in arrears monthly. The monthly fees represent the most likely amount to be received from the 3rd party payors. Most rates are predetermined from the Centers for Medicare and Medicaid Services ("CMS"). Under ASC Topic 606, management has elected to utilize the portfolio approach in aggregating the revenues under these revenue streams.

Service fees:

LFS provides services to individuals utilizing Medicaid and through contractual arrangements with managed care organizations for developmental disabilities, mental health, and substance abuse services and others located in North and South Carolina. The Organizations are paid fixed daily rates from government payors. The fixed daily rates and other fees are billed in arrears monthly. The monthly fees represent the most likely amount to be received from the third-party payors. Most rates are predetermined from the Centers for Medicare and Medicaid Services ("CMS"). Under ASC Topic 606, management has elected to utilize the portfolio approach in aggregating the revenues under these revenue streams.

Federal and other grants:

LFS provides a variety of services for children, refugees, and natural disaster victims in North and South Carolina through funding received from grants. Most of these grants are performed on the reimbursement basis, whereby expenses will be incurred and services performed which will result in funding being requested (and revenue earned) monthly based on the costs incurred and services performed within that month. Lutheran Family Services also receives some grants which are reimbursed based on rates of beneficiaries served under the program or based on a rate multiplied by the hours of employees working on the contract. Note that these are usually daily or hourly rates which are billed for monthly and as a result are earned over time as the services are being performed.

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The Organizations disaggregate revenue from contracts with customers by payor source, as the Organizations believe it best depicts how the nature, timing and uncertainty of its revenues and cash flows are affected by economic factors. See details on a reportable segment basis in the table below:

<b>September 30, 2023</b>							
	<u>Nursing</u>	<u>Property</u>	<u>Retirement</u>	<u>Other Operations</u>	<u>Other</u>	<u>Family Services</u>	<u>Total</u>
Government reimbursement	\$ 72,868,057	\$ -	\$ 123,341	\$ 473,179	\$ 3,900	\$ 18,580,198	\$ 92,048,675
Private pay	31,408,863	-	26,938,782	5,270,948	-	-	63,618,593
Commercial	8,409,208	-	-	-	-	-	\$8,409,208
Federal & state grants	198,239	-	-	-	-	15,045,023	15,243,262
Management income	26,583	11,100	40,714	-	1,201,353	-	1,279,750
Other income	513,929	-	57,333	5,695,303	-	29,505	6,296,070
Concessions income	<u>788,464</u>	<u>332,998</u>	<u>1,100,735</u>	<u>60,481</u>	<u>41,753</u>	<u>77,506</u>	<u>2,401,937</u>
Total	<u>\$114,213,343</u>	<u>\$ 344,098</u>	<u>\$ 28,260,905</u>	<u>\$ 11,499,911</u>	<u>\$ 1,247,006</u>	<u>\$ 33,732,232</u>	<u>\$189,186,971</u>

<b>September 30, 2022</b>							
	<u>Nursing</u>	<u>Property</u>	<u>Retirement</u>	<u>Other Operations</u>	<u>Other</u>	<u>Family Services</u>	<u>Total</u>
Government reimbursement	\$ 54,863,662	\$ -	\$ 109,456	\$ 296,960	\$ 58,422	\$ 18,454,872	\$ 73,783,372
Private pay	28,407,764	-	15,451,981	5,018,631	-	-	48,878,376
Commercial	5,288,456	-	-	103,104	-	-	5,391,560
Federal & state grants	2,255,023	-	25,203	79,083	-	8,518,170	10,877,479
Management income	26,583	6,126	61,071	-	1,059,281	-	1,153,061
Other income	11,093	-	3,299	5,429,891	-	311,760	5,756,043
Concessions income	<u>301,627</u>	<u>-</u>	<u>406,959</u>	<u>61,635</u>	<u>8,003</u>	<u>-</u>	<u>778,224</u>
Total	<u>\$ 91,154,208</u>	<u>\$ 6,126</u>	<u>\$ 16,057,969</u>	<u>\$ 10,989,304</u>	<u>\$ 1,125,706</u>	<u>\$ 27,284,802</u>	<u>\$146,618,115</u>

### **3. Liquidity and Availability**

As part of its liquidity management, the Organizations have a policy to structure financial assets to be available as general expenditures, liabilities, and other obligations come due. In addition, the Organizations invest cash in excess of daily operating funds in short-term investments such as treasury bills, certificates of deposit, and money market funds.

The following schedule explains the Organizations' financial assets to meet cash needs for general expenditures within one year. The financial assets were derived from the total assets on the consolidated balance sheets by excluding the assets that are unavailable for general expenditures in the next 12 months. The Organizations seek to maintain sufficient liquid assets to cover 120 days' operating and capital expenditures.

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Financial assets available for general expenditure within one year of the consolidated balance sheets date, consist of the following as of September 30:

<b>Asset Categories</b>	<b>2023</b>	<b>2022</b>
Cash and cash equivalents	\$ 55,862,551	\$ 52,172,064
Investments	52,527,232	24,207,861
Accounts receivable, residents and clients, net	23,223,232	16,814,641
Current portion of other receivables	1,672,724	4,514,273
Employee retention credit receivables	<u>5,931,577</u>	<u>5,851,233</u>
	<u>\$ 139,217,316</u>	<u>\$ 103,560,072</u>

**4. Pledges Receivable**

Pledges receivable are included within other receivables on the consolidated balance sheets. Pledges receivable for LSA are summarized as follows:

	<b>2023</b>	<b>2022</b>
Receivable in less than one year	\$ 1,400	\$ 150
Receivable in greater than one year	<u>63,600</u>	<u>79,850</u>
	65,000	80,000
Less allowance for uncollectible pledges	<u>655</u>	<u>655</u>
	<u>\$ 64,345</u>	<u>\$ 79,345</u>

Pledges receivable for LFS are summarized as follows:

	<b>2023</b>	<b>2022</b>
Receivable in less than one year	\$ 10,634	\$ 138,364
Receivable in greater than one year	<u>435,779</u>	<u>494,140</u>
	446,413	632,504
Less allowance for uncollectible pledges	7,358	7,358
Less discounts to net present value	<u>21,735</u>	<u>21,735</u>
	<u>\$ 417,320</u>	<u>\$ 603,411</u>

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**5. Investments**

Investments, including those included in assets limited as to use and bond funds, except for assets restricted for investment in property and equipment, consisted of the following at September 30:

	<u>2023</u>	<u>2022</u>
<b><u>LSA:</u></b>		
Money market funds	\$ 10,852,460	\$ 14,958,894
Marketable equity securities	45,936,920	30,263,644
U.S. government securities	48,168	-
Fixed Income	<u>29,504,824</u>	<u>18,288,682</u>
	<u>86,342,372</u>	<u>63,511,220</u>
<b><u>LFS:</u></b>		
Money market funds	4,052	100
Marketable equity securities	286,863	238,240
Fixed Income	<u>151,144</u>	<u>148,316</u>
	<u>442,059</u>	<u>386,656</u>
Total	<u>\$ 86,784,431</u>	<u>\$ 63,897,876</u>

Investment income is summarized as follows for the year ended September 30:

	<u>2023</u>		
	<u>LSA</u>	<u>LFS</u>	<u>Total</u>
Investments without donor restrictions income	\$ 4,574,724	\$ 7,352	\$ 4,582,076
Investments without donor restrictions unrealized gains	4,404,714	-	4,404,714
Investments with donor restrictions income	354,297	7,669	361,966
Investments with donor restrictions unrealized gains	<u>303,178</u>	<u>24,113</u>	<u>327,291</u>
Total investment income	<u>\$ 9,636,913</u>	<u>\$ 39,134</u>	<u>\$ 9,676,047</u>
	<u>2022</u>		
	<u>LSA</u>	<u>LFS</u>	<u>Total</u>
Investments without donor restrictions income	\$ 6,158,947	\$ -	\$ 6,158,947
Investments without donor restrictions unrealized losses	(8,391,959)	-	(8,391,959)
Investments with donor restrictions income	130,601	18,423	149,024
Investments with donor restrictions unrealized losses	<u>(1,454,933)</u>	<u>(80,542)</u>	<u>(1,535,475)</u>
Total investment income	<u>\$ (3,557,344)</u>	<u>\$ (62,119)</u>	<u>\$ (3,619,463)</u>

The Organizations invest in a combination of money market funds and mutual funds. Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the Organizations' investment balance reported on the consolidated balance sheet.

## **6. Endowment Funds**

The Organizations' endowments consist of numerous individual funds established for a variety of purposes. The endowment funds include both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Organizations have interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of the interpretation, the Organizations classify as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by SPMIFA. Both permanently restricted and temporarily restricted endowments funds have been reported as net assets with donor restriction.

In accordance with SPMIFA, the Organizations consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organizations, and (7) the Organizations' investment policies.

*Investment Return Objectives, Risk Parameters and Strategies.* The Organizations have adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. The investment objective is a balanced asset allocation, while attempting to achieve preservation of capital is a secondary objective. For the Organizations, asset allocation is expected to be 60% equity and 40% income investments.

*Spending Policy.* The Board of Trustees determines annual disbursements from the endowment funds. No distributions from the endowment will be made if the market value of the endowment fund principal becomes less than the original corpus value, unless otherwise stated in the endowment document.

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Following is the endowment net assets composition by type of endowment as of September 30:

	<b>2023</b>		
	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total Net Endowment Assets</u></b>
<b><u>LSA:</u></b>			
Board designated funds	\$ 9,494,087	\$ -	\$ 9,494,087
Donor-restricted endowment funds	<u>-</u>	<u>6,458,158</u>	<u>6,458,158</u>
	<u>9,494,087</u>	<u>6,458,158</u>	<u>15,952,245</u>
<b><u>LFS:</u></b>			
Donor-restricted endowment funds	<u>-</u>	<u>424,772</u>	<u>424,772</u>
Total endowment funds	<u>\$ 9,494,087</u>	<u>\$ 6,882,930</u>	<u>\$ 16,377,017</u>
	<b>2022</b>		
	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total Net Endowment Assets</u></b>
<b><u>LSA:</u></b>			
Board designated funds	\$ 8,449,616	\$ -	\$ 8,449,616
Donor-restricted endowment funds	<u>-</u>	<u>5,759,939</u>	<u>5,759,939</u>
	<u>8,449,616</u>	<u>5,759,939</u>	<u>14,209,555</u>
<b><u>LFS:</u></b>			
Donor-restricted endowment funds	<u>-</u>	<u>391,943</u>	<u>391,943</u>
Total endowment funds	<u>\$ 8,449,616</u>	<u>\$ 6,151,882</u>	<u>\$ 14,601,498</u>



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Changes in endowment net assets for the years ended September 30, 2023 and 2022 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Endowment Assets</u>
<b>LSA:</b>			
Endowment net assets-September 30, 2021	\$ 10,289,067	\$ 7,130,625	\$ 17,419,692
Investment income	512,613	84,247	596,860
Net depreciation	<u>(2,352,064)</u>	<u>(1,454,933)</u>	<u>(3,806,997)</u>
Endowment net assets-September 30, 2022	<u>8,449,616</u>	<u>5,759,939</u>	<u>14,209,555</u>
Investment income	219,210	395,041	614,251
Net appreciation	<u>825,261</u>	<u>303,178</u>	<u>1,128,439</u>
Endowment net assets-September 30, 2023	<u>9,494,087</u>	<u>6,458,158</u>	<u>15,952,245</u>
<b>LFS:</b>			
Endowment net assets-September 30, 2021	-	453,854	453,854
Investment income	-	18,631	18,631
Net depreciation	-	<u>(80,542)</u>	<u>(80,542)</u>
Endowment net assets-September 30, 2022	-	<u>391,943</u>	<u>391,943</u>
Investment income	-	8,716	8,716
Net appreciation	-	<u>24,113</u>	<u>24,113</u>
Endowment net assets-September 30, 2023	-	<u>424,772</u>	<u>424,772</u>
Total	<u>\$ 9,494,087</u>	<u>\$ 6,882,930</u>	<u>\$ 16,377,017</u>

## 7. Property and Equipment

Following is a summary of net property and equipment at September 30:

	<u>2023</u>		
	<u>LSA</u>	<u>LFS</u>	<u>Total</u>
Land	\$ 15,336,641	\$ 239,812	\$ 15,576,453
Land improvements	4,893,431	90,933	4,984,364
Building and building improvements	286,460,488	2,332,591	288,793,079
Certificate of need	4,212,500	-	4,212,500
Leasehold improvements	-	457,420	457,420
Furnishings and equipment	25,561,717	702,079	26,263,796
Computer software	847,235	39,086	886,321
Automotive equipment	1,401,492	763,345	2,164,837
Construction in progress	238,106	-	238,106
	<u>338,951,610</u>	<u>4,625,266</u>	<u>343,576,876</u>
Less accumulated depreciation	<u>(113,666,883)</u>	<u>(2,886,369)</u>	<u>(116,553,252)</u>
Net property and equipment	<u>\$ 225,284,727</u>	<u>\$ 1,738,897</u>	<u>\$ 227,023,624</u>

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	<b>2022</b>		
	<b>LSA</b>	<b>LFS</b>	<b>Total</b>
Land	\$ 13,747,778	\$ 239,812	\$ 13,987,590
Land improvements	4,523,514	90,933	4,614,447
Building and building improvements	255,177,723	2,289,894	257,467,617
Certificate of need	4,212,500	-	4,212,500
Leasehold improvements	-	413,639	413,639
Furnishings and equipment	23,292,142	666,746	23,958,888
Computer software	847,235	39,086	886,321
Automotive equipment	1,281,472	810,371	2,091,843
Construction in progress	<u>11,152,742</u>	<u>-</u>	<u>11,152,742</u>
	314,235,106	4,550,481	318,785,587
Less accumulated depreciation	<u>(100,134,399)</u>	<u>(2,691,532)</u>	<u>(102,825,931)</u>
Net property and equipment	<u>\$ 214,100,707</u>	<u>\$ 1,858,949</u>	<u>\$ 215,959,656</u>

Total depreciation expense for LSA was approximately \$9,552,000 and \$6,196,000 for the years ended September 30, 2023 and 2022, respectively. Total depreciation expense for LFS was approximately \$167,000 and \$193,000 for the years ended September 30, 2023 and 2022, respectively.

## 8. Long-term Debt

Following is a summary of long-term debt at September 30:

	<b>2023</b>		
	<b>LSA</b>	<b>LFS</b>	<b>Total</b>
Bonds Payable:			
Series 2021A	\$107,280,000	\$ -	\$107,280,000
Series 2021B	-	-	-
Series 2021C	<u>34,490,000</u>	<u>-</u>	<u>34,490,000</u>
	<u>141,770,000</u>	<u>-</u>	<u>141,770,000</u>
HUD Loans:			
Section 202	-	131,953	131,953
Section 811	-	<u>249,800</u>	<u>249,800</u>
	<u>-</u>	<u>381,753</u>	<u>381,753</u>
Construction Note Payable	10,978,229	-	10,978,229
Dallas High School Apartments, Inc. Note Payable	679,494	-	679,494
Other Loans	<u>-</u>	<u>240,722</u>	<u>240,722</u>
	153,427,723	622,475	154,050,198
Less current maturities of long-term debt	(5,038,597)	(60,750)	(5,099,347)
Less bond issuance costs, net	(1,801,869)	-	(1,801,869)
Add unamortized bond premiums	<u>9,228,976</u>	<u>-</u>	<u>9,228,976</u>
	<u>\$155,816,233</u>	<u>\$ 561,725</u>	<u>\$ 156,377,958</u>

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	<b>2022</b>		
	<u>LSA</u>	<u>LFS</u>	<u>Total</u>
Bonds Payable:			
Series 2021A	\$108,760,000	\$ -	\$108,760,000
Series 2021B	6,736,451	-	6,736,451
Series 2021C	<u>35,620,000</u>	-	<u>35,620,000</u>
	<u>151,116,451</u>	-	<u>151,116,451</u>
HUD Loans:			
Section 202	-	141,519	141,519
Section 811	-	<u>249,800</u>	<u>249,800</u>
	-	<u>391,319</u>	<u>391,319</u>
Construction Note Payable	7,143,104	-	7,143,104
Dallas High School Apartments, Inc. Note Payable	705,512	-	705,512
Other Loans	-	<u>349,585</u>	<u>349,585</u>
	158,965,067	740,904	159,705,971
Less current maturities of long-term debt	(9,417,667)	(87,937)	(9,505,604)
Less bond issuance costs, net	(2,253,950)	-	(2,253,950)
Add unamortized bond premiums	<u>10,112,150</u>	-	<u>10,112,150</u>
	<u>\$157,405,600</u>	<u>\$ 652,967</u>	<u>\$ 158,058,567</u>

**Bonds Payable**

*Master Trust Indenture:*

In December 2012, LSA entered into a Master Trust Indenture for the purpose of providing for the issuance of obligations by the Obligated Group. The Master Trust Indenture has been amended with subsequent issuances to incorporate additional entities. The Obligated Group consists of LSA entities, specifically Lutheran Services for the Aging, Inc., LSA Management, Inc., LSA Pharmacy, Inc., Lutheran Home-Albemarle, Inc., Lutheran Home-Hickory, Inc., Lutheran Home at Trinity Oaks, Inc., Lutheran Home-Hickory West, Inc., Lutheran Home-Winston-Salem, Inc., Lutheran Home-Forsyth County, Inc., Lutheran Home Forsyth County Property, Inc., Lutheran Home-Wilmington, Inc., Lutheran Home Albemarle Property, Inc., Lutheran Home Hickory Property, Inc., Lutheran Home at Trinity Oaks Property, Inc., Lutheran Home Hickory West Property, Inc., Lutheran Home Winston-Salem Property, Inc., Lutheran Home Wilmington Property, Inc., Lutheran Services Property, Inc., Lutheran Retirement Center-Salisbury, Inc., Lutheran Retirement Center-Wilmington, Inc., Lutheran Retirement Center at Lutheridge, Inc., Lutheran Services for the Aging Foundation, Inc., The Foundation for Abundant Living, Abundant Living Adult Day Services, Inc., LSA Elms at Tanglewood, Inc., LSA Elms Property, Inc., Lutheran Retirement Center – Clemmons, Inc., Lutheran Retirement Center – Hickory, Inc, and Lutheran Retirement Center – Hickory West, Inc. Each member of the Obligated Group is jointly and severally liable for each obligation issued under the Master Trust Indenture.

There are numerous restrictive covenants including requirements regarding debt service coverage ratios, liquidity, minimum fund balance, debt and reserve ratios, restrictions on the sale of assets, restrictions on additional borrowings, requirements to maintain adequate insurance coverage on property and maintenance of its tax-exempt status. Also, certain financial information must be supplied to the specified parties on a timely basis. Management believes that the Obligated Group was in compliance with all debt covenants.

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***Series 2021:***

In June 2021, LSA issued an aggregate of \$118,660,413 (\$109,960,000 PAR and \$8,700,413 premium) tax exempt Health Care Facilities First Mortgage Revenue Refunding Bonds (Lutheran Services for the Aging) Series 2021A Bonds through the North Carolina Medical Care Commission ("Commission") under the Master Trust Indenture and other related agreements. During 2021, LSA also issued \$12,774,767 tax exempt Health Care Facilities First Mortgage Revenue Refunding Bonds Series 2021B Bonds through the Commission. The proceeds were used to refund the outstanding series 2017 and the outstanding Series 2020 Bonds and pay certain expenses incurred in connection with the authorization and issuance of the bonds and for construction of the Trinity Landing Project. In December 2021, LSA also issued \$35,620,000 tax exempt Health Care Facilities First Mortgage Revenue Refunding Bonds Series 2021C Bonds through the Commission (collectively, the "2021 Bonds"). The proceeds of the Series 2021C Bonds were used to refund the outstanding series 2012A Bonds.

The 2021A Bonds mature annually beginning March 1, 2022, in amounts ranging from \$500,000 to \$8,255,000 and bear interest at rates between 3.00 and 5.00% for amounts maturing between 2022 and 2051. The 2021 Bonds are secured by the Obligated Group's Deeds of Trust on real property and fixtures under the Master Trust Indenture. In 2028, certain term bonds due 2036 can be called early. In 2030, certain term bonds due 2041 can be called early, and in 2031, certain term bonds due 2051 can be called early.

***Series 2012A:***

In December 2012, LSA issued \$44,790,000 tax exempt Health Care Facilities First Mortgage Revenue Refunding Bonds (Lutheran Services for the Aging) Series 2012A Bonds through the North Carolina Medical Care Commission ("Commission") under the Master Trust Indenture and other related agreements. The proceeds were used to refund the outstanding Series 2009 and Series 2010 Bonds, as well as other loans and fund debt service reserve fund and issuance costs.

The 2012A Bonds mature annually on March 1 in amounts ranging from \$220,000 to \$220,000 and bear interest at rates between 2.00% and 5.00% for amounts maturing between 2013 and 2042. The 2012A Bonds were secured by the Obligated Group's Deeds of Trust on real property and fixtures under the Master Trust Indenture. The Series 2012A Bonds were fully paid off with the proceeds of the Series 2021C Bonds.

***HUD Loans:***

LFS has a note payable to the U.S. Department of Housing and Urban Development ("HUD") under Section 202, due August 1, 2032, payable in monthly installments of \$1,755, including interest at 8.375%, collateralized by property at Lake Woodard Dr., Raleigh, North Carolina.

LFS has an interest-free note payable to the HUD under Section 811, due immediately in the event that the property is not used for eligible handicapped individuals as defined in the agreement with HUD which expires January 1, 2034, collateralized by property at King Arthur Drive, Cramerton, North Carolina.

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***Construction Notes Payable:***

LSA has a note payable which is a delayed draw term loan in the maximum principal amount of \$14,000,000 to finance the construction, equipping, and furnishing of twenty-four independent living units at Trinity Landing in Wilmington, North Carolina. Interest on this note will accrue at a variable rate per annum equal to the adjusted SOFR rate provided however, in no instance shall the interest rate ever be less than 1.75% per annum (interest rate at September 30, 2022 was 4.74%). Interest on the outstanding principal balance is due monthly beginning in January 1, 2022. Principal payments begin in July 2023. The note was secured by the Obligated Group's Deeds of Trust on real property and fixtures under the Master Trust Indenture.

***Dallas High School Apartments, Inc. Note Payable:***

Upon the acquisition of Dallas High School Apartments, Inc., LSA assumed a promissory note that will be paid in monthly installments of \$2,799 from December 1, 2020 through its maturity date of September 30, 2025. Interest accrues at a rate of 4.375% per annum.

***Paycheck Protection Loans:***

In response to the COVID-19 pandemic, the Coronavirus Aid, Relief and Economic Security ("CARES") Act was signed into law on March 27, 2020. The CARES Act provides for the establishment of the Payroll Protection Program ("PPP"), a new loan program under the Small Business Administration's 7(a) program providing loans to qualifying businesses. Additionally, loans originated under this program may be forgiven, in whole or in part, if certain criteria are met.

The Organizations received total PPP loan funds in the total amount of \$12,761,414 and has elected to account for the receipt of these funds as a government grant by analogy to ASC 958-605.

In order to be forgiven, funds from these loans may only be used to satisfy payroll costs, costs used to continue health care benefits, mortgage payments, rent, utilities, and interest on certain other debt obligations. The Organizations' believe they have used the proceeds of the loans for qualifying expenses under the PPP. However, additional steps must be taken to apply for and receive forgiveness. The loans accrue interest at a rate of 1% and mature five years from the date of the loans. Payments are deferred during the deferral period, which began on the loan origination date and extend for 10 months beyond the last day of the Organizations' covered period. Any unforgiven portion of the PPP loan is payable in equal installments of principal and interest from the end of the deferral period through the scheduled maturity date. In addition, to the extent the loan is not forgiven, any interest accrued during the deferral period is due on the date of the first payment after the end of the deferral period. The entire PPP loans were forgiven during the fiscal year ended 2022.

***Line of Credit:***

In August 2020, LSA entered into a \$7,000,000 revolving line of credit note payable with Truist Bank to fund capitalized interest, if needed, on the Series 2020 Bonds. The line was amended June 2021 reducing the available amount to \$4,000,000. The line of credit will mature on August 6, 2024. Repayment of the line of credit includes principal and interest beginning October 1, 2020 and due on the first month of each month thereafter. Interest is calculated at the rate of LIBOR plus 1.75% based on leverage ratio until converted to daily, weekly or adjusted rate for amounts maturing 2024. The line of credit is secured by the Obligated Group's Deeds of Trust on real property and fixtures under the Master Trust Indenture. No amount was outstanding on the line of credit as of September 30, 2023 and 2022.

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**Other Loans:**

Remaining debt consists primarily of long-term mortgages and vehicle loans. The interest rates for other loans ranged from 0% to 6.64% at September 30, 2022. The Organizations' debt has various maturity dates from 2021 through 2051 and is secured by various deeds of trust on real property and equipment.

	<b>2023</b>		
	<u>LSA</u>	<u>LFS</u>	<u>Total</u>
Interest expense	\$ 2,901,395	\$ -	\$ 2,901,395
Amortization of debt issuance costs and premiums	<u>431,273</u>	<u>-</u>	<u>431,273</u>
Total interest expense	<u>\$ 3,332,668</u>	<u>\$ -</u>	<u>\$ 3,332,668</u>

	<b>2022</b>		
	<u>LSA</u>	<u>LFS</u>	<u>Total</u>
Interest expense	\$ 3,604,052	\$ -	\$ 3,604,052
Amortization of debt issuance costs and premiums	<u>102,544</u>	<u>-</u>	<u>102,544</u>
Total interest expense	<u>\$ 3,706,596</u>	<u>\$ -</u>	<u>\$ 3,706,596</u>

Future maturities of long-term debt are as follows:

	<u>LSA</u>	<u>LFS</u>	<u>Total</u>
<b><u>Year ending September 30,</u></b>			
2024	\$ 5,038,598	\$ 60,749	\$ 5,099,347
2025	3,068,414	52,959	3,121,373
2026	3,218,797	34,856	3,253,653
2027	3,378,315	25,711	3,404,026
2028	3,548,171	14,520	3,562,691
Thereafter	<u>135,175,428</u>	<u>433,680</u>	<u>135,609,108</u>
	<u>\$153,427,723</u>	<u>\$ 622,475</u>	<u>\$154,050,198</u>

LSA incurred deferred financing costs in the amount of approximately \$0 and \$1,415,000 at September 30, 2023 and 2022, respectively, in association with the issuance of the above Series Bonds. Amortization expense of approximately \$431,000 and \$103,000 was recognized during 2023 and 2022, respectively, to the interest expense line item of the consolidated statements of operations. Accumulated amortization was approximately \$555,000 and \$103,000 for the years ended September 30, 2023 and 2022, respectively.

**9. Retirement Plans**

LSA has a 403b plan which covers all employees who are at least 21 years of age with one or more years of service. LSA's contribution is based on matching 50% of the salary deferral elected by each eligible employee up to a maximum of 2% of each eligible employee's compensation. LSA's contributions for the year ended September 30, 2023 and 2022 were approximately \$411,000 and \$284,000, respectively. LSA also has a Supplemental Employee Retirement Plan for certain employees. Contributions for the year ended September 30, 2023 and 2022 were approximately \$26,000 and \$34,000, respectively. LSA sponsors an IRC Section 457(b) defined retirement plan covering certain classifications of employees meeting eligibility requirements regarding service and age. The accompanying consolidated balance sheets at September 30, 2023 and 2022 includes a liability of approximately \$698,000 and \$575,000, respectively, related to the plan.

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**10. Fair Value Measurements**

Following is a summary of the fair value of assets at September 30:

<u>2023</u>	<u>Measurements at Reporting Date using</u>			
	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<b><u>LSA:</u></b>				
Measured on a recurring basis:				
Assets:				
Money market funds	\$ 10,852,460	\$ 10,852,460	\$ -	\$ -
Mutual funds:				
Equity	45,936,920	45,936,920	-	-
Fixed income	29,504,824	29,504,824	-	-
U.S. government securities	48,168	48,168	-	-
	<u>86,342,372</u>	<u>86,342,372</u>	-	-
<b><u>LFS:</u></b>				
Measured on a recurring basis:				
Assets:				
Money market funds	4,052	4,052	-	-
Mutual funds:				
Equity	286,863	286,863	-	-
Fixed income	151,144	151,144	-	-
	<u>442,059</u>	<u>442,059</u>	-	-
Total	<u>\$ 86,784,431</u>	<u>\$ 86,784,431</u>	<u>\$ -</u>	<u>\$ -</u>

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<u>2022</u>	<u>Measurements at Reporting Date using</u>			
	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<b><u>LSA:</u></b>				
Measured on a recurring basis:				
Assets:				
Money market funds	\$ 14,958,894	\$ 14,958,894	\$ -	\$ -
Mutual funds:				
Equity	30,218,367	30,218,367	-	-
Fixed income	18,288,682	18,288,682	-	-
U.S. government securities	<u>45,277</u>	<u>45,277</u>	<u>-</u>	<u>-</u>
	<u>63,511,220</u>	<u>63,511,220</u>	<u>-</u>	<u>-</u>
<b><u>LFS:</u></b>				
Measured on a recurring basis:				
Assets:				
Money market funds	100	100	-	-
Mutual funds:				
Equity	238,240	238,240	-	-
Fixed income	<u>148,316</u>	<u>148,316</u>	<u>-</u>	<u>-</u>
	<u>386,656</u>	<u>386,656</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 63,897,876</u>	<u>\$ 63,897,876</u>	<u>\$ -</u>	<u>\$ -</u>

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Level 2 inputs are those inputs that are observable, either directly or indirectly, for the assets or liability other than quoted prices included in Level 1. Level 2 inputs have been valued using an income approach. Level 3 inputs are unobservable, and apply only when there is little or no market activity for the asset or liability. There were no changes in the valuation techniques during the years ended September 30, 2023 or 2022.

The Organizations recognize transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers of assets between levels in 2023 or 2022.



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**11. Net Assets with Donor Restrictions**

Net assets with donor restrictions are available for the following at September 30:

	<u>2023</u>		
	<u>LSA</u>	<u>LFS</u>	<u>Total</u>
Endowment funds	\$ 6,458,158	\$ 424,772	\$ 6,882,930
Property and equipment	935,553	505,500	1,441,053
Operations	<u>612,335</u>	<u>2,485,245</u>	<u>3,097,580</u>
	<u>\$ 8,006,046</u>	<u>\$ 3,415,517</u>	<u>\$ 11,421,563</u>

	<u>2022</u>		
	<u>LSA</u>	<u>LFS</u>	<u>Total</u>
Endowment funds	\$ 5,759,939	\$ 391,943	\$ 6,151,882
Property and equipment	1,091,239	505,500	1,596,739
Operations	<u>870,097</u>	<u>1,598,045</u>	<u>2,468,142</u>
	<u>\$ 7,721,275</u>	<u>\$ 2,495,488</u>	<u>\$ 10,216,763</u>

Net assets released from restrictions for operating purposes for LSA were \$514,459 and \$251,633 for the years ended September 30, 2023 and 2022, respectively. Net assets released from restrictions for LFS were \$897,730 and \$459,697 for the years ended September 30, 2023 and 2022, respectively.

**12. Board Designated Assets**

At September 30, 2023 and 2022, the Organizations had \$9,494,087 and \$8,449,616 in net assets without donor restrictions classified as board designated funds. The Board has a policy that all estate gifts received by the Organizations will be included in board designated funds with purposes to be determined at a future date.

**13. Contingencies**

The Organizations self-insure a portion of their employee health benefits exposure up to \$125,000 per employee. An accrual for the self-insurance program is established to provide for estimated claims and losses and applicable legal expenses for claims incurred through September 30, 2023 but not reported. This accrual was determined in conjunction with a health insurance consultant and totaled approximately \$617,000 and \$309,000 at September 30, 2023 and 2022, respectively. The accrual is included in accrued health benefits in the accompanying consolidated balance sheet. Commercial insurance has been obtained for coverage in excess of the self-insured amounts.

During 2013, LSA began participating in a "high deductible" workers' compensation insurance policy. They are responsible for the first dollar claims up to \$100,000 per occurrence or \$500,000 in the aggregate. The accrual for estimated claims incurred through September 30, 2023 and 2022 was approximately \$432,000 and \$967,000, respectively, and is recorded in accounts payable.

The Organizations are involved in litigation in the ordinary course of business related to professional liability claims. Management believes all claims will be settled within the limits of insurance coverage. However, the ultimate settlement of these cases and losses, if any, to the Organizations cannot be estimated at this time. Other claims may

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be asserted arising from past services provided through September 30, 2023. Management believes these claims, if asserted, would be settled within the limits of insurance coverage. General and professional liability coverage is on an occurrence basis for individual claims up to \$1,000,000 per occurrence, with a total annual aggregate of \$3,000,000.

As a result of the Organizations' participation in the Medicare and Medicaid programs, they are subject to various governmental reviews, audits and investigations to verify the Organizations' compliance with these programs and applicable laws and regulations. The Organizations are routinely subject to audits under various government programs. Private pay sources such as third-party insurance and managed care entities also often reserve the right to conduct audits as well.

The Organizations have received proceeds from several federal grants. These amounts are subject to additional audit procedures in accordance with federal regulations. Certain costs charged to the grants may be questioned as not being appropriate expenses under the grant agreements. Any questioned costs could result in the refund of grant monies to grantor agencies. Management expects such amounts, if any, to be immaterial.

**14. Split Interest Agreements**

In 2011, LSA received two \$500,000 charitable gift annuities. Under the terms of the agreements, LSA is to pay the donors \$6,250 and \$6,000, respectively, on a quarterly basis over the donors' remaining life.

The annuity obligation of approximately \$549,000 and \$649,000 at September 30, 2023 and 2022, respectively, represents the present value of the expected future cash payments to the donors computed over the life expectancy of the donors. LSA made payments totaling \$49,000 during the years ended September 30, 2023 and 2022, respectively under the terms of the agreements.

**15. Functional Expenses**

Operating expenses not directly attributable to a specific function are allocated to specific functions by the Organizations' management based on what it considers to be the best available objective criteria, such as time spent or relative benefit. Functional expenses are summarized as follows as September 30:

	<b>September 30, 2023</b>					
	<b>Program Services</b>					
	<b>Senior Services</b>	<b>Child and Family Services</b>	<b>Administrative and General</b>	<b>Development</b>	<b>Marketing</b>	<b>Total</b>
Salary & Wages	\$64,091,448	\$13,405,685	\$ 9,915,173	\$ 735,483	\$ 761,230	\$ 88,909,019
Fringe Benefits	11,699,099	2,476,479	240,395	-	-	14,415,973
Contract Services	12,171,530	2,194,005	2,006,251	28,496	158,478	16,558,760
Supplies & Other	23,616,340	11,674,104	11,267,463	107,286	113,358	46,778,551
Bed Assessment	4,179,270	-	-	-	-	4,179,270
Provider Assessment	-	117,576	-	-	-	117,576
Advertising and Recruiting	15,676	86,645	140,013	2,311	547,188	791,833
Depreciation	9,700,107	156,305	78,301	-	-	9,934,713
Interest and Amortization	3,296,305	20,294	16,069	-	-	3,332,668
Total expense	<u>\$128,769,775</u>	<u>\$30,131,093</u>	<u>\$23,663,665</u>	<u>\$ 873,576</u>	<u>\$ 1,580,254</u>	<u>\$185,018,363</u>

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	<u>Program Services</u>					<u>Total</u>
	<u>Senior Services</u>	<u>Child and Family Services</u>	<u>Administrative and General</u>	<u>Development</u>	<u>Marketing</u>	
Salary & Wages	\$47,769,368	\$10,848,239	\$ 8,190,716	\$ 727,429	\$ 650,219	\$ 68,185,971
Fringe Benefits	10,557,723	1,940,488	293,078	-	-	12,791,289
Contract Services	5,005,886	1,439,566	1,811,636	33,285	156,954	8,447,327
Supplies & Other	23,971,731	10,098,247	3,628,426	89,793	99,858	37,888,055
Bed Assessment	1,911,246	-	-	-	-	1,911,246
Provider Assessment	-	97,178	-	-	-	97,178
Advertising and Recruiting	73,278	-	363,218	8,136	346,322	790,954
Depreciation	6,120,382	214,220	54,408	-	-	6,389,010
Interest and Amortization	<u>3,707,675</u>	<u>27,291</u>	<u>(28,370)</u>	<u>-</u>	<u>-</u>	<u>3,706,596</u>
Total expense	<u>\$99,117,289</u>	<u>\$24,665,229</u>	<u>\$14,313,112</u>	<u>\$ 858,643</u>	<u>\$ 1,253,353</u>	<u>\$140,207,626</u>

**16. Employee Benefit Plans**

*Defined Benefit Plan*

The Organizations have a non-contributory defined benefit pension plan that covers substantially all GlenFlora employees hired before October 1, 2013. The plan benefits are based on years of service and an average of the highest five consecutive plan years of compensation in which the employee earned a year of benefit service, out of the last ten plan years, in which the employee earned a year of benefit service. The Organizations froze the plan as of October 1, 2012. The following table sets forth the changes in benefit obligations, changes in plan assets and components of net periodic benefit cost.

	<u>2023</u>
Change in benefit obligations:	
Benefit obligations, beginning of year	\$ 3,190,977
Service cost	-
Interest cost	167,366
Amendments	-
Actuarial (gain) loss	(239,957)
Benefits paid	<u>(152,638)</u>
Benefit obligations, end of year	<u>\$ 2,965,748</u>
	<u>2023</u>
Change in plan assets:	
Fair value of plan assets, beginning of year	\$ 2,553,060
Actual return on plan assets	159,063
Employer contribution	27,376
Benefits paid	<u>(152,638)</u>
Fair value of plan assets, end of year	<u>\$ 2,586,861</u>
Net pension liability	<u>\$ 378,887</u>

**Lutheran Services for the Aging, Inc. and  
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Notes to Consolidated Financial Statements**

	<u>2023</u>
Components of net periodic benefit costs:	
Service cost	\$ -
Interest cost	167,366
Expected return on plan assets	(160,383)
Amortization of prior service cost	37,063
Amortization of net loss	-
Other loss	-
	<u>-</u>
Net periodic benefit costs	<u>\$ 44,046</u>

Actuarial assumptions used in accounting for net periodic pension costs of the defined benefit pension plan in 2023 were:

	<u>2023</u>
Discount rate	5.87%
Long-term rate of return on assets	6.50%
Rate of increase in compensation levels	-
Rate of increase in maximum benefits levels	-

*Plan Assets*

The composition of plan assets at September 30, 2023 is as follows:

	<u>Target Allocation</u>	<u>2023</u>
Equity securities	40% - 70%	49%
Debt securities	40% - 70%	49%
Cash and cash equivalents	30% - 60%	<u>2%</u>
Total		<u>100%</u>

***Investment Policy and Strategy***

The policy, established by the Retirement Committee, outlines the goals and investment objectives for the Organizations defined benefit plan (collectively, the "Plan"). The policy is intended to provide guidelines for managing the Plan assets. The policy describes an appropriate risk posture for investment of the Plan assets, specifies target asset allocation policy, establishes investment guidelines regarding the selection of investment managers, permissible securities and diversification of assets, and specifies criteria for evaluation of the performance of the Plan's investment managers and the assets as a whole. The policy is dynamic and is reviewed and revised periodically to ensure it adequately reflects any changes to the Plan assets and the capital markets.

**Lutheran Services for the Aging, Inc. and  
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Notes to Consolidated Financial Statements**

***Fair Value of Plan Assets***

Fair value as defined under generally accepted accounting principles is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally accepted accounting principles establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

- **Level 1:** Observable inputs such as quoted prices in active markets.
- **Level 2:** Inputs other than quoted prices in active markets that are either directly or indirectly observable.
- **Level 3:** Unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Plan's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

Prices for money market funds, exchange-traded funds and mutual funds which are readily available in the active markets in which those securities are traded are categorized as Level 1. The Plan does not have any financial assets or liabilities measured at fair value on a recurring basis categorized as Level 2 or Level 3, and there were no transfers in or out of Level 3 during 2023 or 2022. There were no changes during 2023 or 2022 to the Plan's valuation techniques used to measure asset and liability fair values on a recurring basis.

The following tables set forth by level within the fair value hierarchy the Plan's assets accounted for at fair value on a recurring basis as of September 30, 2023:

	<b>September 30, 2023</b>			<b>Fair Value</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Money market funds	\$ 47,939	\$ -	\$ -	\$ 47,939
Exchange-traded funds	743,211	-	-	743,211
Mutual funds	<u>1,793,345</u>	-	-	<u>1,793,345</u>
Total	<u>\$ 2,584,495</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,584,495</u>

The above table does not include cash and accrued income of \$2,366 that are included with the assets of the Plan.

***Determination of Expected Long-Term Rate of Return***

The expected long-term rate of return for the Plan's total assets is based on the expected return of each of the above categories, weighted based on the median of the target allocation for each class. The expected return of each asset class is weighted based on the target allocation to develop the expected long-term rate of return on assets. This resulted in the use of 6.50% in 2023.

**Lutheran Services for the Aging, Inc. and  
Lutheran Family Services in the Carolinas and Affiliates  
Notes to Consolidated Financial Statements**

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***Expected Future Benefit Payments***

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

2024	\$	181,805
2025	\$	185,809
2026	\$	190,277
2027	\$	204,557
2028	\$	199,802
2029 - 2033	\$	976,368

***Expected Cash Contributions***

The Organizations expects to make cash contributions to the pension plan in the amount of \$27,376 in 2023.

***Defined Contribution Plan***

The Organizations also have a defined contribution plan under section 401(k) that is available to substantially all employees who meet the eligibility requirements. Employee contributions are made through payroll deductions authorized by the employee with employer matching contributions at various rates. The Organizations contributions to the 403(b) plan were approximately \$693,000 and \$588,000 in 2023 and 2022, respectively.

**17. Subsequent Events**

Management has evaluated subsequent events through January 26, 2024, the date which the financial statements were issued.

**18. CARES Act**

In response to the COVID-19 pandemic, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law on March 27, 2020. One provision of the CARES Act was the establishment of the Provider Relief Funds, administered by the U.S. Department of Health and Human Services (HHS). The Provider Relief Funds are being distributed to healthcare providers throughout the country to support the battle against the COVID-19 outbreak. During the years ended September 30, 2023 and 2022, the Organizations have received approximately \$0 and \$253,000, respectively, in distributions from targeted and general distributions. These funds are intended to reimburse qualifying expenses and lost revenues attributable to COVID-19 and are subject to the terms, conditions, and regulatory requirements set forth by HHS. If the total distributions received by the Organizations exceed the cumulative amount of qualifying expenses and lost revenues attributable to COVID-19 through July 31, 2021, any excess funding may be subject recoupment. The Provider Relief Funds are accounted for as conditional contributions and related revenues are recognized as conditions are substantially met. During the year ended September 30, 2023 and 2022 the Organizations recognized \$198,000 and \$2.5 million in revenues and other support, respectively, which is presented within the federal grants and other line item on the consolidated statement of operations and changes in net assets.

***Supplementary Information***

Lutheran Family Services in the Carolinas  
 Supplementary Room and Board Computation  
 Year Ended September 30, 2023

Program Type: CTH II

Object Code #	Expense Description	Angels House	Stone Haven	Rose Crest	Aull Place	Westridge	Harmony	Briargate	Briarcliff	Total
7305	Food	\$ 15,066	\$ 14,248	\$ 10,739	\$ 21,035	\$ 12,941	\$ 22,733	\$ 12,150	\$ 11,253	\$ 120,165
7310, 7315, 7320, 7325, 7335, 7505, 7510, 7520, 7525, 7720, 7985	Supplies	4,814	3,587	8,576	7,409	5,911	5,264	7,789	7,112	50,462
7515	Telephone	2,762	2,362	2,123	1,908	1,665	3,159	7,003	4,020	25,002
7540	Utilities	4,048	4,160	7,057	6,461	6,279	5,313	3,309	3,717	40,344
7545	Maintenance	5,189	3,474	4,386	3,157	541	2,840	2,046	4,326	25,959
7733	Depreciation	5,385	4,701	1,942	6,745	1,701	860	3,567	7,581	32,482
7745	Rent	14,767	16,967	16,977	23,567	15,317	17,947	19,542	13,857	138,941
7760	Insurance	4,664	3,350	3,307	3,304	3,337	4,641	3,608	3,251	29,462
	Total Direct Room and Board Expenses	56,696	52,849	55,108	73,586	47,691	62,756	59,014	55,117	462,817
Costs Allocated to Room and Board Expenses										
7645	Administration	10,693	9,968	10,393	13,879	9,914	11,836	11,130	10,395	88,208
	Total Allowable Room and Board Costs	\$ 67,389	\$ 62,817	\$ 65,501	\$ 87,465	\$ 57,605	\$ 74,592	\$ 70,144	\$ 65,512	\$ 551,025
	Number of Funded Beds in Facility	4	4	4	4	4	4	4	4	32
	Average Annual Costs per Bed	\$ 16,847	\$ 15,704	\$ 16,375	\$ 21,866	\$ 14,401	\$ 18,648	\$ 17,536	\$ 16,378	\$ 17,220
	Average Monthly Costs per Bed	\$ 1,404	\$ 1,309	\$ 1,365	\$ 1,822	\$ 1,200	\$ 1,554	\$ 1,461	\$ 1,365	\$ 1,435



Lutheran Services for the Aging, Inc. and  
Lutheran Family Services in the Carolinas and Affiliates  
Consolidating Balance Sheets  
September 30, 2023

	Trinity Place Albemarle	Trinity Village Hickory	Trinity Ridge Hickory	Trinity Oaks H&R Salisbury	Trinity Grove Wilmington	Trinity Glen Winston-Salem	Trinity Elms H&R Clemmons	Glenflora	Aston Park	Total Nursing
<b>ASSETS</b>										
Current assets:										
Cash and cash equivalents	\$ 747,368	\$ 1,053,274	\$ 2,036,840	\$ 3,447,934	\$ 2,388,042	\$ 1,177,508	\$ 1,183,372	\$ 1,095,827	\$ 2,974,787	\$ 16,104,952
Investments	2,446,248	2,291,846	2,761,653	9,626,502	1,650,022	1,707,204	2,912,288	1,510,449	9,150,085	34,056,297
Accounts receivable, residents and clients, net of allowance for doubtful accounts of approximately \$1,992,000 and \$2,420,000 in 2023 and 2022, respectively	788,761	1,828,703	2,922,864	1,617,144	1,667,493	1,539,128	1,551,869	808,312	1,320,496	14,044,770
Current portion of other receivables	1,191,171	3,170,984	(1,667,469)	2,711,767	(1,492,053)	(3,193,602)	(719,359)	(38,808)	(96,767)	(134,136)
Employee retention credit receivables	508,372	876,334	-	-	652,516	646,036	489,700	-	-	3,172,958
Inventories	54,594	62,265	61,432	38,285	67,183	46,196	33,120	26,685	76,763	466,523
Prepaid expenses	11,570	(176)	10,240	16,857	26,653	13,337	13,323	(1,105)	(84,211)	6,488
Residents' funds	8,533	43,973	11,824	19,042	6,095	75,207	21,683	53,406	26,619	266,382
Total current assets	<u>5,756,617</u>	<u>9,327,203</u>	<u>6,137,384</u>	<u>17,477,531</u>	<u>4,965,951</u>	<u>2,011,014</u>	<u>5,485,996</u>	<u>3,454,766</u>	<u>13,367,772</u>	<u>67,984,234</u>
Assets limited as to use:										
Investments - donor-restricted endowment funds	-	-	-	-	-	-	-	-	-	-
Investments - temporarily restricted	-	-	-	-	-	-	-	-	-	-
Investments - board designated funds	249,743	883,512	-	1,000,818	-	-	-	-	-	2,134,073
Assets limited to use - operating reserve requirement	-	-	-	-	-	-	-	-	-	-
Assets limited to use - deposits held in escrow	-	-	-	-	-	-	-	-	-	-
Assets limited to use - bond funds	-	-	-	-	-	-	-	-	-	-
Assets restricted for investment in property and equipment	13,839	-	-	883,775	4,339	-	-	-	-	901,953
Total assets limited as to use	<u>263,582</u>	<u>883,512</u>	<u>-</u>	<u>1,884,593</u>	<u>4,339</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,036,026</u>
Property and equipment, net	614,507	529,840	285,625	383,614	210,859	270,766	498,506	3,142,736	4,457,442	10,393,895
Other receivables, less current portion, net	-	-	-	-	-	-	-	-	-	-
Other assets	-	(53,124)	-	-	-	-	-	-	-	(53,124)
Total assets	<u>\$ 6,634,706</u>	<u>\$ 10,687,431</u>	<u>\$ 6,423,009</u>	<u>\$ 19,745,738</u>	<u>\$ 5,181,149</u>	<u>\$ 2,281,780</u>	<u>\$ 5,984,502</u>	<u>\$ 6,597,502</u>	<u>\$ 17,825,214</u>	<u>\$ 81,361,031</u>

Lutheran Services for the Aging, Inc. and  
Lutheran Family Services in the Carolinas and Affiliates  
Consolidating Balance Sheets  
September 30, 2023

(Continued)

	Trinity Place Albemarle	Trinity Village Hickory	Trinity Ridge Hickory	Trinity Oaks H&R Salisbury	Trinity Grove Wilmington	Trinity Glen Winston-Salem	Trinity Elms H&R Clemmons	Glenflora	Aston Park	Total Nursing
<b>LIABILITIES AND NET ASSETS</b>										
Current liabilities:										
Current maturities of long-term debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,336	\$ -	\$ 5,336
Current portion of split-interest liability	-	-	-	-	-	-	-	-	-	-
Accounts payable, trade	161,093	277,757	271,397	210,830	152,497	197,989	212,161	21,619	349,382	1,854,725
Accrued salaries and payroll taxes	353,261	388,505	507,885	430,657	358,405	359,879	423,353	296,884	571,278	3,690,107
Accrued health benefits	22,410	40,564	29,544	26,560	25,738	25,264	22,994	-	-	193,074
Accrued interest payable	-	-	-	-	-	-	-	-	-	-
Refundable fees - current	-	-	-	-	-	-	-	-	-	-
Deferred revenue from grants and other	24,573	3,190	-	-	-	-	(362)	-	36,784	64,185
Other accrued liabilities	-	-	-	-	-	-	-	-	-	-
Residents' funds liability	8,533	43,973	11,824	19,042	6,095	75,207	21,683	53,406	26,619	266,382
Total current liabilities	569,870	753,989	820,650	687,089	542,735	658,339	679,829	377,245	984,063	6,073,809
Long-term liabilities:										
Long-term debt, less current maturities	155,095	253,626	-	151,446	43,792	1,825	-	-	(1,444)	604,340
Refundable fees	-	-	-	13,883	-	-	-	-	-	13,883
Deferred revenue from advance fees	-	-	-	-	-	-	-	-	-	-
Pension liability	-	-	-	-	-	-	-	378,887	-	378,887
Split-interest liability	-	-	-	-	-	-	-	-	-	-
Total long-term liabilities	155,095	253,626	-	165,329	43,792	1,825	-	378,887	(1,444)	997,110
Total liabilities	724,965	1,007,615	820,650	852,418	586,527	660,164	679,829	756,132	982,619	7,070,919
Net assets:										
Net Assets without donor restrictions										
Without donor restrictions, undesignated	5,555,416	8,684,173	5,583,832	17,212,168	4,573,006	1,609,324	5,301,355	5,819,063	16,840,114	71,178,451
Without donor restrictions, board designated funds	249,743	883,512	-	1,000,818	-	-	-	-	-	2,134,073
Total net assets without donor restrictions	5,805,159	9,567,685	5,583,832	18,212,986	4,573,006	1,609,324	5,301,355	5,819,063	16,840,114	73,312,524
Net assets with donor restrictions	104,582	112,131	18,527	680,334	21,616	12,292	3,318	22,307	2,481	977,588
Total net assets	5,909,741	9,679,816	5,602,359	18,893,320	4,594,622	1,621,616	5,304,673	5,841,370	16,842,595	74,290,112
Total liabilities and net assets	\$ 6,634,706	\$ 10,687,431	\$ 6,423,009	\$ 19,745,738	\$ 5,181,149	\$ 2,281,780	\$ 5,984,502	\$ 6,597,502	\$ 17,825,214	\$ 81,361,031

See Independent Auditor's Report.

Lutheran Services for the Aging, Inc. and  
Lutheran Family Services in the Carolinas and Affiliates  
Consolidating Balance Sheets  
September 30, 2023

	Lutheran Home Albemarle Property	Lutheran Home Hickory Property	Lutheran Home Hickory West Property	Lutheran Home Salisbury Property	Lutheran Home Wilmington Property	Lutheran Home Winston-Salem Property	Lutheran Home Forsyth County Property	LSA Elms Property	Lutheran Services Property	Total Property
<b>ASSETS</b>										
Current assets:										
Cash and cash equivalents	\$ 122,383	\$ 597,168	\$ 460,246	\$ 1,376	\$ 151	\$ 2,074	\$ 1,311,855	\$ 763,671	\$ 647,261	\$ 3,906,185
Investments	970,254	-	1,532,338	3,893,251	1,014,008	-	432,431	1,055,352	233,595	9,131,229
Accounts receivable, residents and clients, net of allowance for doubtful accounts of approximately \$1,992,000 and \$2,420,000 in 2023 and 2022, respectively	-	-	-	-	-	-	-	-	-	-
Current portion of other receivables	37,039	(275,558)	3,170,093	579,293	(3,276,411)	733,676	(1,992,625)	1,860,379	(791,869)	44,017
Employee retention credit receivables	-	-	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-	-
Prepaid expenses	6,050	21,277	3,919	13,687	5,563	4,028	7,331	1,789	1,820	65,464
Residents' funds	-	-	-	-	-	-	-	-	-	-
Total current assets	<u>1,135,726</u>	<u>342,887</u>	<u>5,166,596</u>	<u>4,487,607</u>	<u>(2,256,689)</u>	<u>739,778</u>	<u>(241,008)</u>	<u>3,681,191</u>	<u>90,807</u>	<u>13,146,895</u>
Assets limited as to use:										
Investments - donor-restricted endowment funds	-	-	-	-	-	-	-	-	-	-
Investments - temporarily restricted	-	-	-	-	-	-	-	-	-	-
Investments - board designated funds	-	-	-	-	-	-	-	-	-	-
Assets limited to use - operating reserve requirement	-	-	-	-	-	-	-	-	-	-
Assets limited to use - deposits held in escrow	-	-	-	-	-	-	-	-	-	-
Assets limited to use - bond funds	-	-	-	-	-	-	-	-	-	-
Assets restricted for investment in property and equipment	-	-	-	-	-	-	-	-	-	-
Total assets limited as to use	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Property and equipment, net	6,632,706	5,027,622	11,296,016	6,437,284	11,497,911	5,730,060	11,106,621	5,101,108	1,970,263	64,799,591
Other receivables, less current portion, net	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 7,768,432</u>	<u>\$ 5,370,509</u>	<u>\$ 16,462,612</u>	<u>\$ 10,924,891</u>	<u>\$ 9,241,222</u>	<u>\$ 6,469,838</u>	<u>\$ 10,865,613</u>	<u>\$ 8,782,299</u>	<u>\$ 2,061,070</u>	<u>\$ 77,946,486</u>

Lutheran Services for the Aging, Inc. and  
Lutheran Family Services in the Carolinas and Affiliates  
Consolidating Balance Sheets  
September 30, 2023

(Continued)

	Lutheran Home Albemarle Property	Lutheran Home Hickory Property	Lutheran Home Hickory West Property	Lutheran Home Salisbury Property	Lutheran Home Wilmington Property	Lutheran Home Winston-Salem Property	Lutheran Home Forsyth County Property	LSA Elms Property	Lutheran Services Property	Total Property
<b>LIABILITIES AND NET ASSETS</b>										
Current liabilities:										
Current maturities of long-term debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Current portion of split-interest liability	-	-	-	-	-	-	-	-	-	-
Accounts payable, trade	-	160,897	4,185	-	34	-	-	6	96	165,218
Accrued salaries and payroll taxes	-	-	-	-	-	-	-	-	-	-
Accrued health benefits	-	-	-	-	-	-	-	-	-	-
Accrued interest payable	-	-	-	-	-	-	-	-	-	-
Refundable fees - current	-	-	-	-	-	-	-	-	-	-
Deferred revenue from grants and other	-	-	-	-	-	-	-	-	-	-
Other accrued liabilities	-	-	-	-	-	-	-	-	-	-
Residents' funds liability	-	-	-	-	-	-	-	-	-	-
Total current liabilities	-	160,897	4,185	-	34	-	-	6	96	165,218
Long-term liabilities:										
Long-term debt, less current maturities	3,931,626	1,739,592	11,879,603	1,271,613	12,365,519	8,299,780	10,613,992	7,610,244	16,422	57,728,391
Refundable fees	-	-	-	-	-	-	-	-	-	-
Deferred revenue from advance fees	-	-	-	-	-	-	-	-	-	-
Pension liability	-	-	-	-	-	-	-	-	-	-
Split-interest liability	-	-	-	-	-	-	-	-	-	-
Total long-term liabilities	3,931,626	1,739,592	11,879,603	1,271,613	12,365,519	8,299,780	10,613,992	7,610,244	16,422	57,728,391
Total liabilities	3,931,626	1,900,489	11,883,788	1,271,613	12,365,553	8,299,780	10,613,992	7,610,250	16,518	57,893,609
Net assets:										
Net Assets without donor restrictions										
Without donor restrictions, undesignated	3,836,806	3,470,020	4,578,824	9,653,278	(3,124,331)	(1,829,942)	251,621	1,172,049	2,044,552	20,052,877
Without donor restrictions, board designated funds	-	-	-	-	-	-	-	-	-	-
Total net assets without donor restrictions	3,836,806	3,470,020	4,578,824	9,653,278	(3,124,331)	(1,829,942)	251,621	1,172,049	2,044,552	20,052,877
Net assets with donor restrictions										
Total net assets	3,836,806	3,470,020	4,578,824	9,653,278	(3,124,331)	(1,829,942)	251,621	1,172,049	2,044,552	20,052,877
Total liabilities and net assets	\$ 7,768,432	\$ 5,370,509	\$ 16,462,612	\$ 10,924,891	\$ 9,241,222	\$ 6,469,838	\$ 10,865,613	\$ 8,782,299	\$ 2,061,070	\$ 77,946,486

Lutheran Services for the Aging, Inc. and  
Lutheran Family Services in the Carolinas and Affiliates  
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	Trinity Oaks RC Salisbury	Trinity View Arden	LRC - Wilmington	Trinity Elms IL Clemmons	Total Retirement
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 3,391,442	\$ 1,219,922	\$ 18,957,789	\$ 822,161	\$ 24,391,314
Investments	35,875	1,969,960	(4,881,000)	1,766,030	(1,109,135)
Accounts receivable, residents and clients, net of allowance for doubtful accounts of approximately \$1,992,000 and \$2,420,000 in 2023 and 2022, respectively	41,129	51,468	2,010,107	(35,652)	2,067,052
Current portion of other receivables	1,527,837	1,778,867	(5,381,018)	(875,830)	(2,950,144)
Employee retention credit receivables	742,254	187,399	-	-	929,653
Inventories	31,567	19,236	-	-	50,803
Prepaid expenses	20,553	7,031	987,551	7,661	1,022,796
Residents' funds	-	-	-	-	-
Total current assets	<u>5,790,657</u>	<u>5,233,883</u>	<u>11,693,429</u>	<u>1,684,370</u>	<u>24,402,339</u>
Assets limited as to use:					
Investments - donor-restricted endowment funds	-	-	-	-	-
Investments - temporarily restricted	-	-	-	-	-
Investments - board designated funds	1,023,240	20,157	-	-	1,043,397
Assets limited to use - operating reserve requirement	1,942,000	-	4,881,000	210,000	7,033,000
Assets limited to use - deposits held in escrow	-	-	-	-	-
Assets limited to use - bond funds	-	-	(4,286)	-	(4,286)
Assets restricted for investment in property and equipment	33,600	-	-	-	33,600
Total assets limited as to use	<u>2,998,840</u>	<u>20,157</u>	<u>4,876,714</u>	<u>210,000</u>	<u>8,105,711</u>
Property and equipment, net	18,962,407	3,835,065	114,787,499	9,528,343	147,113,314
Other receivables, less current portion, net	-	-	-	-	-
Other assets	-	-	-	-	-
Total assets	<u>\$ 27,751,904</u>	<u>\$ 9,089,105</u>	<u>\$ 131,357,642</u>	<u>\$ 11,422,713</u>	<u>\$ 179,621,364</u>

See Independent Auditor's Report.

Lutheran Services for the Aging, Inc. and  
Lutheran Family Services in the Carolinas and Affiliates  
Consolidating Balance Sheets  
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(Continued)

	Trinity Oaks RC Salisbury	Trinity View Arden	LRC - Wilmington	Trinity Elms IL Clemmons	Total Retirement
<b>LIABILITIES AND NET ASSETS</b>					
Current liabilities:					
Current maturities of long-term debt	\$ -	\$ -	\$ 2,285,565	\$ -	\$ 2,285,565
Current portion of split-interest liability	-	-	-	-	-
Accounts payable, trade	145,881	49,732	114,894	14,809	325,316
Accrued salaries and payroll taxes	344,999	92,434	127,142	(17,620)	546,955
Accrued health benefits	13,711	5,285	1,441	-	20,437
Accrued interest payable	-	-	-	-	-
Refundable fees - current	231,661	-	-	-	231,661
Deferred revenue from grants and other	-	-	-	-	-
Other accrued liabilities	-	-	-	-	-
Residents' funds liability	-	-	-	-	-
Total current liabilities	<u>736,252</u>	<u>147,451</u>	<u>2,529,042</u>	<u>(2,811)</u>	<u>3,409,934</u>
Long-term liabilities:					
Long-term debt, less current maturities	3,486,329	1,563,076	76,035,539	10,760,693	91,845,637
Refundable fees	8,341,492	950	17,119,439	125,064	25,586,945
Deferred revenue from advance fees	7,947,163	-	43,969,815	-	51,916,978
Pension liability	-	-	-	-	-
Split-interest liability	-	-	-	-	-
Total long-term liabilities	<u>19,774,984</u>	<u>1,564,026</u>	<u>137,124,793</u>	<u>10,885,757</u>	<u>169,349,560</u>
Total liabilities	20,511,236	1,711,477	139,653,835	10,882,946	172,759,494
Net assets:					
Net Assets without donor restrictions					
Without donor restrictions, undesignated	6,044,284	7,340,776	(8,299,589)	539,767	5,625,238
Without donor restrictions, board designated funds	1,023,240	20,157	-	-	1,043,397
Total net assets without donor restrictions	<u>7,067,524</u>	<u>7,360,933</u>	<u>(8,299,589)</u>	<u>539,767</u>	<u>6,668,635</u>
Net assets with donor restrictions	173,144	16,695	3,396	-	193,235
Total net assets	<u>7,240,668</u>	<u>7,377,628</u>	<u>(8,296,193)</u>	<u>539,767</u>	<u>6,861,870</u>
Total liabilities and net assets	<u>\$ 27,751,904</u>	<u>\$ 9,089,105</u>	<u>\$ 131,357,642</u>	<u>\$ 11,422,713</u>	<u>\$ 179,621,364</u>

Lutheran Services for the Aging, Inc. and  
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	Trinity Elms AL Clemmons	Trinity Living Center Salisbury	Trinity at Home Salisbury	LSA Pharmacy Salisbury	Total Other Operations
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 1,727,275	\$ 34,463	\$ 254,707	\$ 1,801,928	\$ 3,818,373
Investments	2,504,716	173,151	391,652	2,806,015	5,675,534
Accounts receivable, residents and clients, net of allowance for doubtful accounts of approximately \$1,992,000 and \$2,420,000 in 2023 and 2022, respectively	317,731	33,914	121,977	328,471	802,093
Current portion of other receivables	2,346,735	45,716	41,230	8,571,217	11,004,898
Employee retention credit receivables	242,657	-	195,149	-	437,806
Inventories	64,139	-	-	652,416	716,555
Prepaid expenses	(317)	519	9,444	2,055	11,701
Residents' funds	10,127	-	-	-	10,127
<b>Total current assets</b>	<b>7,213,063</b>	<b>287,763</b>	<b>1,014,159</b>	<b>13,962,102</b>	<b>22,477,087</b>
Assets limited as to use:					
Investments - donor-restricted endowment funds	-	-	-	-	-
Investments - temporarily restricted	-	-	-	-	-
Investments - board designated funds	-	-	-	-	-
Assets limited to use - operating reserve requirement	-	-	-	-	-
Assets limited to use - deposits held in escrow	-	-	-	-	-
Assets limited to use - bond funds	-	-	-	-	-
Assets restricted for investment in property and equipment	-	-	-	-	-
<b>Total assets limited as to use</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Property and equipment, net	117,267	47,666	-	201,836	366,769
Other receivables, less current portion, net	-	-	-	-	-
Other assets	-	-	-	-	-
<b>Total assets</b>	<b>\$ 7,330,330</b>	<b>\$ 335,429</b>	<b>\$ 1,014,159</b>	<b>\$ 14,163,938</b>	<b>\$ 22,843,856</b>

Lutheran Services for the Aging, Inc. and  
Lutheran Family Services in the Carolinas and Affiliates  
Consolidating Balance Sheets  
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(Continued)

	Trinity Elms AL Clemmons	Trinity Living Center Salisbury	Trinity at Home Salisbury	LSA Pharmacy Salisbury	Total Other Operations
<b>LIABILITIES AND NET ASSETS</b>					
Current liabilities:					
Current maturities of long-term debt	\$ -	\$ -	\$ -	\$ -	\$ -
Current portion of split-interest liability	-	-	-	-	-
Accounts payable, trade	31,512	1,682	1,820	191,013	226,027
Accrued salaries and payroll taxes	140,805	19,329	39,427	160,670	360,231
Accrued health benefits	11,720	1,520	1,533	7,683	22,456
Accrued interest payable	-	-	-	-	-
Refundable fees - current	-	-	-	-	-
Deferred revenue from grants and other	133,592	3,333	-	-	136,925
Other accrued liabilities	-	-	-	-	-
Residents' funds liability	10,127	-	-	-	10,127
Total current liabilities	<u>327,756</u>	<u>25,864</u>	<u>42,780</u>	<u>359,366</u>	<u>755,766</u>
Long-term liabilities:					
Long-term debt, less current maturities	36,493	-	-	5,474	41,967
Refundable fees	-	-	-	-	-
Deferred revenue from advance fees	-	-	-	-	-
Pension liability	-	-	-	-	-
Split-interest liability	-	-	-	-	-
Total long-term liabilities	<u>36,493</u>	<u>-</u>	<u>-</u>	<u>5,474</u>	<u>41,967</u>
Total liabilities	364,249	25,864	42,780	364,840	797,733
Net assets:					
Net Assets without donor restrictions					
Without donor restrictions, undesignated	6,956,004	282,317	965,299	13,799,098	22,002,718
Without donor restrictions, board designated funds	-	-	-	-	-
Total net assets without donor restrictions	<u>6,956,004</u>	<u>282,317</u>	<u>965,299</u>	<u>13,799,098</u>	<u>22,002,718</u>
Net assets with donor restrictions	10,077	27,248	6,080	-	43,405
Total net assets	<u>6,966,081</u>	<u>309,565</u>	<u>971,379</u>	<u>13,799,098</u>	<u>22,046,123</u>
Total liabilities and net assets	<u>\$ 7,330,330</u>	<u>\$ 335,429</u>	<u>\$ 1,014,159</u>	<u>\$ 14,163,938</u>	<u>\$ 22,843,856</u>



Lutheran Services for the Aging, Inc. and  
Lutheran Family Services in the Carolinas and Affiliates  
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	LSA	LSA Management	LSA Foundation	LSA Therapy	Trinity Guardian	DHS	Total Other
<b>ASSETS</b>							
Current assets:							
Cash and cash equivalents	\$ 1,880,841	\$ 1,553,360	\$ 1,065,051	\$ 165,000	\$ -	\$ 268,877	\$ 4,933,129
Investments	59,675	2,508,239	2,188,106	-	-	-	4,756,020
Accounts receivable, residents and clients, net of allowance for doubtful accounts of approximately \$1,992,000 and \$2,420,000 in 2023 and 2022, respectively	-	(388)	-	-	-	51	(337)
Current portion of other receivables	273,941	(8,441,481)	(391,543)	4,613,359	-	-	(3,945,724)
Employee retention credit receivables	-	-	-	-	-	-	-
Inventories	-	182,708	-	-	-	-	182,708.00
Prepaid expenses	-	245,553	-	-	-	1,823	247,376.00
Residents' funds	-	-	-	-	-	-	-
Total current assets	<u>2,214,457</u>	<u>(3,952,009)</u>	<u>2,861,614</u>	<u>4,778,359</u>	<u>-</u>	<u>270,751</u>	<u>6,173,172</u>
Assets limited as to use:							
Investments - donor-restricted endowment funds	-	-	3,055,815	-	-	-	3,055,815
Investments - temporarily restricted	-	-	3,402,343	-	-	-	3,402,343
Investments - board designated funds	6,316,617	-	-	-	-	-	6,316,617
Assets limited to use - operating reserve requirement	-	-	-	-	-	-	-
Assets limited to use - deposits held in escrow	-	-	-	-	-	-	-
Assets limited to use - bond funds	-	10,851,468	-	-	-	-	10,851,468
Assets restricted for investment in property and equipment	-	-	-	-	-	-	-
Total assets limited as to use	<u>6,316,617</u>	<u>10,851,468</u>	<u>6,458,158</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,626,243</u>
Property and equipment, net	318,538	630,741	-	-	-	1,661,879	2,611,158
Other receivables, less current portion, net	-	-	-	-	-	-	-
Other assets	<u>187,399</u>	<u>14,916,956</u>	<u>-</u>	<u>543,073</u>	<u>-</u>	<u>-</u>	<u>15,647,428</u>
Total assets	<u>\$ 9,037,011</u>	<u>\$ 22,447,156</u>	<u>\$ 9,319,772</u>	<u>\$ 5,321,432</u>	<u>\$ -</u>	<u>\$ 1,932,630</u>	<u>\$ 48,058,001</u>

	LSA	LSA Management	LSA Foundation	LSA Therapy	Trinity Guardian	DHS	Total Other
<b>LIABILITIES AND NET ASSETS</b>							
Current liabilities:							
Current maturities of long-term debt	\$ -	\$ 2,720,000	\$ -	\$ -	\$ -	\$ 27,697	\$ 2,747,697
Current portion of split-interest liability	-	-	49,000	-	-	-	49,000
Accounts payable, trade	3,200	535,146	1,329	-	-	11,143	550,818
Accrued salaries and payroll taxes	-	721,194	-	-	-	-	721,194
Accrued health benefits	-	23,816	-	-	-	-	23,816
Accrued interest payable	-	513,597	5,281	-	-	2,159	521,037
Refundable fees - current	-	-	-	-	-	-	-
Deferred revenue from grants and other	-	19,033	7,393	-	-	-	26,426
Other accrued liabilities	-	1,177,289	-	-	-	-	1,177,289
Residents' funds liability	-	-	-	-	-	-	-
Total current liabilities	<u>3,200</u>	<u>5,710,075</u>	<u>63,003</u>	<u>-</u>	<u>-</u>	<u>40,999</u>	<u>5,817,277</u>
Long-term liabilities:							
Long-term debt, less current maturities	-	4,946,756	-	-	-	649,142	5,595,898
Refundable fees	-	-	-	-	-	-	-
Deferred revenue from advance fees	-	-	-	-	-	-	-
Pension liability	-	-	-	-	-	-	-
Split-interest liability	-	-	500,209	-	-	-	500,209
Total long-term liabilities	<u>-</u>	<u>4,946,756</u>	<u>500,209</u>	<u>-</u>	<u>-</u>	<u>649,142</u>	<u>6,096,107</u>
Total liabilities	3,200	10,656,831	563,212	-	-	690,141	11,913,384
Net assets:							
Net Assets without donor restrictions							
Without donor restrictions, undesignated	1,903,974	11,721,118	2,847,169	5,321,432	-	1,242,489	23,036,182
Without donor restrictions, board designated funds	6,316,617	-	-	-	-	-	6,316,617
Total net assets without donor restrictions	<u>8,220,591</u>	<u>11,721,118</u>	<u>2,847,169</u>	<u>5,321,432</u>	<u>-</u>	<u>1,242,489</u>	<u>29,352,799</u>
Net assets with donor restrictions							
Total net assets	<u>9,033,811</u>	<u>11,790,325</u>	<u>8,756,560</u>	<u>5,321,432</u>	<u>-</u>	<u>1,242,489</u>	<u>36,144,617</u>
Total liabilities and net assets	<u>\$ 9,037,011</u>	<u>\$ 22,447,156</u>	<u>\$ 9,319,772</u>	<u>\$ 5,321,432</u>	<u>\$ -</u>	<u>\$ 1,932,630</u>	<u>\$ 48,058,001</u>

Lutheran Services for the Aging, Inc. and  
Lutheran Family Services in the Carolinas and Affiliates  
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	LFS Real Properties	LFS in the Carolinas Child and Family	Total LFS
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 117,429	\$ 2,591,169	\$ 2,708,598
Investments	-	17,287	17,287
Accounts receivable, residents and clients, net of allowance for doubtful accounts of approximately \$1,992,000 and \$2,420,000 in 2023 and 2022, respectively	-	6,309,654	6,309,654
Current portion of other receivables	942,839	(1,247,004)	(304,165)
Employee retention credit receivables	-	1,391,160	1,391,160
Inventories	-	-	-
Prepaid expenses	-	579,593	579,593
Residents' funds	-	-	-
<b>Total current assets</b>	<b>\$ 1,060,268</b>	<b>\$ 9,641,859</b>	<b>\$ 10,702,127</b>
Assets limited as to use:			
Investments - donor-restricted endowment funds	-	253,030	253,030
Investments - temporarily restricted	-	171,742	171,742
Investments - board designated funds	-	-	-
Assets limited to use - operating reserve requirement	-	-	-
Assets limited to use - deposits held in escrow	-	-	-
Assets limited to use - bond funds	-	-	-
Assets restricted for investment in property and equipment	-	505,500	505,500
<b>Total assets limited as to use</b>	<b>-</b>	<b>930,272</b>	<b>930,272</b>
Property and equipment, net	1,475,967	262,930	1,738,897
Other receivables, less current portion, net	-	406,686	406,686
Other assets	-	34,002	34,002
<b>Total assets</b>	<b>\$ 2,536,235</b>	<b>\$ 11,275,749</b>	<b>\$ 13,811,984</b>

Lutheran Services for the Aging, Inc. and  
Lutheran Family Services in the Carolinas and Affiliates  
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(Continued)

	LFS Real Properties	LFS in the Carolinas Child and Family	Total LFS
<b>LIABILITIES AND NET ASSETS</b>			
Current liabilities:			
Current maturities of long-term debt	\$ 10,399	\$ 50,350	\$ 60,749
Current portion of split-interest liability	-	-	-
Accounts payable, trade	8,335	4,094,449	4,102,784
Accrued salaries and payroll taxes	-	1,722,170	1,722,170
Accrued health benefits	-	49,390	49,390
Accrued interest payable	989	-	989
Refundable fees - current	-	-	-
Deferred revenue from grants and other	-	-	-
Other accrued liabilities	-	272,672	272,672
Residents' funds liability	-	-	-
Total current liabilities	<u>19,723</u>	<u>6,189,031</u>	<u>6,208,754</u>
Long-term liabilities:			
Long-term debt, less current maturities	485,149	76,576	561,725
Refundable fees	-	-	-
Deferred revenue from advance fees	-	297,979	297,979
Pension liability	-	-	-
Split-interest liability	-	-	-
Total long-term liabilities	<u>485,149</u>	<u>374,555</u>	<u>859,704</u>
Total liabilities	504,872	6,563,586	7,068,458
Net assets:			
Net Assets without donor restrictions			
Without donor restrictions, undesignated	2,031,363	1,296,646	3,328,009
Without donor restrictions, board designated funds	-	-	-
Total net assets without donor restrictions	<u>2,031,363</u>	<u>1,296,646</u>	<u>3,328,009</u>
Net assets with donor restrictions	-	3,415,517	3,415,517
Total net assets	<u>2,031,363</u>	<u>4,712,163</u>	<u>6,743,526</u>
Total liabilities and net assets	<u>\$ 2,536,235</u>	<u>\$ 11,275,749</u>	<u>\$ 13,811,984</u>

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Lutheran Services for the Aging, Inc. and  
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	Total LSA	Total LFS	Eliminations	Total	Obligated Group*
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 53,153,953	\$ 2,708,598	\$ -	\$ 55,862,551	\$ 48,394,755
Investments	52,509,945	17,287	-	52,527,232	41,457,759
Accounts receivable, residents and clients, net of allowance for doubtful accounts of approximately \$1,992,000 and \$2,420,000 in 2023 and 2022, respectively	16,913,578	6,309,654	-	23,223,232	14,662,742
Current portion of other receivables	4,018,911	(304,165)	(2,042,022)	1,672,724	(500,103)
Employee retention credit receivables	4,540,417	1,391,160	-	5,931,577	4,345,268
Inventories	1,416,589	-	-	1,416,589	1,313,141
Prepaid expenses	1,353,825	579,593	-	1,933,418	1,427,874
Residents' funds	276,509	-	-	276,509	196,484
<b>Total current assets</b>	<b>134,183,727</b>	<b>10,702,127</b>	<b>(2,042,022)</b>	<b>142,843,832</b>	<b>111,297,920</b>
Assets limited as to use:					
Investments - donor-restricted endowment funds	3,055,815	253,030	-	3,308,845	3,055,815
Investments - temporarily restricted	3,402,343	171,742	-	3,574,085	3,402,343
Investments - board designated funds	9,494,087	-	-	9,494,087	9,494,087
Assets limited to use - operating reserve requirement	7,033,000	-	-	7,033,000	7,033,000
Assets limited to use - deposits held in escrow	-	-	-	-	-
Assets limited to use - bond funds	10,847,182	-	-	10,847,182	10,847,182
Assets restricted for investment in property and equipment	935,553	505,500	-	1,441,053	935,553
<b>Total assets limited as to use</b>	<b>34,767,980</b>	<b>930,272</b>	<b>-</b>	<b>35,698,252</b>	<b>34,767,980</b>
Property and equipment, net	225,284,727	1,738,897	-	227,023,624	216,022,670
Other receivables, less current portion, net	-	406,686	-	406,686	-
Other assets	15,594,304	34,002	-	15,628,306	15,051,231
<b>Total assets</b>	<b>\$ 409,830,738</b>	<b>\$ 13,811,984</b>	<b>\$ (2,042,022)</b>	<b>\$ 421,600,700</b>	<b>\$ 377,139,801</b>

\* The Obligated Group represents the joint and several obligers of the North Carolina Medical Care Commission Health Care Facilities First Mortgage Revenue Refunding Bonds (Series 2012A, Series 2017 and Series 2020). The Obligated Group is comprised of the LSA Organizations exclusive of Trinity at Home Salisbury, LSA Therapy, Trinity Guardian, Glenflora, Aston Park, and DHS.

	Total LSA	Total LFS	Eliminations	Total	Obligated Group*
<b>LIABILITIES AND NET ASSETS</b>					
Current liabilities:					
Current maturities of long-term debt	\$ 5,038,598	\$ 60,749	\$ -	\$ 5,099,347	\$ 5,005,565
Current portion of split-interest liability	49,000	-	-	49,000	49,000
Accounts payable, trade	3,122,104	4,102,784	(2,042,022)	5,182,866	2,738,140
Accrued salaries and payroll taxes	5,318,487	1,722,170	-	7,040,657	4,410,898
Accrued health benefits	259,783	49,390	-	309,173	258,250
Accrued interest payable	521,037	989	-	522,026	518,878
Refundable fees - current	231,661	-	-	231,661	231,661
Deferred revenue from grants and other	227,536	-	-	227,536	190,752
Other accrued liabilities	1,177,289	272,672	-	1,449,961	1,177,289
Residents' funds liability	276,509	-	-	276,509	196,484
Total current liabilities	<u>16,222,004</u>	<u>6,208,754</u>	<u>(2,042,022)</u>	<u>20,388,736</u>	<u>14,776,917</u>
Long-term liabilities:					
Long-term debt, less current maturities	155,816,233	561,725	-	156,377,958	155,168,535
Refundable fees	25,600,828	-	-	25,600,828	25,600,828
Deferred revenue from advance fees	51,916,978	297,979	-	52,214,957	51,916,978
Pension liability	378,887	-	-	378,887	-
Split-interest liability	500,209	-	-	500,209	500,209
Total long-term liabilities	<u>234,213,135</u>	<u>859,704</u>	<u>-</u>	<u>235,072,839</u>	<u>233,186,550</u>
Total liabilities	250,435,139	7,068,458	(2,042,022)	255,461,575	247,963,467
Net assets:					
Net Assets without donor restrictions					
Without donor restrictions, undesignated	141,895,466	3,328,009	-	145,223,475	111,707,069
Without donor restrictions, board designated funds	9,494,087	-	-	9,494,087	9,494,087
Total net assets without donor restrictions	<u>151,389,553</u>	<u>3,328,009</u>	<u>-</u>	<u>154,717,562</u>	<u>121,201,156</u>
Net assets with donor restrictions	8,006,046	3,415,517	-	11,421,563	7,975,178
Total net assets	<u>159,395,599</u>	<u>6,743,526</u>	<u>-</u>	<u>166,139,125</u>	<u>129,176,334</u>
Total liabilities and net assets	<u>\$ 409,830,738</u>	<u>\$ 13,811,984</u>	<u>\$ (2,042,022)</u>	<u>\$ 421,600,700</u>	<u>\$ 377,139,801</u>

\* The Obligated Group represents the joint and several obligers of the North Carolina Medical Care Commission Health Care Facilities First Mortgage Revenue Refunding Bonds (Series 2012A, Series 2020, and Series 2021A). The Obligated Group is comprised of the LSA Organizations exclusive of Trinity at Home Salisbury, LSA Therapy, Trinity Guardian, Glenflora, Aston Park, and DHS.

Lutheran Services for the Aging, Inc. and  
Lutheran Family Services in the Carolinas and Affiliates  
Consolidating Statements of Operations and Changes  
in Net Assets (Deficit)  
Year Ended September 30, 2023

	Trinity Place Albemarle	Trinity Village Hickory	Trinity Ridge Hickory	Trinity Oaks H&R Salisbury	Trinity Grove Wilmington	Trinity Glen Winston-Salem	Trinity Elms H&R Clemmons	Glenflora	Aston Park	Total Nursing
Changes in net assets without donor restrictions:										
Revenues and other support:										
Net service revenue	\$ 9,749,069	\$ 17,343,958	\$ 14,907,990	\$ 13,839,140	\$ 13,088,570	\$ 12,427,498	\$ 10,952,699	\$ 6,397,046	\$ 14,642,705	\$ 113,348,675
Amortization of deferred entrance fees	-	-	-	-	-	-	-	-	-	-
Service fees - state, county and other	-	-	-	-	-	-	-	-	-	-
Federal grants and other	-	8,612	48,140	33,258	28,531	32,206	31,810	-	-	182,557
Net assets released from restrictions for operating purposes	8,738	5,987	-	159,817	3,078	975	-	-	-	178,595
Management fees	-	-	-	-	-	-	-	-	-	-
Other revenue	6,697	33,950	36,915	23,268	6,356	7,381	96,723	20,126	131,379	362,795
Total revenue	<u>9,764,504</u>	<u>17,392,507</u>	<u>14,993,045</u>	<u>14,055,483</u>	<u>13,126,535</u>	<u>12,468,060</u>	<u>11,081,232</u>	<u>6,417,172</u>	<u>14,774,084</u>	<u>114,072,622</u>
Expenses:										
Salaries and wages	5,265,621	10,025,752	7,143,490	6,993,464	6,122,528	6,321,156	4,985,173	3,054,677	5,291,517	55,203,378
Employee benefits	825,571	1,710,248	1,072,843	1,106,918	862,606	974,057	742,370	340,195	1,028,172	8,662,980
Supplies and other	3,330,392	5,891,805	5,663,950	5,239,816	5,253,325	4,130,478	4,380,839	2,238,654	7,720,361	43,849,620
Medicaid bed assessment	501,743	699,651	808,323	-	363,318	762,626	-	260,236	783,373	4,179,270
Marketing expense	8,785	5,395	7,396	20,096	5,104	3,689	3,317	1,834	31,577	87,193
Depreciation and amortization	102,488	125,568	152,333	66,171	71,352	83,972	154,295	159,099	189,504	1,104,782
Interest expense	5,712	9,339	-	5,577	1,612	68	-	1,519	-	23,827
Total operating costs and expenses	<u>10,040,312</u>	<u>18,467,758</u>	<u>14,848,335</u>	<u>13,432,042</u>	<u>12,679,845</u>	<u>12,276,046</u>	<u>10,265,994</u>	<u>6,056,214</u>	<u>15,044,504</u>	<u>113,111,050</u>
Operating income (loss)	(275,808)	(1,075,251)	144,710	623,441	446,690	192,014	815,238	360,958	(270,420)	961,572
Nonoperating gains (losses):										
Investment income	46,829	63,670	45,413	255,386	45,860	22,213	37,892	50,815	216,949	785,027
Unrealized gains (losses) on investments	86,785	183,288	(24,280)	632,643	52,082	(15,009)	(25,604)	(13,243)	605,353	1,482,015
Net gain (loss) on disposal of property and equipment	-	6,500	-	-	-	-	-	-	-	6,500
Market value adjustment on swap agreement	-	-	-	-	-	-	-	-	-	-
Contributions	87,461	385,221	88,577	91,582	17,553	88,991	7,712	5,250	(100)	772,247
Loss on extinguishment of debt	-	-	-	-	-	-	-	-	-	-
Contribution from (to) affiliate	-	-	-	-	-	-	-	-	-	-
Other nonoperating gains (losses)	-	-	-	-	-	-	-	-	-	-
Total nonoperating gains (losses)	<u>221,075</u>	<u>638,679</u>	<u>109,710</u>	<u>979,611</u>	<u>115,495</u>	<u>96,195</u>	<u>20,000</u>	<u>42,822</u>	<u>822,202</u>	<u>3,045,789</u>
Excess (deficit) of revenues over expenses	<u>(54,733)</u>	<u>(436,572)</u>	<u>254,420</u>	<u>1,603,052</u>	<u>562,185</u>	<u>288,209</u>	<u>835,238</u>	<u>403,780</u>	<u>551,782</u>	<u>4,007,361</u>

Lutheran Services for the Aging, Inc. and  
Lutheran Family Services in the Carolinas and Affiliates  
Consolidating Statements of Operations and Changes  
in Net Assets (Deficit)  
Year Ended September 30, 2023

(Continued)

	Trinity Place Albemarle	Trinity Village Hickory	Trinity Ridge Hickory	Trinity Oaks H&R Salisbury	Trinity Grove Wilmington	Trinity Glen Winston-Salem	Trinity Elms H&R Clemmons	Glenflora	Aston Park	Total Nursing
Excess (deficit) of revenue over expenses	\$ (54,733)	\$ (436,572)	\$ 254,420	\$ 1,603,052	\$ 562,185	\$ 288,209	\$ 835,238	\$ 403,780	\$ 551,782	\$ 4,007,361
Other changes net assets without donor restrictions:										
Net assets released from restrictions for capital	-	-	-	22,075	-	-	-	-	-	22,075
Contributions of equity	-	-	-	-	-	-	-	5,437,540	-	5,437,540
Other	-	-	-	-	-	-	-	-	-	-
Change in net assets without donor restrictions:	<u>(54,733)</u>	<u>(436,572)</u>	<u>254,420</u>	<u>1,625,127</u>	<u>562,185</u>	<u>288,209</u>	<u>835,238</u>	<u>5,841,320</u>	<u>551,782</u>	<u>9,466,976</u>
Changes in net assets with donor restrictions:										
Contributions and grants	2,125	2,825	1,050	37,995	2,800	5,625	-	50	2,481	54,951
Investment income	-	-	-	-	-	-	-	-	-	-
Unrealized gains (losses) on investments	-	-	-	-	-	-	-	-	-	-
Net assets released from restrictions	<u>(8,738)</u>	<u>(5,987)</u>	<u>-</u>	<u>(181,892)</u>	<u>(3,078)</u>	<u>(975)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(200,670)</u>
Change in net assets with donor restrictions:	<u>(6,613)</u>	<u>(3,162)</u>	<u>1,050</u>	<u>(143,897)</u>	<u>(278)</u>	<u>4,650</u>	<u>-</u>	<u>50</u>	<u>2,481.00</u>	<u>(145,719)</u>
Change in net assets	(61,346)	(439,734)	255,470	1,481,230	561,907	292,859	835,238	5,841,370	554,263	9,321,257
Net assets at beginning of year	5,971,087	10,119,550	5,346,889	17,412,090	4,032,715	1,328,757	4,469,435	-	16,288,332	64,968,855
Net assets at end of year	<u>\$ 5,909,741</u>	<u>\$ 9,679,816</u>	<u>\$ 5,602,359</u>	<u>\$ 18,893,320</u>	<u>\$ 4,594,622</u>	<u>\$ 1,621,616</u>	<u>\$ 5,304,673</u>	<u>\$ 5,841,370</u>	<u>\$ 16,842,595</u>	<u>\$ 74,290,112</u>



Lutheran Services for the Aging, Inc. and  
Lutheran Family Services in the Carolinas and Affiliates  
Consolidating Statements of Operations and Changes  
in Net Assets (Deficit)  
Year Ended September 30, 2023

	Lutheran Home Albemarle Property	Lutheran Home Hickory Property	Lutheran Home Hickory West Property	Lutheran Home Salisbury Property	Lutheran Home Wilmington Property	Lutheran Home Winston-Salem Property	Lutheran Home Forsyth County Property	LSA Elms Property	Lutheran Services Property	Total Property
Changes in net assets without donor restrictions:										
Revenues and other support:										
Net service revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization of deferred entrance fees	-	-	-	-	-	-	-	-	-	-
Service fees - state, county and other	-	-	-	-	-	-	-	-	-	-
Federal grants and other	-	-	-	-	-	-	-	-	-	-
Net assets released from restrictions for operating purposes	-	-	-	-	-	-	-	-	-	-
Management fees	-	-	-	-	-	-	-	-	-	-
Other revenue	385,000	600,000	820,000	653,600	761,100	370,000	1,032,998	885,000	138,000	5,645,698
Total revenue	<u>385,000</u>	<u>600,000</u>	<u>820,000</u>	<u>653,600</u>	<u>761,100</u>	<u>370,000</u>	<u>1,032,998</u>	<u>885,000</u>	<u>138,000</u>	<u>5,645,698</u>
Expenses:										
Salaries and wages	-	-	-	-	-	-	-	-	-	-
Employee benefits	-	-	-	-	-	-	-	-	-	-
Supplies and other	27,493	94,596	17,141	70,757	53,442	26,000	46,481	21,173	30,645	387,728
Medicaid bed assessment	-	-	-	-	-	-	-	-	-	-
Marketing expense	-	-	-	-	-	-	-	-	-	-
Depreciation and amortization	528,923	381,924	354,830	331,104	252,257	219,492	327,561	288,192	93,898	2,778,181
Interest expense	136,977	64,054	433,434	44,224	441,504	293,992	390,815	273,427	483	2,078,910
Total operating costs and expenses	<u>693,393</u>	<u>540,574</u>	<u>805,405</u>	<u>446,085</u>	<u>747,203</u>	<u>539,484</u>	<u>764,857</u>	<u>582,792</u>	<u>125,026</u>	<u>5,244,819</u>
Operating income (loss)	(308,393)	59,426	14,595	207,515	13,897	(169,484)	268,141	302,208	12,974	400,879
Nonoperating gains (losses):										
Investment income	23,324	-	36,837	93,592	24,376	-	10,395	25,370	5,616	219,510
Unrealized gains (losses) on investments	91,514	-	144,530	367,212	95,641	-	40,787	99,541	22,033	861,258
Net gain (loss) on disposal of property and equipment	-	-	-	-	-	-	-	-	-	-
Market value adjustment on swap agreement	-	-	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-	-	-
Loss on extinguishment of debt	-	-	-	-	-	-	-	-	-	-
Contribution from (to) affiliate	-	-	-	-	-	-	-	-	-	-
Other nonoperating gains (losses)	-	-	-	-	-	-	-	-	-	-
Total nonoperating gains (losses)	<u>114,838</u>	<u>-</u>	<u>181,367</u>	<u>460,804</u>	<u>120,017</u>	<u>-</u>	<u>51,182</u>	<u>124,911</u>	<u>27,649</u>	<u>1,080,768</u>
Excess (deficit) of revenues over expenses	<u>(193,555)</u>	<u>59,426</u>	<u>195,962</u>	<u>668,319</u>	<u>133,914</u>	<u>(169,484)</u>	<u>319,323</u>	<u>427,119</u>	<u>40,623</u>	<u>1,481,647</u>

Lutheran Services for the Aging, Inc. and  
Lutheran Family Services in the Carolinas and Affiliates  
Consolidating Statements of Operations and Changes  
in Net Assets (Deficit)  
Year Ended September 30, 2023

(Continued)

	Lutheran Home Albemarle Property	Lutheran Home Hickory Property	Lutheran Home Hickory West Property	Lutheran Home Salisbury Property	Lutheran Home Wilmington Property	Lutheran Home Winston-Salem Property	Lutheran Home Forsyth County Property	LSA Elms Property	Lutheran Services Property	Total Property
Excess (deficit) of revenue over expenses	\$ (193,555)	\$ 59,426	\$ 195,962	\$ 668,319	\$ 133,914	\$ (169,484)	\$ 319,323	\$ 427,119	\$ 40,623	\$ 1,481,647
Other changes net assets without donor restrictions:										
Net assets released from restrictions for capital	-	-	-	-	-	-	-	-	-	-
Contributions of equity	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Change in net assets without donor restrictions:	<u>(193,555)</u>	<u>59,426</u>	<u>195,962</u>	<u>668,319</u>	<u>133,914</u>	<u>(169,484)</u>	<u>319,323</u>	<u>427,119</u>	<u>40,623</u>	<u>1,481,647</u>
Changes in net assets with donor restrictions:										
Contributions and grants	-	-	-	-	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	-	-	-	-
Unrealized gains (losses) on investments	-	-	-	-	-	-	-	-	-	-
Net assets released from restrictions	-	-	-	-	-	-	-	-	-	-
Change in net assets with donor restrictions:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	(193,555)	59,426	195,962	668,319	133,914	(169,484)	319,323	427,119	40,623	1,481,647
Net assets at beginning of year	4,030,361	3,410,594	4,382,862	8,984,959	(3,258,245)	(1,660,458)	(67,702)	744,930	2,003,929	18,571,230
Net assets at end of year	<u>\$ 3,836,806</u>	<u>\$ 3,470,020</u>	<u>\$ 4,578,824</u>	<u>\$ 9,653,278</u>	<u>\$ (3,124,331)</u>	<u>\$ (1,829,942)</u>	<u>\$ 251,621</u>	<u>\$ 1,172,049</u>	<u>\$ 2,044,552</u>	<u>\$ 20,052,877</u>

Lutheran Services for the Aging, Inc. and  
Lutheran Family Services in the Carolinas and Affiliates  
Consolidating Statements of Operations and Changes  
in Net Assets (Deficit)  
Year Ended September 30, 2023

	Trinity Oaks RC Salisbury	Trinity View Arden	LRC - Wilmington	Trinity Elms IL Clemmons	Total Retirement
Changes in net assets without donor restrictions:					
Revenues and other support:					
Net service revenue	\$ 9,190,543	\$ 4,480,775	\$ 8,122,332	\$ 1,305,114	\$ 23,098,764
Amortization of deferred entrance fees	1,251,124	-	2,958,691	-	4,209,815
Service fees - state, county and other	-	-	-	-	-
Federal grants and other	-	-	-	-	-
Net assets released from restrictions for operating purposes	250,561	10,248	-	-	260,809
Management fees	-	-	-	-	-
Other revenue	146,084	47,105	506,037	-	699,226
Total revenue	<u>10,838,312</u>	<u>4,538,128</u>	<u>11,587,060</u>	<u>1,305,114</u>	<u>28,268,614</u>
Expenses:					
Salaries and wages	3,628,157	1,378,835	2,933,034	184,987	8,125,013
Employee benefits	674,626	231,388	401,545	18,086	1,325,645
Supplies and other	3,353,833	1,120,670	3,888,820	288,956	8,652,279
Medicaid bed assessment	-	-	-	-	-
Marketing expense	215,192	63,799	220,315	4,072	503,378
Depreciation and amortization	1,801,058	315,723	3,196,934	308,210	5,621,925
Interest expense	128,369	57,553	559,916	374,636	1,120,474
Total operating costs and expenses	<u>9,801,235</u>	<u>3,167,968</u>	<u>11,200,564</u>	<u>1,178,947</u>	<u>25,348,714</u>
Operating income (loss)	1,037,077	1,370,160	386,496	126,167	2,919,900
Nonoperating gains (losses):					
Investment income	83,116	43,780	23,356	29,861	180,113
Unrealized gains (losses) on investments	192,756	104,722	-	(17,658)	279,820
Net gain (loss) on disposal of property and equipment	-	-	107,984	-	107,984
Market value adjustment on swap agreement	-	-	-	-	-
Contributions	4,909	5,487	(564)	-	9,832
Loss on extinguishment of debt	-	-	-	-	-
Contribution from (to) affiliate	-	-	-	-	-
Other nonoperating gains (losses)	-	-	(385,940)	-	(385,940)
Total nonoperating gains (losses)	<u>280,781</u>	<u>153,989</u>	<u>(255,164)</u>	<u>12,203</u>	<u>191,809</u>
Excess (deficit) of revenues over expenses	<u>1,317,858</u>	<u>1,524,149</u>	<u>131,332</u>	<u>138,370</u>	<u>3,111,709</u>

Lutheran Services for the Aging, Inc. and  
Lutheran Family Services in the Carolinas and Affiliates  
Consolidating Statements of Operations and Changes  
in Net Assets (Deficit)  
Year Ended September 30, 2023

(Continued)

	Trinity Oaks RC Salisbury	Trinity View Arden	LRC - Wilmington	Trinity Elms IL Clemmons	Total Retirement
Excess (deficit) of revenue over expenses	\$ 1,317,858	\$ 1,524,149	\$ 131,332	\$ 138,370	\$ 3,111,709
Other changes net assets without donor restrictions:					-
Net assets released from restrictions for capital	104,150	-	-	-	104,150
Contributions of equity	-	-	-	-	-
Other	-	-	-	-	-
Change in net assets without donor restrictions:	<u>1,422,008</u>	<u>1,524,149</u>	<u>131,332</u>	<u>138,370</u>	<u>3,215,859</u>
Changes in net assets with donor restrictions:					
Contributions and grants	221,438	-	3,396	-	224,834
Investment income	-	-	-	-	-
Unrealized gains (losses) on investments	-	-	-	-	-
Net assets released from restrictions	<u>(354,711)</u>	<u>(10,248)</u>	<u>-</u>	<u>-</u>	<u>(364,959)</u>
Change in net assets with donor restrictions:	<u>(133,273)</u>	<u>(10,248)</u>	<u>3,396</u>	<u>-</u>	<u>(140,125)</u>
Change in net assets	1,288,735	1,513,901	134,728	138,370	3,075,734
Net assets at beginning of year	<u>5,951,933</u>	<u>5,863,727</u>	<u>(8,430,921)</u>	<u>401,397</u>	<u>3,786,136</u>
Net assets at end of year	<u>\$ 7,240,668</u>	<u>\$ 7,377,628</u>	<u>\$ (8,296,193)</u>	<u>\$ 539,767</u>	<u>\$ 6,861,870</u>

Lutheran Services for the Aging, Inc. and  
Lutheran Family Services in the Carolinas and Affiliates  
Consolidating Statements of Operations and Changes  
in Net Assets (Deficit)  
Year Ended September 30, 2023

	Trinity Elms AL Clemmons	Trinity Living Center Salisbury	Trinity at Home Salisbury	LSA Pharmacy Salisbury	Total Other Operations
Changes in net assets without donor restrictions:					
Revenues and other support:					
Net service revenue	\$ 5,458,638	\$ 382,773	\$ 391	\$ 8,895,689	\$ 14,737,491
Amortization of deferred entrance fees	-	-	-	-	-
Service fees - state, county and other	-	-	-	-	-
Federal grants and other	-	-	-	-	-
Net assets released from restrictions for operating purposes	-	22,098	-	-	22,098
Management fees	-	-	-	-	-
Other revenue	25,184	722	869,959	1,320	897,185
Total revenue	<u>5,483,822</u>	<u>405,593</u>	<u>870,350</u>	<u>8,897,009</u>	<u>15,656,774</u>
Expenses:					
Salaries and wages	2,616,661	264,485	565,023	1,653,220	5,099,389
Employee benefits	397,542	60,421	85,559	305,709	849,231
Supplies and other	2,079,285	153,972	78,757	6,358,934	8,670,948
Medicaid bed assessment	-	-	-	-	-
Marketing expense	3,046	2,839	8,240	-	14,125
Depreciation and amortization	30,042	4,570	420	24,406	59,438
Interest expense	1,343	-	-	202	1,545
Total operating costs and expenses	<u>5,127,919</u>	<u>486,287</u>	<u>737,999</u>	<u>8,342,471</u>	<u>14,694,676</u>
Operating income (loss)	355,903	(80,694)	132,351	554,538	962,098
Nonoperating gains (losses):					
Investment income	77,257	6,033	5,096	66,909	155,295
Unrealized gains (losses) on investments	236,245	16,332	(3,443)	245,799	494,933
Net gain (loss) on disposal of property and equipment	500	-	-	-	500
Market value adjustment on swap agreement	-	-	-	-	-
Contributions	2,291	28,331	50	-	30,672
Loss on extinguishment of debt	-	-	-	-	-
Contribution from (to) affiliate	-	-	-	-	-
Other nonoperating gains (losses)	-	-	-	-	-
Total nonoperating gains (losses)	<u>316,293</u>	<u>50,696</u>	<u>1,703</u>	<u>312,708</u>	<u>681,400</u>
Excess (deficit) of revenues over expenses	<u>672,196</u>	<u>(29,998)</u>	<u>134,054</u>	<u>867,246</u>	<u>1,643,498</u>

Lutheran Services for the Aging, Inc. and  
Lutheran Family Services in the Carolinas and Affiliates  
Consolidating Statements of Operations and Changes  
in Net Assets (Deficit)  
Year Ended September 30, 2023

(Continued)

	Trinity Elms AL Clemmons	Trinity Living Center Salisbury	Trinity at Home Salisbury	LSA Pharmacy Salisbury	Total Other Operations
Excess (deficit) of revenue over expenses	\$ 672,196	\$ (29,998)	\$ 134,054	\$ 867,246	\$ 1,643,498
Other changes net assets without donor restrictions:					
Net assets released from restrictions for capital	-	34,293	-	-	34,293
Contributions of equity	-	-	-	-	-
Other	-	-	-	-	-
Change in net assets without donor restrictions:	<u>672,196</u>	<u>4,295</u>	<u>134,054</u>	<u>867,246</u>	<u>1,677,791</u>
Changes in net assets with donor restrictions:					
Contributions and grants	3,725	10,428	2,500	-	16,653
Investment income	-	-	-	-	-
Unrealized gains (losses) on investments	-	-	-	-	-
Net assets released from restrictions	-	(56,391)	-	-	(56,391)
Change in net assets with donor restrictions:	<u>3,725</u>	<u>(45,963)</u>	<u>2,500</u>	<u>-</u>	<u>(39,738)</u>
Change in net assets	675,921	(41,668)	136,554	867,246	1,638,053
Net assets at beginning of year	6,290,160	351,233	834,825	12,931,852	20,408,070
Net assets at end of year	<u>\$ 6,966,081</u>	<u>\$ 309,565</u>	<u>\$ 971,379</u>	<u>\$ 13,799,098</u>	<u>\$ 22,046,123</u>

Lutheran Services for the Aging, Inc. and  
Lutheran Family Services in the Carolinas and Affiliates  
Consolidating Statements of Operations and Changes  
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Year Ended September 30, 2023

	LSA	LSA Management	LSA Foundation	LSA Therapy	Trinity Guardian	DHS	Total Other
Changes in net assets without donor restrictions:							
Revenues and other support:							
Net service revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization of deferred entrance fees	-	-	-	-	-	-	-
Service fees - state, county and other	-	3,900	-	-	-	-	3,900
Federal grants and other	-	-	-	-	-	-	-
Net assets released from restrictions							
for operating purposes	15,578	-	37,379	-	-	-	52,957
Management fees	-	10,105,358	-	-	-	-	10,105,358
Other revenue	-	126,260	(8)	-	-	248,457	374,709
Total revenue	<u>15,578</u>	<u>10,235,518</u>	<u>37,371</u>	<u>-</u>	<u>-</u>	<u>248,457</u>	<u>10,536,924</u>
Expenses:							
Salaries and wages	-	5,947,062	-	-	-	48,294	5,995,356
Employee benefits	-	853,652	-	-	-	7,592	861,244
Supplies and other	141,727	2,744,721	12,051	-	-	207,780	3,106,279
Medicaid bed assessment	-	-	-	-	-	-	-
Marketing expense	-	90,712	-	-	-	-	90,712
Depreciation and amortization	62,955	135,425	-	-	-	-	198,380
Interest expense	2,895	47,943	-	-	-	25,261	76,099
Total operating costs and expenses	<u>207,577</u>	<u>9,819,515</u>	<u>12,051</u>	<u>-</u>	<u>-</u>	<u>288,927</u>	<u>10,328,070</u>
Operating income (loss)	(191,999)	416,003	25,320	-	-	(40,470)	208,854
Nonoperating gains (losses):							
Investment income	146,713	2,247,296	57,019	783,450	-	301	3,234,779
Unrealized gains (losses) on investments	555,294	207,701	523,693	-	-	-	1,286,688
Net gain (loss) on disposal of property and equipment	131,497	(94,057)	-	-	-	-	37,440
Market value adjustment on swap agreement	-	-	-	-	-	-	-
Contributions	359,650	16,151	51,227	-	-	-	427,028
Loss on extinguishment of debt	-	-	-	-	-	-	-
Contribution from (to) affiliate	-	(193,818)	193,818	-	-	-	-
Other nonoperating gains (losses)	-	-	-	-	-	-	-
Total nonoperating gains (losses)	<u>1,193,154</u>	<u>2,183,273</u>	<u>825,757</u>	<u>783,450</u>	<u>-</u>	<u>301</u>	<u>4,985,935</u>
Excess (deficit) of revenues over expenses	<u>1,001,155</u>	<u>2,599,276</u>	<u>851,077</u>	<u>783,450</u>	<u>-</u>	<u>(40,169)</u>	<u>5,194,789</u>

Lutheran Services for the Aging, Inc. and  
Lutheran Family Services in the Carolinas and Affiliates  
Consolidating Statements of Operations and Changes  
in Net Assets (Deficit)  
Year Ended September 30, 2023

(Continued)

	LSA	LSA Management	LSA Foundation	LSA Therapy	Trinity Guardian	DHS	Total Other
Excess (deficit) of revenue over expenses	\$ 1,001,155	\$ 2,599,276	\$ 851,077	\$ 783,450	\$ -	\$ (40,169)	\$ 5,194,789
Other changes net assets without donor restrictions:							
Net assets released from restrictions for capital	-	-	-	-	-	-	-
Contributions of equity	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Change in net assets without donor restrictions:	<u>1,001,155</u>	<u>2,599,276</u>	<u>851,077</u>	<u>783,450</u>	<u>-</u>	<u>(40,169)</u>	<u>5,194,789</u>
Changes in net assets with donor restrictions:							
Contributions and grants	20,287	-	-	-	-	-	20,287
Investment income	-	227,655	126,642	-	-	-	354,297
Unrealized gains (losses) on investments	-	-	303,178	-	-	-	303,178
Net assets released from restrictions	(15,578)	-	(37,379)	-	-	-	(52,957)
Change in net assets with donor restrictions:	<u>4,709</u>	<u>227,655</u>	<u>392,441</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>624,805</u>
Change in net assets	1,005,864	2,826,931	1,243,518	783,450	-	(40,169)	5,819,594
Net assets at beginning of year	8,027,947	8,963,394	7,513,042	4,537,982	-	1,282,658	30,325,023
Net assets at end of year	<u>\$ 9,033,811</u>	<u>\$ 11,790,325</u>	<u>\$ 8,756,560</u>	<u>\$ 5,321,432</u>	<u>\$ -</u>	<u>\$ 1,242,489</u>	<u>\$ 36,144,617</u>

See Independent Auditor's Report.



Lutheran Services for the Aging, Inc. and  
Lutheran Family Services in the Carolinas and Affiliates  
Consolidating Statements of Operations and Changes  
in Net Assets (Deficit)  
Year Ended September 30, 2023

	LFS Real Properties	LFS in the Carolinas Child and Family	Total LFS
Changes in net assets without donor restrictions:			
Revenues and other support:			
Net service revenue	\$ -	\$ 9,512,598	\$ 9,512,598
Amortization of deferred entrance fees	-	-	-
Service fees - state, county and other	-	9,067,600	9,067,600
Federal grants and other	-	14,856,250	14,856,250
Net assets released from restrictions for operating purposes	-	897,730	897,730
Management fees	-	-	-
Other revenue	198,106	218,279	416,385
Total revenue	<u>198,106</u>	<u>34,552,457</u>	<u>34,750,563</u>
Expenses:			
Salaries and wages	4,066	14,481,817	14,485,883
Employee benefits	-	2,716,873	2,716,873
Supplies and other	50,073	16,952,419	17,002,492
Medicaid bed assessment	-	117,576	117,576
Marketing expense	-	96,425	96,425
Depreciation and amortization	88,485	83,522	172,007
Interest expense	24,610	7,203	31,813
Total operating costs and expenses	<u>167,234</u>	<u>34,455,835</u>	<u>34,623,069</u>
Operating income (loss)	30,872	96,622	127,494
Nonoperating gains (losses):			
Investment income	7,352	-	7,352
Unrealized gains (losses) on investments	-	-	-
Net gain (loss) on disposal of property and equipment	-	143,072	143,072
Market value adjustment on swap agreement	-	-	-
Contributions	13,114	1,063,456	1,076,570
Loss on extinguishment of debt	-	-	-
Contribution from (to) affiliate	-	-	-
Other nonoperating gains (losses)	-	-	-
Total nonoperating gains (losses)	<u>20,466</u>	<u>1,206,528</u>	<u>1,226,994</u>
Excess (deficit) of revenues over expenses	<u>51,338</u>	<u>1,303,150</u>	<u>1,354,488</u>

Lutheran Services for the Aging, Inc. and  
Lutheran Family Services in the Carolinas and Affiliates  
Consolidating Statements of Operations and Changes  
in Net Assets (Deficit)  
Year Ended September 30, 2023

(Continued)

	LFS Real Properties	LFS in the Carolinas Child and Family	Total LFS
Excess (deficit) of revenue over expenses	\$ 51,338	\$ 1,303,150	\$ 1,354,488
Other changes net assets without donor restrictions:			
Net assets released from restrictions for capital	-	-	-
Contributions of equity	-	-	-
Other	-	-	-
Change in net assets without donor restrictions:	<u>51,338</u>	<u>1,303,150</u>	<u>1,354,488</u>
Changes in net assets with donor restrictions:			
Contributions and grants	-	1,771,525	1,771,525
Investment income	-	7,669	7,669
Unrealized gains (losses) on investments	-	24,113	24,113
Net assets released from restrictions	-	(897,730)	(897,730)
Change in net assets with donor restrictions:	<u>-</u>	<u>905,577</u>	<u>905,577</u>
Change in net assets	51,338	2,208,727	2,260,065
Net assets at beginning of year	<u>1,980,025</u>	<u>2,503,436</u>	<u>4,483,461</u>
Net assets at end of year	<u>\$ 2,031,363</u>	<u>\$ 4,712,163</u>	<u>\$ 6,743,526</u>

Lutheran Services for the Aging, Inc. and  
Lutheran Family Services in the Carolinas and Affiliates  
Consolidating Statements of Operations and Changes  
in Net Assets (Deficit)  
Year Ended September 30, 2023

	Total LSA	Total LFS	Eliminations	Total	Obligated Group*
Changes in net assets without donor restrictions:					
Revenues and other support:					
Net service revenue	\$ 151,184,930	\$ 9,512,598	\$ (3,930,506)	\$ 156,767,022	\$ 126,214,282
Amortization of deferred entrance fees	4,209,815	-	-	4,209,815	4,209,815
Service fees - state, county and other	3,900	9,067,600	-	9,071,500	3,900
Federal grants and other	182,557	14,856,250	-	15,038,807	182,557
Net assets released from restrictions					-
for operating purposes	514,459	897,730	-	1,412,189	514,459
Management fees	10,105,358	-	(9,099,929)	1,005,429	1,005,429
Other revenue	7,979,613	416,385	(5,301,600)	3,094,398	1,408,092
Total revenue	<u>174,180,632</u>	<u>34,750,563</u>	<u>(18,332,035)</u>	<u>190,599,160</u>	<u>133,538,534</u>
Expenses:					
Salaries and wages	74,423,136	14,485,883	-	88,909,019	65,463,625
Employee benefits	11,699,100	2,716,873	-	14,415,973	10,237,582
Supplies and other	64,666,854	17,002,492	(18,332,035)	63,337,311	36,089,267
Medicaid bed assessment	4,179,270	117,576	-	4,296,846	3,135,661
Marketing expense	695,408	96,425	-	791,833	653,757
Depreciation and amortization	9,762,706	172,007	-	9,934,713	9,413,683
Interest expense	3,300,855	31,813	-	3,332,668	3,274,075
Total operating costs and expenses	<u>168,727,329</u>	<u>34,623,069</u>	<u>(18,332,035)</u>	<u>185,018,363</u>	<u>128,267,650</u>
Operating income (loss)	5,453,303	127,494	-	5,580,797	5,270,884
Nonoperating gains (losses):					
Investment income	4,574,724	7,352	-	4,582,076	3,518,113
Unrealized gains (losses) on investments	4,404,714	-	-	4,404,714	3,816,047
Net gain (loss) on disposal of property and equipment	152,424	143,072	-	295,496	152,424
Market value adjustment on swap agreement	-	-	-	-	-
Contributions	1,239,779	1,076,570	-	2,316,349	1,234,579
Loss on extinguishment of debt	-	-	-	-	-
Contribution from (to) affiliate	-	-	-	-	-
Other nonoperating gains (losses)	(385,940)	-	-	(385,940)	(385,940)
Total nonoperating gains (losses)	<u>9,985,701</u>	<u>1,226,994</u>	<u>-</u>	<u>11,212,695</u>	<u>8,335,223</u>
Excess (deficit) of revenues over expenses	<u>15,439,004</u>	<u>1,354,488</u>	<u>-</u>	<u>16,793,492</u>	<u>13,606,107</u>

\* The Obligated Group represents the joint and several obligors of the North Carolina Medical Care Commission Health Care Facilities First Mortgage Revenue Refunding Bonds (Series 2012A, Series 2017 and Series 2020). The Obligated Group is comprised of the LSA Organizations exclusive of Trinity at Home Salisbury, LSA Therapy, Trinity Guardian, Glenflora, Aston Park, and DHS.

Lutheran Services for the Aging, Inc. and  
Lutheran Family Services in the Carolinas and Affiliates  
Consolidating Statements of Operations and Changes  
in Net Assets (Deficit)  
Year Ended September 30, 2023

(Continued)

	Total LSA	Total LFS	Eliminations	Total	Obligated Group*
Excess (deficit) of revenue over expenses	\$ 15,439,004	\$ 1,354,488	\$ -	\$ 16,793,492	\$ 13,606,107
Other changes net assets without donor restrictions:					
Net assets released from restrictions for capital	160,518	-	-	160,518	160,518
Contributions of equity	5,437,540	-	-	5,437,540	-
Other	-	-	-	-	-
Change in net assets without donor restrictions:	<u>21,037,062</u>	<u>1,354,488</u>	<u>-</u>	<u>22,391,550</u>	<u>13,766,625</u>
Changes in net assets with donor restrictions:					
Contributions and grants	316,725	1,771,525	-	2,088,250	311,694
Investment income	354,297	7,669	-	361,966	354,297
Unrealized gains (losses) on investments	303,178	24,113	-	327,291	303,178
Net assets released from restrictions	<u>(674,977)</u>	<u>(897,730)</u>	<u>-</u>	<u>(1,572,707)</u>	<u>(674,977)</u>
Change in net assets with donor restrictions:	<u>299,223</u>	<u>905,577</u>	<u>-</u>	<u>1,204,800</u>	<u>294,192</u>
Change in net assets	21,336,285	2,260,065	-	23,596,350	14,060,817
Net assets at beginning of year	<u>138,059,314</u>	<u>4,483,461</u>	<u>-</u>	<u>142,542,775</u>	<u>115,115,517</u>
Net assets at end of year	<u>\$ 159,395,599</u>	<u>\$ 6,743,526</u>	<u>\$ -</u>	<u>\$ 166,139,125</u>	<u>\$ 129,176,334</u>

\* The Obligated Group represents the joint and several obligors of the North Carolina Medical Care Commission Health Care Facilities First Mortgage Revenue Refunding Bonds (Series 2012A, Series 2020, and Series 2021A). The Obligated Group is comprised of the LSA Organizations exclusive of Trinity at Home Salisbury, LSA Therapy, Trinity Guardian, Glenflora, Aston Park, and DHS.

## Trinity Elms Campus Consolidated Balance Sheet

Assets	Actual 2023	Forecast 2023	Difference	Explanation
<b>Current Assets</b>				
Cash and cash equivalents	\$ 5,808,334	\$ 7,380,000	\$ (1,571,666)	Transferred excess to investments
Investments	8,670,818	4,271,000	4,399,818	Transferred excess to investments
Receivables, net of allowance	2,566,305	2,156,000	410,305	
Other	680,901	5,859,000	(5,178,099)	Reduction in Due from Affiliate
Inventories	97,259	98,000	(741)	
<b>Total current assets</b>	<b>17,823,617</b>	<b>19,764,000</b>		
Assets limited as to use	210,000	210,000	-	
Net Property and Equipment	26,351,842	27,000,000	(648,158)	Routine capital
<b>Total assets</b>	<b>\$ 44,385,459</b>	<b>\$ 46,974,000</b>		
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Current portion of long-term debt	\$ 940,000	\$ 940,000	-	
Accounts payable - trade	257,552	144,000	113,552	
Accrued salaries and payroll taxes	547,039	525,000	22,039	
Accrued employee benefits	34,714	42,000	(7,286)	
Accrued interest payable	-	49,000	(49,000)	
Refundable fee deposits - current	31,448	30,000	1,448	
<b>Total current liabilities</b>	<b>1,810,753</b>	<b>1,730,000</b>		
<b>Other liabilities and credits</b>				
Refundable fee deposits	125,064	111,000	14,064	
Deferred revenue	133,592	-	133,592	
Long-term debt	28,081,422	31,396,000	(3,314,578)	Bond allocation
<b>Total other liabilities and credits</b>	<b>28,340,077</b>	<b>33,237,000</b>		
Unrestricted	14,221,234	13,732,000		
Temporarily restricted	13,395	5,000		
<b>Total net assets</b>	<b>14,234,629</b>	<b>13,737,000</b>		
<b>Total liabilities and net assets</b>	<b>\$ 44,385,459</b>	<b>\$ 46,974,000</b>		

*Explanation of Material Differences Between Projected Statements of Operations and Changes in Net Assets for the Year Ended September 30, 2023 and Year Ended September 30, 2023 Actual Results.* Please note that the basic threshold for a comment on variances was >\$500,000 on the balance sheet and cash flow statement and >\$200,000 on the income statement.

The following explanation is furnished pursuant to Section 58-94-30 of the General Statutes of North Carolina. The explanation pertains to material difference between the Projected Statement of Activities and Changes in Net Assets for the Year Ended September 30, 2023 contained as part of the Disclosure Statement.

## Trinity Elms Campus Consolidated Income Statement

	Actual 2023	Forecast 2023	Difference	Explanation
Revenue and other Support				
Net resident service revenue	\$ 16,812,946	\$ 16,332,000	\$ 480,946	Roof repair insurance
Other revenue	1,391,057	1,424,000	(32,943)	
Total revenue and other support	<u>\$ 18,204,003</u>	<u>\$ 17,756,000</u>	<u>\$ 448,003</u>	
Expenses				
Health care	7,023,347	6,953,000	70,347	
Maintenance	815,155	743,000	72,155	
Laundry	192,209	248,000	(55,791)	
Housekeeping	591,064	574,000	17,064	
Dietary	1,609,138	1,448,000	161,138	
Life Enrichment Services	336,140	326,000	10,140	
Administration	3,469,568	3,592,000	(122,432)	
Depreciation	1,108,300	1,120,000	(11,700)	
Interest expense	1,191,437	1,054,000	137,437	
Total expenses	<u>16,336,357</u>	<u>16,058,000</u>	<u>278,357</u>	
<b>Operating income (loss)</b>	<b>1,867,647</b>	<b>1,698,000</b>	<b>169,647</b>	
Other Income				
Investment Income	180,777	185,000	(4,223)	
Unrealized Gain (Loss)	333,948	-	333,948	Investment returns
Unrestricted contributions and bequest	10,002	15,000	(4,998)	
Total other income (loss)	<u>524,726</u>	<u>200,000</u>	<u>324,726</u>	
<b>Excess revenues over expenses</b>	<b>\$ 2,392,373</b>	<b>\$ 1,898,000</b>	<b>\$ 494,373</b>	
Other changes in unrestricted net assets	-	-	-	
<b>Increase (decrease) unrestricted assets</b>	<b>\$ 2,392,373</b>	<b>\$ 1,898,000</b>	<b>\$ 494,373</b>	
Temporary restricted				
Contributions	3,735	-	3,735	
Net assets released from restrictions	-	-	-	
Increase (decrease) temp. restricted	<u>3,735</u>	<u>-</u>	<u>3,735</u>	
Increase (decrease) net assets	2,396,108	1,898,000	498,108	
Net assets - beginning of year	11,838,521	11,838,521		
<b>Net assets - end of year</b>	<b><u>\$ 14,234,629</u></b>	<b><u>\$ 13,736,521</u></b>		

*Explanation of Material Differences Between Projected Statements of Operations and Changes in Net Assets for the Year Ended September 30, 2023 and Year Ended September 30, 2023 Actual Results. Please note that the basic threshold for a comment on variances was >\$500,000 on the balance sheet and cash flow statement and >\$200,000 on the income statement.*

*The following explanation is furnished pursuant to Section 58-94-30 of the General Statutes of North Carolina. The explanation pertains to material difference between the Projected Statement of Activities and Changes in Net Assets for the Year Ended September 30, 2023 contained as part of the Disclosure Statement.*

## Trinity Elms Campus Consolidated Statement of Cash Flows

	Actual 2023	Forecast 2023	Difference	Explanation
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Change in net assets	\$ 2,396,108	\$ 1,898,000	\$ 498,108	
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
from advance fees	-	-	-	
Depreciation and amortization	1,108,300	975,000	133,300	
(Gain) loss on disposal of assets	-	-	-	
Realized/unrealized (gain) loss on investments	(333,948)	-	(333,948)	
(Increase) decrease in other current assets	835,190	124,000	711,190	Reduction in Due from Affiliate
Increase (decrease) in accounts payable/accrued expenses	176,481	97,000	79,481	
Increase (decrease) in deferred revenue	101,781	(32,000)	133,781	
<b>Net cash provided by operating activities</b>	<b><u>4,283,912</u></b>	<b><u>3,062,000</u></b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Purchase of property and equipment	(113,189)	(773,000)	659,811	Project timing
Investments (net)	(5,073,367)	(1,007,000)	(4,066,367)	Transferred excess to investments
(Increase) decrease in assets whose use is limited	14,000	14,000	-	
<b>Net cash used in investing activities</b>	<b><u>(5,172,555)</u></b>	<b><u>(1,766,000)</u></b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Net proceeds from bond issue/debt payments	(904,768)	(905,000)	232	
Advanced fees received, net	15,592	-	15,592	
<b>Net cash provided by financing activities</b>	<b><u>(889,176)</u></b>	<b><u>(905,000)</u></b>		
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,777,819)</b>	<b>\$ 391,000</b>		
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	<u>7,586,152</u>	<u>\$ 5,002,000</u>		
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b><u>\$ 5,808,334</u></b>	<b><u>\$ 5,393,000</u></b>	<b>*</b>	

\* Includes Temporarily Restricted cash

*Explanation of Material Differences Between Projected Statements of Operations and Changes in Net Assets for the Year Ended September 30, 2023 and Year Ended September 30, 2023 Actual Results. Please note that the basic threshold for a comment on variances was >\$500,000 on the balance sheet and cash flow statement and >\$200,000 on the income statement.*

*The following explanation is furnished pursuant to Section 58-94-30 of the General Statutes of North Carolina. The explanation pertains to material difference between the Projected Statement of Activities and Changes in Net Assets for the Year Ended September 30, 2023 contained as part of the Disclosure Statement.*

**Exhibit C**  
**Five Year Projection**  
**Statement**



**LUTHERAN RETIREMENT CENTER – CLEMMONS, INC.  
LSA ELMS AT TANGLEWOOD, INC.  
LSA ELMS PROPERTY, INC.  
LUTHERAN HOME – FORSYTH COUNTY, INC.  
LUTHERAN HOME FORSYTH COUNTY PROPERTY, INC.  
COLLECTIVELY D/B/A TRINITY ELMS**

**PROJECTED COMBINED FINANCIAL STATEMENTS  
AND INDEPENDENT ACCOUNTANTS' COMPILATION  
REPORT**

**FOR THE YEARS ENDING SEPTEMBER 30, 2024 THROUGH  
SEPTEMBER 30, 2028**



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## INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Board of Trustees  
Lutheran Retirement Center – Clemmons, Inc.  
LSA Elms at Tanglewood, Inc.  
LSA Elms Property, Inc.  
Lutheran Home – Forsyth County, Inc.  
Lutheran Home Forsyth County Property, Inc.  
Salisbury, North Carolina

Management is responsible for the accompanying projected combined financial statements of Lutheran Retirement Center – Clemmons, Inc., LSA Elms at Tanglewood, Inc., LSA Elms Property, Inc., Lutheran Home – Forsyth County, Inc., and Lutheran Home Forsyth County Property, Inc., collectively d/b/a Trinity Elms (“Trinity Elms”), which comprise the projected combined balance sheets as of September 30, 2024, 2025, 2026, 2027 and 2028, and the related projected combined statements of operations and changes in net assets, and cash flows for the years then ending, and the related summaries of significant projection assumptions and accounting policies in accordance with the guidelines for presentation of a financial projection established by the American Institute of Certified Public Accountants (“AICPA”). 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 examine or review the projected combined 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 projected financial statements or the assumptions. Furthermore, even if Trinity Elms is able to achieve the hypothetical assumptions as noted in Management’s Summary of Significant Projection Assumptions and Accounting Policies on page 6 (the “Hypothetical Assumptions”), the projected results may not be achieved, as there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

The accompanying supplementary information contained in the Supplemental Schedule of Detailed Operating Expenses by Entity is presented for purposes of additional analysis and is not a required part of the projection. Such information is the responsibility of management. The supplementary information was subject to our compilation engagement. We have not examined or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

The accompanying projection information and this report are intended solely for the information and use of management, the Board of Trustees, and the North Carolina Department of Insurance (pursuant to the requirements of North Carolina General Statutes, Chapter 58, Article 64 and is included in Trinity Elms’ disclosure statement filing), and are not intended to be and should not be used by anyone other than these specified parties.

Board of Trustees  
Lutheran Retirement Center – Clemmons, Inc.  
LSA Elms at Tanglewood, Inc.  
LSA Elms Property, Inc.  
Lutheran Home – Forsyth County, Inc.  
Lutheran Home Forsyth County Property, Inc.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Charlotte, North Carolina  
February 8, 2024

**LUTHERAN RETIREMENT CENTER – CLEMMONS, INC.  
LSA ELMS AT TANGLEWOOD, INC.  
LSA ELMS PROPERTY, INC.  
LUTHERAN HOME – FORSYTH COUNTY, INC.  
LUTHERAN HOME FORSYTH COUNTY PROPERTY, INC.  
COLLECTIVELY D/B/A TRINITY ELMS  
PROJECTED COMBINED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS  
ASSUMING THE HYPOTHETICAL ASSUMPTIONS ON PAGE 6  
FOR YEARS ENDING SEPTEMBER 30,  
(In Thousands of Dollars)**

	2024	2025	2026	2027	2028
Operating Revenue					
Patient Service Revenues:					
Monthly Fee Revenues	\$ 1,376	\$ 1,446	\$ 1,490	\$ 1,534	\$ 1,580
Health Care Revenues - Assisted Living and Nursing	17,736	18,362	18,833	19,318	19,817
Other Operating Revenue	675	709	730	752	775
Total Operating Revenue	<u>19,787</u>	<u>20,517</u>	<u>21,053</u>	<u>21,604</u>	<u>22,172</u>
Expenses					
Health Care	8,454	8,945	9,214	9,490	9,776
Operations:					
Maintenance	450	476	490	505	520
Utilities	434	460	473	488	502
Laundry	326	345	355	366	377
Housekeeping	652	689	710	731	753
Groundskeeping	62	66	68	70	72
Dietary	1,908	2,019	2,079	2,142	2,206
Activities, Transportation, and Ministry	357	377	389	400	413
Administrative	2,870	3,036	3,128	3,221	3,318
Management Fees	858	943	966	992	1,018
Depreciation	1,115	1,298	1,408	1,522	1,638
Interest Expense and Amortization	1,018	976	929	874	817
Total Operating Costs and Expenses	<u>18,504</u>	<u>19,630</u>	<u>20,209</u>	<u>20,801</u>	<u>21,410</u>
Operating Income	1,283	887	844	803	762
Non-Operating Gains:					
Investment Income	364	359	359	364	367
Contributions	15	16	16	17	17
Total Non-Operating Income	<u>379</u>	<u>375</u>	<u>375</u>	<u>381</u>	<u>384</u>
Excess of Revenues over Expenses	1,662	1,262	1,219	1,184	1,146
Changes in Net Assets	1,662	1,262	1,219	1,184	1,146
Net Assets at Beginning of Year	14,234	15,896	17,158	18,377	19,561
Net Assets at End of Year	<u>\$ 15,896</u>	<u>\$ 17,158</u>	<u>\$ 18,377</u>	<u>\$ 19,561</u>	<u>\$ 20,707</u>

**See Summary of Significant Projection Assumptions and Accounting Policies and  
Independent Accountants' Compilation Report**

**LUTHERAN RETIREMENT CENTER – CLEMMONS, INC.**  
**LSA ELMS AT TANGLEWOOD, INC.**  
**LSA ELMS PROPERTY, INC.**  
**LUTHERAN HOME – FORSYTH COUNTY, INC.**  
**LUTHERAN HOME FORSYTH COUNTY PROPERTY, INC.**  
**COLLECTIVELY D/B/A TRINITY ELMS**  
**PROJECTED COMBINED STATEMENTS OF CASH FLOWS**  
**ASSUMING THE HYPOTHETICAL ASSUMPTIONS ON PAGE 6**  
**FOR YEARS ENDING SEPTEMBER 30,**  
*(In Thousands of Dollars)*

	2024	2025	2026	2027	2028
Cash Flows from Operating Activities:					
Changes in Net Assets	\$ 1,662	\$ 1,262	\$ 1,219	\$ 1,184	\$ 1,146
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:					
Depreciation	1,115	1,298	1,408	1,522	1,638
Amortization of Debt Issuance Costs	68	68	68	68	68
Amortization of Debt Premium	(213)	(213)	(213)	(213)	(213)
Changes in Assets and Liabilities:					
Accounts Receivable, Residents and Clients	(164)	(74)	(74)	(37)	(74)
Other Current Assets	(89)	(8)	(8)	(4)	(8)
Employee Retention Credit Receivable	732	-	-	-	-
Accounts Payable and Other Accrued Liabilities	36	37	30	127	7
Accrued Interest Payable	46	(4)	(4)	(4)	(4)
Deferred Revenue from Grants and Other	(133)	-	-	-	-
Net Cash Provided by Operating Activities	<u>3,060</u>	<u>2,366</u>	<u>2,426</u>	<u>2,643</u>	<u>2,560</u>
Cash Flows from Investment Activities:					
Routine Purchases of Property and Equipment	(1,346)	(1,090)	(1,120)	(1,150)	(1,180)
Change in Investments, Net	642	41	(93)	(75)	(60)
Change in Assets Whose Use is Limited, Net	(26)	(6)	(4)	(2)	(3)
Net Cash Used in Investment Activities	<u>(730)</u>	<u>(1,055)</u>	<u>(1,217)</u>	<u>(1,227)</u>	<u>(1,243)</u>
Cash Flows from Financing Activities:					
Allocated Payments of Long-Term Debt	(940)	(982)	(1,029)	(1,082)	(1,137)
Net Cash Used in Financing Activities	<u>(940)</u>	<u>(982)</u>	<u>(1,029)</u>	<u>(1,082)</u>	<u>(1,137)</u>
Change in Cash, Cash Equivalents and Restricted Cash	1,390	329	180	334	180
Cash, Cash Equivalents and Restricted Cash, Beginning of Year	5,840	7,230	7,559	7,739	8,073
Cash, Cash Equivalents and Restricted Cash, End of Year	<u>\$ 7,230</u>	<u>\$ 7,559</u>	<u>\$ 7,739</u>	<u>\$ 8,073</u>	<u>\$ 8,253</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>					
Cash Paid During the Year for Interest	<u>\$ 1,166</u>	<u>\$ 1,125</u>	<u>\$ 1,078</u>	<u>\$ 1,023</u>	<u>\$ 966</u>

**See Summary of Significant Projection Assumptions and Accounting Policies and Independent Accountants' Compilation Report**

**LUTHERAN RETIREMENT CENTER – CLEMMONS, INC.  
LSA ELMS AT TANGLEWOOD, INC.  
LSA ELMS PROPERTY, INC.  
LUTHERAN HOME – FORSYTH COUNTY, INC.  
LUTHERAN HOME FORSYTH COUNTY PROPERTY, INC.  
COLLECTIVELY D/B/A TRINITY ELMS  
PROJECTED COMBINED BALANCE SHEETS  
ASSUMING THE HYPOTHETICAL ASSUMPTIONS ON PAGE 6  
AT SEPTEMBER 30,  
(In Thousands of Dollars)**

	2024	2025	2026	2027	2028
<b>ASSETS</b>					
Current Assets:					
Cash and Cash Equivalents	\$ 6,579	\$ 6,885	\$ 7,038	\$ 7,344	\$ 7,497
Investments	8,029	7,988	8,081	8,156	8,216
Current Portion of Assets Limited as to Use	619	553	553	553	553
Accounts Receivable, Residents, and Clients, Net of Current Expected Credit Losses	1,998	2,072	2,146	2,183	2,257
Other Receivable	57	57	57	57	57
Inventories	162	168	174	177	183
Prepaid Expenses	54	56	58	59	61
Residents' Funds	32	32	32	32	32
Total Current Assets	17,530	17,811	18,139	18,561	18,856
Assets Limited as to Use:					
Assets Limited as to Use - Operating Reserve Requirement	236	242	246	248	251
Bond Funds	619	642	669	697	724
Total Assets Limited as to Use	855	884	915	945	975
Less: Current Portion	(619)	(553)	(553)	(553)	(553)
	236	331	362	392	422
Due from Affiliate	3,877	3,877	3,877	3,877	3,877
Property and Equipment, Net	26,582	26,374	26,086	25,714	25,256
Total Assets	\$ 48,225	\$ 48,393	\$ 48,464	\$ 48,544	\$ 48,411
<b>LIABILITIES AND NET ASSETS</b>					
Current Liabilities					
Current Maturities of Long-Term Debt	\$ 982	\$ 1,029	\$ 1,082	\$ 1,137	\$ 1,189
Accounts Payable, Trade	301	315	322	336	343
Accrued Salaries and Payroll Taxes	550	572	594	672	672
Accrued Health Benefits	24	25	26	61	61
Accrued Interest Payable	46	42	38	34	30
Residents' Funds Liability	32	32	32	32	32
Total Current Liabilities	1,935	2,015	2,094	2,272	2,327
Long-Term Liabilities:					
Long-Term Debt, Less Current Maturities, Debt Issuance Costs and Original Issuance Premium	30,269	29,095	27,868	26,586	25,252
Deposit Liability	125	125	125	125	125
Total Long-Term Liabilities	30,394	29,220	27,993	26,711	25,377
Total Liabilities	32,329	31,235	30,087	28,983	27,704
Net Assets:					
Net Assets Without Donor Restriction					
Unrestricted, Undesignated	15,890	17,152	18,371	19,555	20,701
Total Net Assets Without Donor Restriction	15,890	17,152	18,371	19,555	20,701
Net Assets With Donor Restriction	6	6	6	6	6
Total Net Assets	15,896	17,158	18,377	19,561	20,707
Total Liabilities and Net Assets	\$ 48,225	\$ 48,393	\$ 48,464	\$ 48,544	\$ 48,411

**See Summary of Significant Projection Assumptions and Accounting Policies and  
Independent Accountants' Compilation Report**

# Summary of Significant Projection Assumptions and Accounting Policies

## INTRODUCTION

### Basis of Presentation

This financial projection presents, to the best of management's ("Management") knowledge and belief Lutheran Retirement Center – Clemmons, Inc., LSA Elms at Tanglewood, Inc., LSA Elms Property, Inc., Lutheran Home – Forsyth County, Inc., and Lutheran Home Forsyth County Property, Inc., collectively d/b/a Trinity Elms ("Trinity Elms"), expected combined balance sheets, combined statements of operations and changes in net assets, and combined cash flows as of September 30, 2024, 2025, 2026, 2027 and 2028 and for each of the years then ending (the "Projection" or the "Projection Period").

Accordingly, the Projection reflects Management's judgment as of February 8, 2024, the date of this Projection, of the expected conditions and its expected course of action during the Projection Period. The financial Projection is based on Management's assumptions concerning future events and circumstances. The assumptions disclosed herein are those that Management believes are significant to the Projection or are key factors upon which the financial results of Trinity Elms depend.

**Hypothetical Assumptions** – A hypothetical assumption is an assumption used in a financial projection to present a condition or course of action that may not occur as expected, but is consistent with the purpose of presentation.

Management has prepared its financial projection with the following hypothetical assumptions:

- Management is able to achieve the operating revenue inflationary rate increases and operating expense inflationary increases as projected.

The accompanying Projection information and this report are intended solely for the information and use of Management, the Board of Trustees, and the North Carolina Department of Insurance (pursuant to the requirement of North Carolina General Statutes, Chapter 58, Article 64 and is included in Trinity Elms' disclosure statement filing), and is not intended to be and should not be used by anyone other than these specified parties.

There will usually be differences between the projected and actual results because events and circumstances frequently do not occur as expected and those differences may be material. Management does not intend to revise this projection to reflect changes in present circumstances or the occurrence of unanticipated events.



## Summary of Significant Projection Assumptions and Accounting Policies

### BACKGROUND INFORMATION

Trinity Elms is an affiliate of Lutheran Services for the Aging, Inc. (“LSA”), a social ministry organization affiliated with the North Carolina Synod of the Evangelical Lutheran Church in America. Both Trinity Elms and LSA are nonprofit corporations under section 501(c)(3) of the Internal Revenue Code and are located in Clemmons, North Carolina and Salisbury, North Carolina, respectively.

LSA began operations in 1962 as North Carolina Lutheran Homes, growing from a small nursing home in Hickory to operating eleven senior living facilities providing a variety of independent living, assisted living, and nursing accommodations, an adult day services operation, a pharmacy, a home care agency and a foundation. LSA has also partnered with agencies in Catawba, Gaston, Guilford, and Mecklenburg counties to provide services to seniors through Program of All-Inclusive Care for the Elderly (“PACE”) programs.

Trinity Elms is one of several members of LSA that are part of an obligated group (the “Obligated Group”) which was established as part of its previous financings. The Obligated Group consists of the following:

**Table 1**  
**LSA Obligated Group**

Operating Entities	Corresponding Property Corporation	Location	Independent Living	Assisted Living	Skilled Nursing	Total
<u>Parent Corporation</u>						
Lutheran Services for the Aging, Inc.	-	Salisbury, NC				
<u>Nursing</u>						
Lutheran Home - Hickory West, Inc. (Trinity Ridge)	Lutheran Home Hickory West Property, Inc.	Hickory, NC	-	-	120	120
Lutheran Home - Wilmington, Inc. (Trinity Grove)	Lutheran Home Wilmington Property, Inc.	Wilmington, NC	-	-	100	100
Lutheran Home - Winston-Salem, Inc. (Trinity Glen)	Lutheran Home Winston-Salem Property, Inc.	Winston-Salem, NC	-	-	117	117
<u>Assisted Living / Nursing</u>						
Lutheran Home - Albemarle, Inc. (Trinity Place) <sup>(1)</sup>	Lutheran Home Albemarle Property, Inc.	Albemarle, NC	-	27	76	103
Lutheran Home - Hickory, Inc. (Trinity Village)	Lutheran Home Hickory Property, Inc.	Hickory, NC	-	90	104	194
<u>Retirement Communities</u>						
Lutheran Retirement Center at Lutheridge, Inc. (Trinity View) <sup>(2)</sup>	-	Arden, NC	78	24	-	102
Lutheran Retirement Center - Salisbury, Inc. (Trinity Oaks retirement) <sup>(3)</sup>	-	Salisbury, NC	167	38	-	205
Lutheran Home at Trinity Oaks, Inc. (Trinity Oaks health & rehab) <sup>(3)</sup>	Lutheran Home at Trinity Oaks Property, Inc.	Salisbury, NC	12	12	115	139
Lutheran Home - Forsyth County, Inc. (Trinity Elms health & rehab) <sup>(4)</sup>	Lutheran Home Forsyth County Property, Inc.	Clemmons, NC	-	-	100	100
LSA Elms at Tanglewood, Inc. (Trinity Elms assisted living) <sup>(4) (5)</sup>	LSA Elms Property, Inc.	Clemmons, NC	-	104	-	104
Lutheran Retirement Center - Clemmons, Inc. (Trinity Elms retirement) <sup>(4)</sup>	-	Clemmons, NC	54	-	-	54
Lutheran Retirement Center - Wilmington, Inc. (Trinity Landing) <sup>(6)</sup>	-	Wilmington, NC	208	-	-	208
Lutheran Retirement Center - Hickory, Inc. <sup>(7)</sup>	-	Hickory, NC	-	-	-	-
Lutheran Retirement Center - Hickory West, Inc. <sup>(7)</sup>	-	Hickory, NC	-	-	-	-
<u>Other</u>						
Abundant Living Adult Day Services, Inc.	Lutheran Services Property, Inc.	Salisbury, NC	-	-	-	-
LSA Management, Inc.	-	Salisbury, NC	-	-	-	-
LSA Pharmacy, Inc.	-	Salisbury, NC	-	-	-	-
The Foundation for Abundant Living	-	Salisbury, NC	-	-	-	-
<b>Total</b>			<b>519</b>	<b>295</b>	<b>732</b>	<b>1,546</b>

Source: Management

**See Independent Accountants’ Compilation Report**

## Summary of Significant Projection Assumptions and Accounting Policies

### BACKGROUND INFORMATION (CONTINUED)

Notes to Table 1:

- (1) In January 2020, the number of assisted living beds at Trinity Place increased from 10 to 27.
- (2) Although Trinity View is licensed for 24 assisted living units, the facility consistently operates only 20 units due to using four semi-private rooms as private rooms.
- (3) Lutheran Home at Trinity Oaks, Inc. (Trinity Oaks health and rehab) and Lutheran Retirement Center – Salisbury, Inc. (Trinity Oaks) operate together as a North Carolina licensed “continuing care retirement community.”
- (4) Trinity Elms retirement, Trinity Elms health and rehab and Trinity Elms assisted living operate together as a North Carolina licensed “continuing care retirement community.”
- (5) Although Trinity Elms is licensed for 104 assisted living units, the facility typically operates only 89 units due to using some semi-private rooms as private rooms.
- (6) Lutheran Retirement Center – Wilmington, Inc., Trinity Landing, and Trinity Grove operate together as a North Carolina licensed “continuing care retirement community.”
- (7) Lutheran Retirement Center – Hickory, Inc. and Lutheran Retirement – Hickory West, Inc. currently have no operations.

In 2011, LSA entered into an affiliation with Lutheran Family Services in the Carolinas (“LFS”).

LSA Management, Inc. provides management, accounting, management information and resource development services to all of the affiliates. LSA Pharmacy, Inc. provides pharmacy services to the seven Lutheran Homes in operation. Trinity Place, Trinity Village, Trinity Oaks Health & Rehab, Trinity Ridge, Trinity Glen, Trinity Grove and Trinity Elms are separately owned and operated. All seven homes provide skilled and intermediate nursing services and Trinity Place, Trinity Village and Trinity Oaks Health & Rehab provide home for the aged services (generically, assisted living). The Lutheran Home Property affiliates own the buildings, land improvements and building services equipment for their respective operations and the facilities are leased to the operating corporations. The retirement center affiliates were established to develop and operate rental retirement and continuing care retirement communities.

### Overview of Services Provided by Trinity Elms

#### *Trinity Elms retirement*

In December 2018, LSA Elms Property, Inc. purchased a 54-unit independent living apartment building adjacent to Trinity Elms assisted living and Trinity Elms health and rehab. Trinity Elms retirement is a rental retirement community that does not charge entrance fees. Trinity Elms retirement provides most utilities including internet, water, sewer, valet, trash removal and cable services, and housekeeping services every other week are also provided. A Trinity Elms retirement resident may purchase an individual meal/monthly meal plan and laundry services for an additional fee. Activities and transportation services are available and may require an additional cost.

***The following paragraph is a summary of key provisions of the Resident Agreement. For more detailed information regarding this agreement, please refer to Trinity Elms’ Resident Agreement which is included in Trinity Elms’ Disclosure Statement filed with the North Carolina Department of Insurance.***

Trinity Elms is a Type D, rental facility. The monthly service fee at Trinity Elms retirement entitles occupancy of a residence by the resident, together with the use and benefits of its common areas, amenities, services and programs. Residents are also given priority access to the assisted living beds at Trinity Elms assisted living and the skilled nursing beds at Trinity Elms health and rehab. Upon temporary or permanent transfer to an assisted living or nursing unit, the resident will pay a per diem rate for assisted living or nursing services, as applicable.

## **Summary of Significant Projection Assumptions and Accounting Policies**

### **BACKGROUND INFORMATION (CONTINUED)**

#### *Trinity Elms assisted living*

In December 2008, LSA Elms at Tanglewood, Inc. acquired Trinity Elms, an assisted living facility, located in Clemmons, North Carolina. With 89 assisted living beds in operation of 104 licensed assisted living beds (including 30 licensed beds in the memory Enrichment Center), the facility is approximately 89% private pay. Trinity Elms assisted living is currently the Obligated Group's only stand-alone assisted living facility; however, LSA has applied to have Trinity Elms assisted living, Trinity Elms health and rehab, and Trinity Elms retirement operate together as a North Carolina licensed continuing care retirement community.

#### *Trinity Elms health and rehab*

LSA acquired the Lutheran Home-Winston-Salem facility in June 2001 after it had been under the management of Pellicare Corporation since 1970. The Lutheran Home-Winston-Salem facility was originally licensed for 217 nursing facility beds, but LSA only operated 117 of those beds after acquiring the facility in 2001. A Certificate of Need ("CON") for the replacement and relocation of the remaining 100 beds has been awarded and was used to construct the Trinity Elms health and rehab facility.

### **Health Care Services**

Trinity Elms assisted living and Trinity Elms health and rehab offer assisted living and nursing services to residents, respectively. The health care facilities house their own dining facilities, lounges and recreational areas. Emergency nursing response is available to residents of the assisted living facilities and the independent living residences on a 24-hour-a-day basis. In general, the operations of the health care units are supervised by a Licensed Adult Care Home and/or Nursing Home Administrator and Director of Nursing ("DON") in consultation with the Medical Director ("MD"), who is a licensed physician providing consulting services pursuant to a contract with LSA. They are responsible for developing and implementing health care policies and coordinating the medical services in accordance with relevant state and federal regulations and generally accepted medical practices. Residents may continue under the care of their own physician who has admission privileges at a local hospital, or they may choose the MD as their primary care physician.

The licensed administrator is charged with the day-to-day operation of the health care services. Registered nurses, together with licensed practical nurses and certified nursing assistants, offer residents professional care, immediate attention and emergency consultations 24 hours per day. When a resident's medical condition requires assisted living or nursing services, the resident moves from an independent living unit to either an assisted living or nursing unit on a permanent or temporary basis. The MD, licensed administrator, together with the DON and social worker, determine if a resident should be transferred into a different level of care, but only after consulting with the resident and the resident's physician and any appropriate family member or responsible party.

Residents of the assisted living or nursing units also receive housekeeping service and a total of three meals per day. Certain additional ancillary health care services are not included in the per diem fees and will be charged to the resident. Examples of additional ancillary health care charges include, but are not limited to, the cost of prescription and non-prescription medications, physical examinations, laboratory tests, physical therapy, occupational therapy, speech therapy, rehabilitative treatments, wheelchairs, other medical equipment and supplies, and any other medical services beyond those available at Trinity Elms health and rehab. Also, additional professional services (medical or otherwise) contracted by the resident or on the resident's behalf will be charged to the resident.

## **Summary of Significant Projection Assumptions and Accounting Policies**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of Accounting**

Trinity Elms maintains its accounting and financial records according to the accrual basis of accounting.

#### **Basis of Combination**

The projected combined financial statements include the accounts of Lutheran Retirement Center – Clemmons, Inc., LSA Elms at Tanglewood, Inc., LSA Elms Property, Inc., Lutheran Home – Forsyth County, Inc., and Lutheran Home Forsyth County Property, Inc. All related party balances and intra-company transactions have been eliminated in combination.

#### **Cash and Cash Equivalents**

Trinity Elms considers all unrestricted short-term investments with an original maturity of three months or less when purchased to be cash equivalents. Trinity Elms maintains their cash accounts with high quality financial institutions, which, at times, may exceed federally insured limits. Trinity Elms has not experienced any losses in such accounts. Trinity Elms believes it is not exposed to any significant credit risk on cash.

Restricted cash is included with cash and cash equivalents in the projected combined statements of cash flows. The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the projected combined balance sheets that sum to the total amounts shown in the projected combined statements of cash flows for the periods ending September 30, 2024, 2025, 2026, 2027 and 2028.

	As of September 30,				
	2024	2025	2026	2027	2028
Cash and Cash Equivalents	\$ 6,579	\$ 6,885	\$ 7,038	\$ 7,344	\$ 7,497
Residents' Funds	32	32	32	32	32
Assets Limited as to Use:					
Bond Funds	619	642	669	697	724
Total Cash, Cash Equivalents and Restricted Cash Shown in Projected Combined Statements of Cash Flows	\$ 7,230	\$ 7,559	\$ 7,739	\$ 8,073	\$ 8,253

#### **Investments**

Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the projected combined balance sheets. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the excess of revenues over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are included in the excess of revenue over expenses on the projected combined statement of operations and changes in net assets. Management has not projected unrealized gains or losses during the Projection Period.

#### **Service Fees**

Service fees for Trinity Elms are reported at the estimated transaction price from residents, third party payors and others for services rendered. Trinity Elms provides services to residents covered under the Medicaid and Medicare programs.

## **Summary of Significant Projection Assumptions and Accounting Policies**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Payment arrangements include prospectively determined rates. However, federal and state regulations provide for certain retroactive adjustments, to current and prior years' payment rates, based on industry-wide and entity-specific data. Provisions for estimated third-party settlements are provided in the period the related services are rendered. Any differences between estimated final settlement amounts and actual final settlements are recorded in the year the final settlement is determined.

Trinity Elms perform an evaluation of the collectability of net revenues recorded and records an allowance for current expected credit losses. Provisions for expected credit losses is primarily estimated based on cash collection analysis by payor classification and the age of the account. When considering the adequacy of allowances for expected credit losses, receivable balances are routinely reviewed in conjunction with historical collection rates, industry trends, and other business and expected future economic conditions and market trends that might reasonably be expected to affect the collectability of accounts. Accounts receivable are written off after collection efforts have been pursued in accordance with established policies and procedures.

#### **Revenue Recognition**

Trinity Elms generates revenues, primarily by providing housing and health services to its residents and patients. The following streams of revenue are recognized as follows:

##### *Monthly service fees:*

The residency agreement that residents sign require monthly fees based upon the type of space they are applying for. Resident fee revenue for recurring and routine monthly services is generally billed monthly in advance. Payment terms are usually due within 30 days. The services provided encompass social, recreational, dining along with assisted living and nursing care and these performance obligations are earned each month. Under ASC Topic 606, Management has determined that the performance obligation for the standing obligation to provide the appropriate level of care is the predominant component and does not contain a lease component under ASC Topic 842. Resident fee revenue for non-routine or additional services are billed monthly in arrears and recognized when the service is provided.

##### *Resident Service Revenue:*

Trinity Elms provides assisted living and nursing care to residents and other patients who are covered by government, commercial, and private payers. Trinity Elms is paid fixed daily rates from government payors. The fixed daily rates and other fees are billed in arrears monthly. The monthly fees represent the most likely amount to be received from the 3rd party payors. Most rates are predetermined from the Centers for Medicare and Medicaid Services ("CMS"). Under ASC Topic 606, Management has elected to utilize the portfolio approach in aggregating the revenues under these revenue streams.

#### **Assets Limited as to Use**

Assets limited as to use are projected to primarily include investments for the operating reserve required by the North Carolina Department of Insurance and funds held by a trustee under debt-related agreements. Those monies that are projected to be used within the next fiscal year have been classified as current assets on the projected combined balance sheets.

## **Summary of Significant Projection Assumptions and Accounting Policies**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Debt Issuance Costs**

Debt issuance costs are being amortized using the straight-line method over the term of the related financing agreement.

As noted hereinafter, the debt issuance costs for the Series 2021 Bonds, as hereinafter defined, are carried on the financial records of LSA Management, Inc. Management has projected the allocation of the debt issuance costs associated with the Series 2021 Bonds through due from affiliate accounts. Management has projected the amortization to be included as a component of interest expense on the projected combined statements of operations and changes in net assets.

#### **Original Issuance Premium**

Original issuance premium is being amortized using the straight-line method over the term of the related financing agreement.

As noted hereinafter, the original issuance premium for the Series 2021 Bonds are carried on the financial records of LSA Management, Inc. Management has projected the allocation of the original issuance premium associated with the Series 2021 Bonds through due from affiliate accounts. Management has projected the amortization to be included as a component of interest expense on the projected combined statements of operations and changes in net assets.

#### **Property and Equipment**

Property and equipment having an estimated useful life greater than two years and a value greater than \$1,000 are projected to be stated at cost if purchased or at fair market value at the date of donation. Maintenance and repairs are projected to be charged to expense as incurred and renewals and betterments are projected to be capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

#### **Compensation Absences**

Compensated absences are projected to be accrued for employees as benefits are earned.

#### **Net Assets With Donor Restrictions**

Net assets with donor restrictions are those whose use by Trinity Elms has been limited by donors to a specific time period or purpose.

#### **Excess of Revenue Over Expenses**

The projected combined statements of operations and changes in net assets include excess of revenue over expenses. Changes in net assets without donor restrictions, which are excluded from excess of revenue over expenses, consistent with industry practice, include unrealized gains and losses on investments other than debt securities, permanent transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

## **Summary of Significant Projection Assumptions and Accounting Policies**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Donor-Restricted Gifts**

Unconditional promises to give cash and other assets to Trinity Elms are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets under donor restriction are reclassified to net assets without donor restrictions and reported in the projected combined statements of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as restricted contributions and released from net assets under donor restrictions in the accompanying projected combined financial statements.

#### **Advertising Costs**

Advertising costs are charged to operations when incurred.

#### **Long-Lived Assets**

Trinity Elms periodically reviews the carrying value of its long-lived assets (primarily property and equipment) whenever events or circumstances provide evidence that suggests that the carrying amount of long-lived assets may not be recovered. If this review indicates that the long-lived assets may not be recoverable, Trinity Elms reviews the expected undiscounted future net operating cash flows from its facilities, as well as property valuations. Any permanent impairment of value is recognized as a charge against earnings in the projected combined statements of operations and changes in net assets. Management has not projected any impairment of its long-lived assets.

#### **Income Taxes**

Trinity Elms has been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code. Trinity Elms has implemented the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board ("FASB") ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the projected combined financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

## Summary of Significant Projection Assumptions and Accounting Policies

### MANAGEMENT'S BASIS FOR PROJECTION OF REVENUES

Revenues for Trinity Elms are primarily generated from per diem charges from the nursing and assisted living beds and monthly service fees for the independent living units.

Resident service revenue is composed of:

- Revenue for the nursing and assisted living units based on assumed monthly and daily charges, as well as based on Management's expectations of Medicare and Medicaid reimbursement, as well as other state supplemental income; and
- Revenue for the independent living units, which are based on the monthly service fees assumed by Management to be charged to the residents and the assumed utilization of the independent living units.

### Projected Occupancy Levels

Management has assumed the following projected occupancy levels at Trinity Elms throughout the Projection Period.

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**Table 2**  
**Average Yearly Projected Utilization of Trinity Elms - Independent Living Units**  
**For the Years Ending September 30,**

---

Facility Name	2024	2025	2026	2027	2028
Trinity Elms retirement	95%	95%	95%	95%	95%

---

Source: Management

Management has projected no second person occupancy for Trinity Elms retirement for each year of the Projection Period.

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**Table 3**  
**Average Yearly Projected Utilization of Trinity Elms - Assisted Living**  
**For the Years Ending September 30,**

---

Facility Name	2024	2025	2026	2027	2028
Trinity Elms assisted living	95%	95%	95%	95%	95%

---

Source: Management

---

**Table 4**  
**Average Yearly Projected Utilization of Trinity Elms - Nursing**  
**For the Years Ending September 30,**

---

Facility Name	2024	2025	2026	2027	2028
Trinity Elms health and rehab	90%	90%	90%	90%	90%

---

Source: Management

---

**See Independent Accountants' Compilation Report**



## Summary of Significant Projection Assumptions and Accounting Policies

### MANAGEMENT'S BASIS FOR PROJECTION OF REVENUES (CONTINUED)

#### Projected Monthly Fees and Daily Fees Increases

Increases in fees are generally anticipated to equal or exceed increases in operating expenses during the Projection Period. The following table reflects projected rate increases during the Projection Period.

	2024	2025	2026	2027	2028
<b>Nursing</b>					
Private Pay	n/a <sup>(1)</sup>	5.00%	3.00%	3.00%	3.00%
Insurance	n/a <sup>(1)</sup>	3.00%	3.00%	3.00%	3.00%
Medicare	n/a <sup>(1)</sup>	3.00%	3.00%	3.00%	3.00%
Medicaid/Hospice	n/a <sup>(1)</sup>	2.00%	2.00%	2.00%	2.00%
<b>Assisted Living</b>					
Private Pay	n/a <sup>(1)</sup>	5.00%	3.00%	3.00%	3.00%
Medicaid / State Special Assistance	n/a <sup>(1)</sup>	0.00%	0.00%	0.00%	0.00%
<b>Independent Living</b>					
Monthly Service Fee	n/a <sup>(1)</sup>	5.00%	3.00%	3.00%	3.00%

Source: Management

Note: (1) Existing facility rates are in 2024 dollars. Inflation begins in the following year.

#### Assisted Living Fees

The following table summarizes Management's projected per diem rates for the assisted living facility of Trinity Elms:

Facility Name	2024	2025	2026	2027	2028
<b>Payer Mix</b>					
Trinity Elms assisted living					
Private Pay - Private Room	\$ 178	\$ 187	\$ 193	\$ 198	\$ 204
Private Pay - Semi-Private Room	\$ 130	\$ 134	\$ 138	\$ 142	\$ 146
Private Pay - Private Memory Support	\$ 215	\$ 225	\$ 232	\$ 239	\$ 246
Private Pay - Semi-Private Memory Support	\$ 196	\$ 205	\$ 212	\$ 218	\$ 225
Special Assistance - Traditional Assisted Living	\$ 30	\$ 30	\$ 30	\$ 30	\$ 30
Special Assistance - Memory Support	\$ 49	\$ 49	\$ 49	\$ 49	\$ 49

Source: Management

#### Assisted Living Payer Mix

The following table summarizes Management's projected payer mix by resident days for Trinity Elms assisted living facility:

**See Independent Accountants' Compilation Report**

## Summary of Significant Projection Assumptions and Accounting Policies

### MANAGEMENT'S BASIS FOR PROJECTION OF REVENUES (CONTINUED)

**Table 7**  
**Trinity Elms – Projected Assisted Living Payer Mix**  
**For the Years Ending September 30,**

Facility Name Payer Mix	2024	2025	2026	2027	2028
Trinity Elms assisted living					
Private Pay - Private Room	64%	64%	64%	64%	64%
Private Pay - Semi-Private Room	1%	1%	1%	1%	1%
Private Pay - Private Memory Support	22%	22%	22%	22%	22%
Private Pay - Semi-Private Memory Support	2%	2%	2%	2%	2%
Special Assistance - Traditional Assisted Living	4%	4%	4%	4%	4%
Special Assistance - Memory Support	7%	7%	7%	7%	7%

Source: Management

### Nursing Fees

The following table summarizes Management's projected per diem rates for the nursing facility of Trinity Elms:

**Table 8**  
**Trinity Elms – Projected Nursing Daily Rates**  
**For the Years Ending September 30,**

Facility Name Payer Mix	2024	2025	2026	2027	2028
Trinity Elms health and rehab					
Private Pay - Private Room	\$ 338	\$ 355	\$ 366	\$ 377	\$ 388
Insurance	\$ 398	\$ 410	\$ 422	\$ 435	\$ 448
Medicare	\$ 492	\$ 507	\$ 522	\$ 538	\$ 554
Medicaid	\$ 303	\$ 309	\$ 315	\$ 322	\$ 328

Source: Management

### Nursing Payer Mix

The following table summarizes Management's projected payer mix by resident days for Trinity Elms nursing facility:

**Table 9**  
**Trinity Elms – Projected Nursing Payer Mix**  
**For the Years Ending September 30,**

Payer Mix	2024	2025	2026	2027	2028
Trinity Elms health and rehab					
Private Pay	36%	36%	36%	36%	36%
Insurance	5%	5%	5%	5%	5%
Medicare	10%	10%	10%	10%	10%
Medicaid	49%	49%	49%	49%	49%

Source: Management

**See Independent Accountants' Compilation Report**

## Summary of Significant Projection Assumptions and Accounting Policies

### MANAGEMENT'S BASIS FOR PROJECTION OF REVENUES (CONTINUED)

#### Independent Living Monthly Fees

The following table reflects the monthly rental fee for each unit type:

Unit Type	No. of Units	Monthly Fee
One Bedroom Pine	28	\$ 1,951
One Bedroom Birch	4	\$ 2,123
One Bedroom Hickory	4	\$ 2,123
One Bedroom Oak	2	\$ 2,410
Two Bedroom Dogwood	16	\$ 2,583
Total/Weighted Average	54	\$ 2,181

Source: Management

#### Investment Income

Interest income consists of interest earned on available cash and cash equivalents, investments and assets limited as to use. The following table reflects Management's assumed realized (net of expenses) investment earning rates during the Projection Period for funds invested by Trinity Elms.

	2024	2025	2026	2027	2028
Cash and Cash Equivalents	0.25%	0.25%	0.25%	0.25%	0.25%
Trustee Held Funds / Donor Funds	2.00%	2.00%	2.00%	2.00%	2.00%
Investments / Operating Reserve	4.00%	4.00%	4.00%	4.00%	4.00%

Source: Management

Management does not project any unrealized gains/losses from the valuation of investments during the Projection Period for 2024 through 2028.

## **Summary of Significant Projection Assumptions and Accounting Policies**

### **MANAGEMENT'S BASIS FOR PROJECTION OF EXPENSES**

#### **Operating Expenses**

Operating expenses have been projected to be recognized during the month incurred. Management has projected operating expenses based upon Management's operating plans for Trinity Elms, based on the historical operations of Trinity Elms. In general, operating expenses are projected to increase approximately 5.0 percent in 2025 and 3.0 percent annually thereafter throughout the Projection Period for inflation.

The specific basis for major expense items was formulated by Management and is discussed below.

#### **Salaries and Wages**

A full time equivalent employee ("FTE") represents 2,080 hours of time paid annually. Average hourly rates are projected to increase at a rate of 5.0 percent in 2025 and 3.0 percent annually, thereafter, for inflation throughout the Projection Period.

#### **Employee Benefits**

Benefit costs include payroll taxes and employee benefits including FICA, unemployment taxes, workers' compensation, health insurance, pension plan, incentives and other miscellaneous benefits for Trinity Elms. These benefit costs have been projected by department based on the historical experience of Trinity Elms. Management has projected that benefits would approximate 16.2 percent of wages and salaries during the Projection Period. Management assumes that these costs would increase at approximately 5.0 percent in 2025 and 3.0 percent annually, thereafter, for inflation during the Projection Period.

#### **Health Care**

Non-salary related health care costs have been estimated based upon the historical costs of Trinity Elms, Management's estimates, and industry experience. Management assumes that these costs increase 5.0 percent in 2025 and 3.0 percent annually, thereafter, for inflation during the Projection Period.

#### **Maintenance / Groundskeeping**

Non-salary related costs in this department include Management's estimate of the costs for service contracts, repairs, general maintenance, and operating supplies which Management assumes are primarily fixed in nature. Management assumes that these costs would increase 5.0 percent in 2025 and 3.0 percent annually, thereafter, for inflation during the Projection Period.

#### **Utilities**

Utilities costs' have been estimated based upon the historical utilities' costs of Trinity Elms, Management's estimates, and industry experience. Management assumes that these costs would increase 5.0 percent in 2025 and 3.0 percent annually, thereafter, for inflation during the Projection Period.

## **Summary of Significant Projection Assumptions and Accounting Policies**

### **MANAGEMENT'S BASIS FOR PROJECTION OF EXPENSES (CONTINUED)**

#### **Housekeeping / Laundry**

Non-salary costs of housekeeping and laundry services include Management's estimate of the costs for contract services, supplies, and other miscellaneous costs associated with providing housekeeping and laundry services to residents. Management assumes that these costs would increase 5.0 percent in 2025 and 3.0 percent annually, thereafter, for inflation during the Projection Period.

#### **Dietary**

Non-salary related costs of the dietary department include Management's estimate of the costs for raw food, contracted services, dietary supplies, equipment, linens and other such costs. Management has assumed the costs for raw food and all other non-salary related costs would increase 5.0 percent in 2025 and 3.0 percent annually, thereafter, for inflation during the Projection Period.

#### **Activities, Transportation, and Ministry**

Non-salary related activity, transportation, and ministry costs have been estimated based upon the historical costs of Trinity Elms, Management's estimates, and industry experience. Management assumes that these costs would increase 5.0 percent in 2025 and 3.0 percent annually, thereafter, for inflation during the Projection Period.

#### **Administration**

Non-salary related costs of administration are projected to include Management's estimate of costs for professional fees, insurance, supplies and other miscellaneous costs. Non-salary related costs of marketing and sales are projected to include Management's estimates of costs for advertising, print and online materials and website, contract services, professional fees and other miscellaneous costs. Management assumes these costs would increase 5.0 percent in 2025 and 3.0 percent annually, thereafter, for inflation during the Projection Period.

#### **Management Fee**

Effective October 1, 2020, Trinity Elms entered into a Management Services Agreement with LSA Management, Inc. to provide management services on behalf of Trinity Elms. The Management Services Agreement will be for a term of five years, and at the end of the five-year period, LSA Management, Inc. shall have the option to extend this Agreement for two additional five-year terms or for such shorter period coterminous with the period the Facility is leased or owned by Trinity Elms. The Management Services Agreement may be immediately terminated if any party is in default under its terms and the default is not cured within the applicable cure period. Management has projected that it would extend the Management Services Agreement upon its expiration.

According to the terms of the Management Services Agreement, LSA Management, Inc. is to be paid a management fee equal to 4.75% of net resident revenue of Trinity Elms, net of governmental contractual adjustments. The expense is shown as an operating expense on the projected combined statements of operations and changes in net assets.

#### **Interest Expense and Amortization**

Interest expense and amortization is projected related to the debt service requirements of the Series 2021 Bonds as provided by Management, and amortization of debt issuance costs and original issuance premium associated with the Series 2021 Bonds.

## **Summary of Significant Projection Assumptions and Accounting Policies**

### **MANAGEMENT'S BASIS FOR PROJECTION OF OTHER ITEMS**

#### **Current Assets and Current Liabilities**

##### *Cash and Cash Equivalents*

Cash and cash equivalent balances for the Projection Period are based on the results of the Projected Combined Statements of Cash Flows and reflect amounts that are highly liquid with a maturity of three months or less. For purposes of presentations, cash and cash equivalent balances are estimated to be approximately 149 days for 2024, 2025, 2026, 2027 and 2028. Amounts in excess of these amounts are classified as investments.

##### *Accounts Receivable, Residents, Net of Allowance for Current Expected Credit Losses*

Accounts receivable, net of allowance for current expected credit losses, are projected based on historical levels based on 37 days of operating revenues.

##### *Other Receivable*

Other accounts receivable has been projected based upon historical experience. Management has projected no change to other accounts receivable during the Projection Period.

##### *Inventories*

Inventories have been projected based on historical experience based on 2 days of operating expenses.

##### *Prepaid Expenses*

Prepaid expenses have been projected based on historical experience based on 1 days of operating expenses.

##### *Accounts Payable, Trade*

Accounts payable, trade, have been projected based on historical levels for Trinity Elms based on 7 days of operating expenses.

##### *Accrued Health Benefits*

Accrued Health Benefits have been projected based on historical levels for the Trinity Elms based on 1 days of total salaries and taxes.

##### *Accrued Salaries and Payroll Taxes*

Accrued salaries and payroll taxes have been projected based on historical levels for Trinity Elms based on 23 days of total salaries and taxes.

##### *Employee Retention Credit Receivables*

The Employee Retention Credit (ERC) is a refundable tax credit against certain employment taxes equal to 50% of the qualified wages an eligible employer pays to employees after March 12, 2020, and before January 1, 2021. On December 27, 2020, the Consolidated Appropriations Act (CAA) was signed into law. Among other provisions, the CAA expanded the eligibility for ERC to include more entities as well as extending ERC into calendar year 2021 including the first, second and third calendar quarters. Furthermore, the refundable tax credit for the calendar year 2021 was expanded to 70% of the qualified wages. The CAA provided these entities the ability to retroactively recover payroll taxes from earlier in 2020 during which they were previously ineligible. This is done by retroactively applying for the credit.

## **Summary of Significant Projection Assumptions and Accounting Policies**

### **MANAGEMENT'S BASIS FOR PROJECTION OF OTHER ITEMS (CONTINUED)**

Employers, including tax-exempt organizations, are eligible for the credit if they operate a trade or business during calendar year 2020 and 2021 and experience either the full or partial suspension of the operation of their trade or business during any calendar quarter due to a significant decline in gross receipts or because of governmental orders limiting commerce, travel or group meetings due to COVID-19. The credit applies to qualified wages (including certain health plan expenses) paid during this period or any calendar quarter in which eligibility requirements were met.

Grants from the government are recognized when all conditions of such grants are fulfilled or there is reasonable assurance that they will be fulfilled. As of September 30, 2023, Trinity Elms has a receivable of approximately \$732,000 recorded on the combined balance sheet. Management projected the collection of the receivable during the year ending September 30, 2024.

There is a possibility that upon subsequent review the Internal Revenue Service could reach a different conclusion regarding the Organization's eligibility to retain the ERC credits received. That could result in repayment of the credits, interest, and potential penalties. The amount of liability, if any, from potential ineligibility cannot be determined with certainty.

#### **Assets Limited as to Use**

A narrative description of the assets limited as to use follows.

#### ***Held by Trustee***

*Bond Funds* – The Bond Funds represent amounts held by the trustee reflecting payments of bond principal and interest made by the Obligated Group to the trustee relating to the bonds. The funds held in the Bond Funds will be used by the trustee to make the annual principal payments and the semi-annual or monthly, as applicable, interest payments to the owners of the outstanding bonds when due.

## Summary of Significant Projection Assumptions and Accounting Policies

### MANAGEMENT'S BASIS FOR PROJECTION OF OTHER ITEMS (CONTINUED)

*Restricted Cash and Investments – Operating Reserve Requirements* – In North Carolina, continuing care retirement communities are required to establish an operating reserve equal to 50 percent of operating expenses if the community's average occupancy is below 90 percent and 25 percent if the occupancy is in excess of 90 percent. The statutory operating reserve is based on operating expenses (excluding depreciation and amortization), and Trinity Elms can exclude interest and principal payments if a separate debt service reserve fund has been established. Management has projected its occupancy at Trinity Elms to exceed 90 percent. As such, Management has projected an operating reserve in the amount of 25 percent of operating expenses for all fiscal years. The Operating Reserve can be accessed for operating needs, but permission must be granted by the North Carolina Department of Insurance.

**Table 12**  
**Projected Operating Reserve Calculation – Trinity Elms**  
**For the Years Ending September 30,**  
**(In Thousands of Dollars)**

	2024	2025	2026	2027	2028
Projected Total Operating Expenses	\$ 18,504	\$ 19,630	\$ 20,209	\$ 20,801	\$ 21,410
Less:					
Depreciation	(1,115)	(1,298)	(1,408)	(1,522)	(1,638)
Interest Expense and Amortization	(1,018)	(976)	(929)	(874)	(817)
Projected Operating Expenses of LSA Elms at Tanglewood, Inc., Lutheran Home Forsyth County, Inc., Lutheran Home Forsyth County Property, Inc., and LSA Elms Property, Inc. <sup>(1)</sup>	(15,856)	(16,815)	(17,315)	(17,831)	(18,364)
Adjusted Operating Expenses	<u>\$ 515</u>	<u>\$ 541</u>	<u>\$ 557</u>	<u>\$ 574</u>	<u>\$ 591</u>
Include:					
Principal Payment--Trinity Elms <sup>(2)</sup>	-	-	-	-	-
Interest Payment--Trinity Elms <sup>(2)</sup>	428	428	425	419	412
Total Operating Costs	<u>\$ 943</u>	<u>\$ 969</u>	<u>\$ 982</u>	<u>\$ 993</u>	<u>\$ 1,003</u>
Operating Reserve Percentage <sup>(3)</sup>	25%	25%	25%	25%	25%
<b>Operating Reserve - Trinity Elms</b>	<b><u>\$ 236</u></b>	<b><u>\$ 242</u></b>	<b><u>\$ 246</u></b>	<b><u>\$ 248</u></b>	<b><u>\$ 251</u></b>

Source: Management

Notes:

- (1) Management has excluded the operating expenses of LSA Elms at Tanglewood, Inc., Lutheran Home Forsyth County, Inc., Lutheran Home Forsyth County Property, Inc., and LSA Elms Property, Inc.
- (2) The principal and interest allocated above represent the principal and interest owed on the Series 2021 Bonds, which is the sole responsibility of Lutheran Retirement Center - Clemmons, Inc. Lutheran Retirement Center - Clemmons, Inc. is not allocated any of the principal and interest payments from other outstanding long-term indebtedness of the Obligated Group.
- (3) Lutheran Retirement Center - Clemmons, Inc. occupancies as of September 30,

IL Available Units	54.0	54.0	54.0	54.0	54.0
IL Occupied Units	51.3	51.3	51.3	51.3	51.3
Occupancy Percentage - Trinity Elms	<u>95%</u>	<u>95%</u>	<u>95%</u>	<u>95%</u>	<u>95%</u>

### Investments

Investments reflect amounts whose maturities exceed three months or that are not highly liquid. Projected changes in investments are a result of the Projected Combined Statements of Cash Flows, less amounts that are included in cash and cash equivalents.



## Summary of Significant Projection Assumptions and Accounting Policies

### MANAGEMENT'S BASIS FOR PROJECTION OF OTHER ITEMS (CONTINUED)

#### Property and Equipment

Property and equipment balances, net of accumulated depreciation, were projected based on the costs of property and equipment additions during the Projection Period, reduced by estimated annual depreciation.

The following table reflects the projected property and equipment balances as of September 30:

	2024	2025	2026	2027	2028
Land and Land Improvements	\$ 3,518	\$ 3,518	\$ 3,518	\$ 3,518	\$ 3,518
Building and Building Improvements	31,473	32,236	33,020	33,825	34,651
Certificate of Need	1,250	1,250	1,250	1,250	1,250
Furnishings and Equipment	3,522	3,849	4,185	4,530	4,884
Computer Software	65	65	65	65	65
Automotive Equipment	49	49	49	49	49
	39,877	40,967	42,087	43,237	44,417
Less: Accumulated Depreciation	(13,295)	(14,593)	(16,001)	(17,523)	(19,161)
Net Property and Equipment	\$ 26,582	\$ 26,374	\$ 26,086	\$ 25,714	\$ 25,256

Source: Management

The following table reflects routine capital additions during the Projection Period.

	2024	2025	2026	2027	2028
Routine Purchases of Capital Expenditures	\$ 1,346	\$ 1,090	\$ 1,120	\$ 1,150	\$ 1,180

Source: Management

## **Summary of Significant Projection Assumptions and Accounting Policies**

### **MANAGEMENT'S BASIS FOR PROJECTION OF OTHER ITEMS (CONTINUED)**

#### **Long-Term Debt and Interest Expense**

The Obligated Group has a number of existing outstanding debt agreements which Trinity Elms is subject to. Management has indicated that the long-term debt of the Obligated Group consisted of the following at October 1, 2023:

- \$107,280,000 (Series 2021A Bonds)
  - In June 2021, LSA issued an aggregate of \$118,660,413 (\$109,960,000 PAR and \$8,700,413 premium) tax exempt Health Care Facilities First Mortgage Revenue Refunding Bonds (Lutheran Services for the Aging) Series 2021A Bonds through the North Carolina Medical Care Commission ("Commission") under the Master Trust Indenture and other related agreements.

The Series 2021A Bonds and Series 2021B Bonds were used to refund the outstanding Series 2017 Bonds, Trinity Elms Note Payable, and the outstanding Series 2020 Bonds and pay for certain expenses incurred in connection with the authorization and issuance of the bonds and for construction of the Trinity Landing Project.

The Series 2021A Bonds mature annually beginning March 1, 2022, in amounts ranging from \$500,000 to \$8,255,000 and bear interest at rates between 3.00 and 5.00 percent for amounts maturing between 2022 and 2051. The Series 2021A Bonds are secured by the Obligated Group's Deeds of Trust on real property and fixtures under the Master Trust indenture. In 2028, certain term bonds due in 2036 can be called early. In 2030, certain term bonds due in 2041 can be called early, and in 2031, certain term bonds due in 2051 can be called early.

The \$35,620,000 Series 2021C Bonds closed on December 1, 2021 (fiscal year 2022). The Series 2021C Bonds refunded the Series 2012A Bonds. The Series 2021C Bonds consist of the following at October 1, 2023:

- \$11,325,000 of tax-exempt fixed-rate serial bonds issued with a fixed coupon ranging from 4.00% to 5.00% with principal payments from March 1, 2023 through 2031. Interest is payable March 1 and September 1 of each year beginning on March 1, 2022, with principal payments beginning March 1, 2023.
- \$9,280,000 of tax-exempt fixed-rate term bonds issued with a fixed coupon of 4.00%, maturing March 1, 2036, subject to annual sinking fund redemptions from March 1, 2032 through March 1, 2036. Interest is payable March 1 and September 1 of each year beginning on March 1, 2022, with principal payments beginning March 1, 2032.
- \$13,885,000 of tax-exempt fixed-rate term bonds issued with a fixed coupon of 4.00%, maturing March 1, 2042, subject to annual sinking fund redemptions from March 1, 2037 through March 1, 2042. Interest is payable March 1 and September 1 of each year beginning on March 1, 2022, with principal payments beginning March 1, 2037.

The Series 2021A Bonds and Series 2021C Bonds are collectively referred to as the "Series 2021 Bonds".

## Summary of Significant Projection Assumptions and Accounting Policies

### MANAGEMENT'S BASIS FOR PROJECTION OF OTHER ITEMS (CONTINUED)

The deferred loan costs and original issuance premium for the Series 2021 Bonds are carried on the financial records of LSA Management, Inc. Management has projected the allocation of the deferred loan costs and original issuance premium through intercompany accounts. Trinity Elms presents amortization of deferred financing costs and amortization of original issuance premium as a component of interest expense on the projected combined statements of operations and changes in net assets.

Regarding the Series 2021 Bonds, Management has allocated the principal during the Projection Period as follows:

	Series 2021A Bonds	Series 2021C Bonds
Trinity Elms health and rehab	0.0%	0.0%
Trinity Home Forsyth County Property, Inc.	43.8%	0.0%
Trinity Elms assisted living	0.2%	0.0%
LSA Elms Property, Inc.	0.4%	22.0%
Trinity Elms retirement	0.0%	0.0%
All Other Members of the Obligated Group	55.6%	78.0%
	100.0%	100.0%

The following table summarizes the existing debt obligations allocated to Trinity Elms:

**Table 15**  
**Projected Principal Payments**  
**(In Thousands of Dollars)**

Year	Series 2021A Bonds	Series 2021C Bonds	Total
2024	\$ 678	\$ 262	\$ 940
2025	707	275	982
2026	740	289	1,029
2027	778	304	1,082
2028	818	319	1,137
2029	856	333	1,189
2030	891	348	1,239
2031	927	362	1,289
2032	964	376	1,340
2033	1,004	392	1,396
Thereafter	13,070	4,328	17,398
Total	\$ 21,433	\$ 7,588	\$ 29,021

Source: Management

### Obligated Group – Security on Long-Term Debt

The Series 2021 Bonds were evidenced by parity obligations issued by the Obligated Group under the Master Indenture. As security for repayment of all obligations issued under the Master Trust Indenture, certain members of the Obligated Group executed and delivered ten deeds of trust, pursuant to which such members of the Obligated Group granted a first lien on the mortgaged property described therein.

## Summary of Significant Projection Assumptions and Accounting Policies

### MANAGEMENT'S BASIS FOR PROJECTION OF OTHER ITEMS (CONTINUED)

**Table 16**  
**Obligated Group Facilities Pledged as Mortgaged Property**

Member of Obligated Group	Name of Facility
Lutheran Home Hickory Property, Inc. and Lutheran Home-Hickory, Inc.	Trinity Village
Lutheran Home Hickory West Property, Inc. and Lutheran Home-Hickory West, Inc.	Trinity Ridge
Lutheran Home at Trinity Oaks Property, Inc. Lutheran Home at Trinity Oaks, Inc.	Trinity Oaks health and rehab <sup>(1)</sup>
Lutheran Retirement Center – Salisbury, Inc.	Trinity Oaks retirement <sup>(1)</sup>
Lutheran Home Winston-Salem Property, Inc. and Lutheran Home-Winston-Salem, Inc.	Trinity Glen
Lutheran Home Wilmington Property, Inc. Lutheran Home-Wilmington, Inc.	Trinity Grove <sup>(2)</sup>
Lutheran Services for the Aging, Inc.	12 acres adjacent to Trinity Grove
Lutheran Retirement Center-Wilmington, Inc.	Trinity Landing <sup>(2)</sup>
Lutheran Home Forsyth County Property, Inc. and Lutheran Home-Forsyth County, Inc.	Trinity Elms health and rehab <sup>(3)</sup>
LSA Elms Property, Inc. LSA Elms at Tanglewood, Inc.	Trinity Elms assisted living <sup>(3)</sup>
Lutheran Retirement Center – Clemmons, Inc.	Trinity Elms retirement <sup>(3)</sup>
Lutheran Home Albemarle Property, Inc. and Lutheran Home-Albemarle, Inc.	Trinity Place

Source: Management

Note:

- (1) Lutheran Home at Trinity Oaks and Trinity Oaks operate together as a North Carolina licensed continuing care retirement community.
- (2) Trinity Grove and Trinity Landing operate together as a North Carolina licensed continuing care retirement community.
- (3) Trinity Elms health and rehab, Trinity Elms assisted living, and Trinity Elms retirement operate together as a North Carolina licensed continuing care retirement community.

### Other Items

#### ***Related Party Transactions***

As noted previously, there are a number of related party transactions between Trinity Elms and other affiliated entities including management fees, pharmacy costs and allocations of debt.

#### **Due from Affiliate**

Due from affiliate consists of amounts due from other affiliates of LSA. LSA from time to time evaluates the relative cash flow between affiliates and determines how much, if any, of the receivable or payable from (to) affiliate is received or paid. Management has not projected any receipts during the Projection Period. In addition, bond premiums and debt issuance costs have been allocated to Elms for presentation purposes during the Projection Period.

**See Independent Accountants' Compilation Report**

## Summary of Significant Projection Assumptions and Accounting Policies

### SUPPLEMENTAL SCHEDULE OF DETAILED OPERATING EXPENSES BY ENTITY

Management has projected the following detailed operating expenses for each of the organizations included as Trinity Elms during each fiscal year ending September 30 during the Projection Period:

<b>For the fiscal year ending September 30, 2024</b>							
	Lutheran Retirement Center - Clemmons, Inc.	LSA Elms at Tanglewood, Inc.	LSA Elms Property, Inc.	Lutheran Home - Forsyth County, Inc.	Lutheran Home Forsyth County Property, Inc.	Eliminations	Combined Total Operating Expenses
Expenses							
Health Care	\$ -	\$ 1,963	\$ -	\$ 6,491	\$ -	\$ -	\$ 8,454
Operations:							
Maintenance	102	131	-	217	-	-	450
Utilities	62	180	-	192	-	-	434
Laundry	-	136	-	190	-	-	326
Housekeeping	59	215	-	378	-	-	652
Groundskeeping	-	26	-	36	-	-	62
Dietary	11	784	-	1,113	-	-	1,908
Activities, Transportation, and Ministry	17	118	-	222	-	-	357
Administrative	199	1,709	21	2,492	34	(1,585)	2,870
Management Fees	65	266	-	527	-	-	858
Subtotal	<b>515</b>	<b>5,528</b>	<b>21</b>	<b>11,858</b>	<b>34</b>	<b>(1,585)</b>	<b>16,371</b>
Depreciation							1,115
Interest Expense and Amortization							1,018
Total Operating Costs and Expenses							<b>\$ 18,504</b>

<b>For the fiscal year ending September 30, 2025</b>							
	Lutheran Retirement Center - Clemmons, Inc.	LSA Elms at Tanglewood, Inc.	LSA Elms Property, Inc.	Lutheran Home - Forsyth County, Inc.	Lutheran Home Forsyth County Property, Inc.	Eliminations	Combined Total Operating Expenses
Expenses							
Health Care	\$ -	\$ 2,061	\$ -	\$ 6,884	\$ -	\$ -	\$ 8,945
Operations:							
Maintenance	107	138	-	231	-	-	476
Utilities	65	189	-	206	-	-	460
Laundry	-	143	-	202	-	-	345
Housekeeping	62	225	-	402	-	-	689
Groundskeeping	-	28	-	38	-	-	66
Dietary	11	823	-	1,185	-	-	2,019
Activities, Transportation, and Ministry	17	124	-	236	-	-	377
Administrative	210	1,794	22	2,639	35	(1,664)	3,036
Management Fees	69	290	-	584	-	-	943
Subtotal	<b>541</b>	<b>5,815</b>	<b>22</b>	<b>12,607</b>	<b>35</b>	<b>(1,664)</b>	<b>17,356</b>
Depreciation							1,298
Interest Expense and Amortization							976
Total Operating Costs and Expenses							<b>\$ 19,630</b>

## Summary of Significant Projection Assumptions and Accounting Policies

### SUPPLEMENTAL SCHEDULE OF DETAILED OPERATING EXPENSES BY ENTITY (CONTINUED)

For the fiscal year ending September 30, 2026							
	Lutheran Retirement Center - Clemmons, Inc.	LSA Elms at Tanglewood, Inc.	LSA Elms Property, Inc.	Lutheran Home - Forsyth County, Inc.	Lutheran Home Forsyth County Property, Inc.	Eliminations	Combined Total Operating Expenses
Expenses							
Health Care	\$ -	\$ 2,123	\$ -	\$ 7,091	\$ -	\$ -	\$ 9,214
Operations:							
Maintenance	111	142	-	237	-	-	490
Utilities	67	194	-	212	-	-	473
Laundry	-	147	-	208	-	-	355
Housekeeping	64	232	-	414	-	-	710
Groundskeeping	-	28	-	40	-	-	68
Dietary	12	848	-	1,219	-	-	2,079
Activities, Transportation, and Ministry	18	128	-	243	-	-	389
Administrative	214	1,848	23	2,721	36	(1,714)	3,128
Management Fees	71	297	-	598	-	-	966
Subtotal	<b>557</b>	<b>5,987</b>	<b>23</b>	<b>12,983</b>	<b>36</b>	<b>(1,714)</b>	<b>17,872</b>
Depreciation							1,408
Interest Expense and Amortization							929
Total Operating Costs and Expenses							<b>\$ 20,209</b>

For the fiscal year ending September 30, 2027							
	Lutheran Retirement Center - Clemmons, Inc.	LSA Elms at Tanglewood, Inc.	LSA Elms Property, Inc.	Lutheran Home - Forsyth County, Inc.	Lutheran Home Forsyth County Property, Inc.	Eliminations	Combined Total Operating Expenses
Expenses							
Health Care	\$ -	\$ 2,186	\$ -	\$ 7,304	\$ -	\$ -	\$ 9,490
Operations:							
Maintenance	114	146	-	245	-	-	505
Utilities	69	200	-	219	-	-	488
Laundry	-	151	-	215	-	-	366
Housekeeping	66	239	-	426	-	-	731
Groundskeeping	-	29	-	41	-	-	70
Dietary	12	874	-	1,256	-	-	2,142
Activities, Transportation, and Ministry	19	132	-	249	-	-	400
Administrative	221	1,903	23	2,802	37	(1,765)	3,221
Management Fees	73	305	-	614	-	-	992
Subtotal	<b>574</b>	<b>6,165</b>	<b>23</b>	<b>13,371</b>	<b>37</b>	<b>(1,765)</b>	<b>18,405</b>
Depreciation							1,522
Interest Expense and Amortization							874
Total Operating Costs and Expenses							<b>\$ 20,801</b>

For the fiscal year ending September 30, 2028							
	Lutheran Retirement Center - Clemmons, Inc.	LSA Elms at Tanglewood, Inc.	LSA Elms Property, Inc.	Lutheran Home - Forsyth County, Inc.	Lutheran Home Forsyth County Property, Inc.	Eliminations	Combined Total Operating Expenses
Expenses							
Health Care	\$ -	\$ 2,252	\$ -	\$ 7,524	\$ -	\$ -	\$ 9,776
Operations:							
Maintenance	118	151	-	251	-	-	520
Utilities	71	206	-	225	-	-	502
Laundry	-	156	-	221	-	-	377
Housekeeping	68	246	-	439	-	-	753
Groundskeeping	-	30	-	42	-	-	72
Dietary	12	900	-	1,294	-	-	2,206
Activities, Transportation, and Ministry	19	136	-	258	-	-	413
Administrative	228	1,961	24	2,884	39	(1,818)	3,318
Management Fees	75	314	-	629	-	-	1,018
Subtotal	<b>591</b>	<b>6,352</b>	<b>24</b>	<b>13,767</b>	<b>39</b>	<b>(1,818)</b>	<b>18,955</b>
Depreciation							1,638
Interest Expense and Amortization							817
Total Operating Costs and Expenses							<b>\$ 21,410</b>

# **Exhibit D**

# **Residency Agreements**

## LSC NURSING FACILITY ADMISSION AGREEMENT

This agreement is made by and between \_\_\_\_\_ (hereinafter called “**Facility**”) and \_\_\_\_\_ (herein after called “**Resident**”) identified in this Agreement. The individual(s) signing this agreement affirm that the information provided in the Pre-Admission Application and/or Financial Application is true and correct to the best of their knowledge, and acknowledge that the submission of any false information may constitute grounds to terminate this agreement.

Therefore the Facility, and the individual(s) signing below, intending to be legally bound, agree to the following terms and conditions:

### **I. DEFINITIONS:**

- a. A “Financial Legal Representative” is a person who has legal access to and control over Resident’s personal property and/or funds, including cash, social security or other government benefits, annuities, pensions or other sources of payment for care provided at the Facility. The Financial Legal Representative may be a guardian of Resident’s estate appointed by a Court, an agent under a valid durable power of attorney, or any person legally-authorized to serve as Resident’s Financial Legal Representative. Once Resident has been admitted to the Facility, neither a court order designating a guardian of Resident’s estate nor a power of attorney shall vest the holder with the authority to make health care decisions (as opposed to financial or other non-health care decisions) on Resident’s behalf unless the document establishing the power of attorney clearly grants this authority. A person who has been appointed as Resident’s Financial Legal Representative by a court order or power of attorney must provide the Facility with documentary evidence showing that the person does, in fact, have legal authority to act as Resident’s Financial Legal Representative and the extent of such authority.

The Financial Legal Representative’s duties, obligations and responsibilities are set forth in the Financial Legal Representative Agreement, which is incorporated by reference herein in its entirety. By signing this agreement, Resident’s Financial Legal Representative acknowledges that he/she has read the Financial Legal Representative Agreement, understands the terms therein, and understands and agrees that he/she shall be bound by all terms set forth in the Financial Legal Representative Agreement.

- b. A “Personal Legal Representative” is a person designated by Resident or law to (i) receive certain notices that the Facility must provide to Resident, and if known, to a legal representative or interested family member, pursuant to Federal and State law, including notice of a significant change in Resident’s condition, a need to alter treatment, a decision to transfer or discharge Resident from the Facility, or a roommate change, among others; and (ii) to provide consent for medical treatment and related decisions on behalf of a resident who is unable to make or communicate such decisions. Resident hereby appoints \_\_\_\_\_ (name) as his/her Personal Legal Representative. By signing this Agreement, the individual designated by Resident as Personal Legal Representative agrees to undertake and perform the obligations of the Personal Legal Representative defined and described in this Agreement.

A competent resident (one who is able to make and communicate his/her own decisions) may designate a person to serve as Personal Legal Representative for the purposes described in this paragraph. If Resident is unable to designate a Personal Legal Representative because of physical or mental limitations, or chooses not to do so, then the Facility will rely upon the individual(s) described below who has the highest priority in the following list as Resident’s Personal Legal Representative for purposes of providing required notices and/or obtaining necessary consent:

A health care agent for Resident appointed pursuant to a valid health care power of attorney to the extent of the authority granted in that document (unless that authority has been suspended by a court with jurisdiction over Resident);

A guardian of Resident’s person or general guardian appointed by a court with jurisdiction to do so pursuant to Article 5 of Chapter 35A of the North Carolina General Statutes (note if Resident has a health care agent appointed pursuant to a valid health care power of attorney, the health care agent takes priority over a guardian unless a court has suspended the health care agent’s authority in favor of the guardian);

An agent appointed under durable power of attorney appointed by Resident pursuant to Article 1 or 2 of Chapter 32A of the North Carolina General Statutes, if that document grants authority to make health care decisions for Resident;

Resident’s spouse;

A majority of Resident’s reasonably available parents and children who are at least 18 years of age;

A majority of Resident’s reasonably available siblings who are at least 18 years of age; or

An individual who has an established relationship with Resident, who is acting in good faith on behalf of Resident and who can reliably convey Resident’s wishes.

The Facility may petition a court to appoint a guardian and take other legal action if the Facility reasonably believes that Resident’s needs are not being properly met or the duties imposed by this Agreement or the Financial Legal Representative Agreement are not being fulfilled by Resident or the Financial Legal Representative. Resident, Resident’s estate, or the Financial Legal Representative shall pay the cost of such Guardianship proceedings, including attorneys’ fees.



## II. THE FACILITY AGREES:

1. To provide to Resident medical, nursing and personal care services which are adequate and appropriate to Resident's needs pursuant to physician orders, applicable Federal and State statutes, rules and regulations and definitions of nursing home care or assisted living care, the Facility's Statement of Room Rates and Ancillary Charges, as amended from time to time, and all supplemental forms entered into between Resident and the Facility relating to Resident's care and services at the Facility.
2. To furnish room accommodations, three meals per day except as medically indicated, linen service, housekeeping services, activity programs, and personal items at the charge specified in the Facility's Statement of Room Rates.
3. To provide ancillary services and supplies as identified on the Facility's Statement of Room Rates and Ancillary Charges and such other ancillary services and supplies at the option and upon the request of Resident, or upon the direction of Resident's treating physician. The ancillary services and supplies are subject to change from time-to-time at the discretion of the Facility. Resident shall pay for other services and supplies provided by the Facility which are not covered by the Facility's Statement of Room Rates and Ancillary Charges in effect at the time such ancillary services or supplies are rendered. Any items ordered by the physician which are not identified on the statement will be provided at charges identified by the Facility.
4. To furnish a current Statement of Charges to Resident or the Financial Legal Representative upon request. Billing will be one month in advance.
5. To use the services of Resident's attending physician. If Resident's physician is not available to treat Resident, the Facility shall (1) use its best efforts to arrange for an alternate physician or (2) secure emergency room physicians' services, and such expense shall be borne of Resident. The Facility is not obligated to provide Resident with any medicines, treatment, special diets, or equipment without specific orders or directions from Resident's attending physician.
6. To offer services from time to time of outside providers such as a licensed dentist, pharmacist, laboratory, x-ray, podiatry, optometry, ambulance services, etc. Such services are available under guidelines and procedures established by the Facility and may be utilized by Resident at his or her own expense, unless otherwise covered by third-party payor. Resident or Financial Legal Representative is obligated to pay such fees and costs whether the goods and services are furnished by a person or provider made available by the Facility, or by a person or provider selected by Resident, and whether the goods were provided at the Facility or elsewhere.
7. To furnish basic equipment and items which are utilized by individual residents but which are reusable and expected to be available in the Facility, e.g. ice bags, bed rails, canes, crutches, walkers, wheelchairs for non-exclusive transportation use, traction equipment, and other durable medical equipment. If Resident, Personal Legal Representative or Financial Legal Representative desires special equipment not covered by Private Insurance, Medicaid or Medicare, it will be supplied at extra charge and paid for by Resident.
8. To place Resident in appropriate accommodations, consistent with Resident's Bill of Rights.
9. To be responsible only for those personal items which are left in the custody of the Administrator. Resident hereby releases Facility from any liability for safeguarding all other personal property of Resident.
10. To exercise reasonable care when Resident is taken from the Facility by Facility on Facility-sanctioned outings. The Facility assumes no responsibility for Resident's welfare when Resident is taken from the Facility either temporarily or permanently under any other circumstances.
11. To notify Resident's physician and Personal Legal Representative of any significant change in Resident's physical, mental or psychosocial condition about which the Facility has information, and of accidents involving Resident which result in injury or the need to alter Resident's treatment significantly.
12. To provide information as needed by Resident or Financial Legal Representative for filing with private insurance companies.

## III. TERMINATION, TRANSFER, OR DISCHARGE:

THE FACILITY RESERVES THE RIGHT TO DISCHARGE OR TRANSFER A RESIDENT WITH APPROPRIATE NOTICE PURSUANT TO APPLICABLE FEDERAL AND STATE DISCHARGE REGULATIONS FOR ANY OF THE REASONS SET FORTH BELOW, SUBJECT TO ANY LIMITATIONS ON SUCH DISCHARGE OR TRANSFER UNDER THE LAWS OF THE STATE IN WHICH THE FACILITY IS LOCATED:

1. Transfer or discharge is necessary for Resident's welfare and Resident's needs cannot be met in the Facility;
2. Resident's health has improved sufficiently such that Resident no longer needs services provided by Facility;
3. The safety of individuals in the Facility is endangered by Resident;
4. The health of individuals in the Facility would otherwise be endangered unless Resident is discharged or transferred;
5. Resident has failed after reasonable and appropriate notice to pay for (or to have paid under Medicare or Medicaid) a stay at the Facility; or
6. The Facility ceases to operate.

**Notice and Waiver of Notice:** The Facility will notify Resident and Personal Legal Representative or family member at least thirty (30) days in advance of transfer or discharge, except in situations when appropriate plans that are acceptable to Resident can be implemented earlier, and except in cases of emergencies, including those situations described above in section 1-4 or when Resident has not resided in the Facility for thirty (30) days. In such events, then only such notice as is reasonable under the circumstances shall be provided.

**Withdrawal Against Advice:** In the event Resident withdraws from the Facility against the advice of his/her attending physician and/or without approval of the Facility, all of Facility's responsibilities for the care of Resident are terminated. Failure of the Facility to discharge a Resident is not a waiver of any of the legal rights of the Facility. Further information regarding Discharge/Transfer policies found in the Resident Handbook.

## IV. THE LEGAL FINANCIAL REPRESENTATIVE AGREES:

1. To provide clothing and personal effects as may be needed by Resident.
2. To provide the Facility with current insurance information.
3. To provide an appropriate amount of spending money as Resident's needs warrant.
4. To abide by all policies and rules of the Facility.

## V. FINANCIAL AGREEMENT:

Resident will pay or arrange payment for service hereunder in accordance with the Facility's then prevailing Statement of Room Rates and Ancillary Charges, as amended from time to time. All room and board charges are billed one (1) month in advance, with the exception of Medicare charges. All charges billed on the monthly statement are due and payable by the **10th day** of the current month. Any invoice not paid within 30 days of the date of the invoice are subject to a late charge of 1.5% per month (annual rate of 18%) and Resident or Financial Legal Representative is obligated to pay any late charges. In the event the Facility initiates any legal actions or proceedings to collect payments due from Resident under this Agreement, Resident or Legal Financial Representative shall be responsible to pay all attorney's fees and costs incurred by the Facility in pursuing the enforcement of Resident's financial obligations under this agreement.

Any change from the Statement of Room Rates and Ancillary Charges in effect at the time of Resident's admission to Facility will be furnished as set forth below. When or if Resident intends to file for Medicaid or similar governmental benefit programs for payment of Resident's care, Resident or Resident's Financial Legal Representative agrees to file an application and provide all required information with the appropriate agency in a timely manner.

Resident and Financial Legal Representative will cooperate with the Facility to ensure that the Facility receives all third-party payments as soon as possible. Cooperation includes providing information, signing and delivering documents, and assigning to the Facility (to the extent permitted by law) any payments for Resident from federal or state governmental assistance, programs, or any other reimbursement or benefits to the extent of all amounts due the Facility. **In the event of initial or subsequent denial of coverage by Resident's insurance carrier, Resident shall pay the Facility timely for all noncovered services retroactive to the date of the initial delivery of services, so long as such payment obligation is consistent with the regulations governing the Facility's participation in the Medicare and Medicaid Programs.**

### 1. Private Pay Residents agree:

- (a) To pay Routine Services pursuant to the attached Statement of Room Rates and Ancillary Charges or any modification to such statement.
- (b) To pay all charges for medical supplies and pharmacy items and other ancillary services or products pursuant to the attached Statement of Room Rates and Ancillary Charges needed for Resident's care.
- (c) To pay all charges for personal items used by Resident.
- (d) To pay the Facility or the Facility's designated agent as directed and to authorize the Facility to bill Resident's insurance carrier for services rendered and authorize payment directly to the Facility.
- (e) To pay all charges promptly after a bill is rendered, but in no event, later than the 10th day of the current month. If charges are not paid timely, to pay interest on all past due balances at the rate set forth in Paragraph V above. In addition, costs of collection, including reasonable attorney's fees, will be charged to the account.
- (f) All room and board charges are billed in advance and due and payable by the 10th day of each month.
- (g) To provide the Facility a 48-hour notice when Resident, or Resident's Financial or Personal Legal Representative, terminates occupancy. Failure to provide notice will result in charges for days of notice.

Notwithstanding the above, in no case shall the interest rate charged be greater than that allowed by applicable state usury laws, and the rate charges herein shall automatically be reduced to the maximum rate allowed under such laws in any such case.

### 2. Medicaid Recipients agree:

- (a) To pay personal liability (co-pay) as determined by the Department of Social Services to the Facility or its designated agent pursuant to all Federal and State payment regulations. The Facility per diem rate for Medicaid residents is determined by the State Division of Medical Assistance in accordance with a reimbursement formula. This formula will determine what portion of that rate must be paid by Resident, based on Resident's monthly income less any allowable deductions. Resident's portion shall be billed in advance by the Facility and shall be due on the 10th of each month.
- (b) To pay for any personal items that are not covered by the Medicaid program.
- (c) To comply with Therapeutic Leave approval, in accordance with Facility's Bed-Hold Policy and state requirements.

### 3. Medicare Recipients agree:

- (a) To pay all co-insurance amounts and deductibles pursuant to the Medicare regulations.
- (b) To pay for any personal items that are not covered by the Medicare program.

### 4. Veterans' Administration Contract Recipients agree:

- (a) To pay all charges not covered by VA Contract.

### 5. Managed Care Recipients (MCO) and Medicare Advantage (MA) Participants agree:

(a) To notify the Facility in writing prior to enrolling with a MCO or MA or switching Resident's MCO or MA enrollment. Resident acknowledges that any MCO or MA for whom the Facility is not an authorized provider may not approve payment for services provided by the Facility. Resident acknowledges that the Facility is not responsible for the actions or decisions of any MCO or MA for whom the Facility is an authorized provider, including decisions related to denial of coverage.

- (b) To pay co-payments and any other costs assigned to Resident under the specific terms of the managed care plan.
- (c) To pay for service which the MCO or MA refuses to preauthorize.

### For all Residents described in Part V above:

- All payments are due by the 10th day of the current month. If Resident leaves the Facility before the end of the month and does not return, any prepaid amount for the current month will be refunded, in accordance with Medicaid regulations, and in accordance with notice requirements for non-program residents. If a credit occurs while Resident remains in the Facility, the credited amount will be applied to future charges.
- For Medicare, Medicaid, VA Contract, Special Assistance, Auxiliary Grant and Private Insurance residents requesting a private room, Resident will be charged the difference in private room rate and semi-private room rate, in accordance with State regulations. A written notice of a change of Facility's Room Rates, Service Fees or Ancillary Charges will be provided to Resident in accordance with Resident's Bill of Rights.
- Resident and/or Resident's Financial Legal Representative shall notify the Facility immediately of any change in Resident's insurance status or coverage made by the insurance carrier, including but not limited to, being dropped by the insurance carrier or a decrease or increase in benefits.

**Resident's Responsibility to Pay for Pharmaceuticals:** If a resident is an eligible beneficiary under the Medicare Part D insurance program and has enrolled or has been mandatorily enrolled in Medicare Part D or Medicare Advantage Plan, Resident shall advise Facility in writing of Resident's

chosen Prescription Drug Plan (PDP) upon admission. If Resident becomes eligible for enrollment after admission, or if Resident elects to change his/her PDP, Resident shall notify the Facility and provide a copy of such election. Resident is responsible to pay the charges for all prescription drugs or medications while a resident in the Facility, except to the extent that such drugs and medications are covered in whole or in part by any applicable government reimbursement program. Some or all of the charges for prescriptions drugs may be covered by benefits available through Medicare Part D or other private insurance or governmental insurance/benefit programs. In the event that coverage for any prescriptions drug or pharmaceutical is denied, then Resident or Financial Legal Representative shall remain responsible to pay for all such prescriptions, drugs, supplies, other medications or pharmaceuticals. The Facility is not responsible for and has made no representations regarding the actions or decisions of any PDP.

**Capacity of Resident and Guardianship:** If Resident is, or becomes, unable to understand or communicate his or her health care or other care decisions, and is determined by Resident's Physician or the Facility's Medical Director after admission to be incapacitated, the Facility shall have the right, in the absence of Resident's prior designation of an authorized legal representative, or upon the unwillingness or inability of the legal representative to act, to commence a legal proceeding to adjudicate Resident incompetent and to have a court appoint a guardian for Resident. The cost of the legal proceedings, including attorney's fees, shall be paid by Resident or Resident's estate.

**Obligations of Resident's Estate and Assignment of Property:** Resident and Financial Legal Representative acknowledge the charges for services provided under this Agreement remain due and payable until fully satisfied. In the event of Resident's discharge for any reason, including death, this Agreement shall operate as an assignment, transfer, and conveyance to the Facility of so much of Resident's property as is equal in value to the amount of any unpaid obligations under this Agreement. This assignment shall be an obligation of Resident's estate and may be enforced against Resident's estate. Resident's estate shall be liable to and shall pay to the Facility an amount equivalent to any unpaid obligations of Resident under this Agreement.

**VI. INDEMNIFICATION:** Resident shall indemnify and hold the Facility harmless from, and is responsible to pay for any damages or injuries to other persons and residents or to the property of other persons or residents caused by the acts or omissions of Resident, to the fullest extent permitted by law.

**VII. MISCELLANEOUS PROVISIONS:**

1. **Governing Law:** This Agreement shall be governed by and construed in accordance with the laws of the State of North Carolina and shall be binding upon an inure to the benefit of each of the undersigned parties and their respective heirs, personal representatives, successors, and assigns.
2. **Severability:** The various provisions of this Agreement shall be severable one from another. If any provision of this Agreement is found by a court or administrative body of proper jurisdiction and authority to be invalid, the other provisions shall remain in full force and effect as if the invalid provision had not been a part of this Agreement.
3. **Captions:** The captions used in connection with the sections and subsections of this Agreement are inserted only for the purpose of reference. Such captions shall not be deemed to govern, limit, modify, or in any manner affect the scope, meaning or intent of the provisions of this Agreement, nor shall such captions be given any legal effect.
4. **Modifications:** The Facility reserves the right to modify unilaterally the terms of this Agreement to conform to subsequent changes in law, regulation, or operations. To the extent possible, the Facility will give Resident and Financial Legal Representative and/or Personal Legal Representative, as applicable, thirty (30) days advance written notice of any such modifications. Resident may not modify this Agreement except by a writing signed by the Facility.
5. **Waiver of Provisions:** The Facility reserves the right to waive any obligation of Resident under the provisions of this Agreement in its sole and absolute discretion. No term, provision or obligation of this Agreement shall be deemed to have been waived by the Facility unless such waiver is in writing by the Facility. Any waiver by the Facility shall not be deemed a waiver of any other term, provision or obligation of this Agreement, and the other obligations of Resident and this Agreement shall remain in full force and effect.

**VIII. ACCESS TO SERVICES**

\_\_\_\_\_ (facility) offers \_\_\_\_\_ (list levels of care). Residents will have priority access to these different service levels; residents will still need to meet the admission requirements for the needed level of care in order to be admitted. Residents will have priority access between all services levels, e.g. IL to SNF, IL to AL, AL to SNF, SNF to AL, etc., as residents of \_\_\_\_\_ (facility). \_\_\_\_\_ (facility) will work with each resident to ensure the resident is residing at the appropriate care level, and help facilitate any changes as needed. If a Resident moves to a different level of care, a resident agreement for that specific care level will need to be signed.

**ASSIGNMENT OF BENEFITS**

I certify that the information provided in applying for benefits under Title XVIII of the Social Security Act is correct and hereby request the payment of authorized Medicare or other insurance benefits to be made on my behalf [or on behalf of Resident for whom am I serving as Financial Legal Representative] to the Facility for any services furnished to me [or to Resident for whom am I serving as Financial Legal Representative]. I authorize any holder of medical or other information about me [or to Resident for whom am I serving as Financial Legal Representative] to be released to the Insurance Company and its agents any data needed to determine these benefits or the benefits payable for the related services. I understand that I may revoke any and all of the above at any time by informing the Facility in writing of my wish to do so.

**THE UNDERSIGNED HAVE READ, DO UNDERSTAND AND BEEN GIVEN A COPY OF THIS AGREEMENT AS INDICATED BY THEIR SIGNATURES BELOW:**

Resident \_\_\_\_\_

Date \_\_\_\_\_

Resident Representative \_\_\_\_\_

Date \_\_\_\_\_

Relationship to Resident (circle all that apply): Financial Legal Personal Legal Other (explain) \_\_\_\_\_

Facility Representative \_\_\_\_\_

Date \_\_\_\_\_

Witness: \_\_\_\_\_

Date \_\_\_\_\_

## LSC ASSISTED LIVING FACILITY ADMISSION AGREEMENT

This agreement is made by and between \_\_\_\_\_ (hereinafter called "**Facility**") and the person(s) indicated on the signature page, for the provision of services for the resident ("Resident") known as \_\_\_\_\_. The individual(s) signing this agreement affirm that any information provided to the facility is true and correct to the best of their knowledge, and acknowledge that the submission of any false information may constitute grounds to terminate this agreement.

Therefore the Facility and the individual(s) signing below agree to the following terms and conditions:

### **DEFINITIONS:**

The "Financial Legal Representative" is a person who has legal access to and control over Resident's personal property and/or funds, including cash, social security or other government benefits, annuities, pensions or other sources of payment for care provided at the Facility. By execution of this Agreement, the Financial Legal Representative is agreeing to use such funds of the resident to pay for care and services provided by the Facility pursuant to this Agreement and to undertake the other obligations of the Financial Legal Representative set forth in this Agreement.

The "Personal Legal Representative" is a person designated by Resident or law to (i) receive certain notices that the Facility may or must provide to Resident, or to a legal representative of Resident and (ii) to provide consent for medical treatment and related decisions on behalf of a resident who is unable to make or communicate such decisions.

### **THE FACILITY AGREES:**

1. To provide Services and Accommodations including:
  - personal care services which are adequate and appropriate to Resident's needs,
  - staff coverage twenty-four hours per day, including authorized staff to dispense prescribed medications and assist Resident with bathing and dressing,
  - room accommodations, including basic furnishings and utilities,
  - three meals and three snacks per day,
  - linen, laundry, and housekeeping services at least once weekly,
  - maintenance and grounds keeping services,
  - maintenance and replacement of property, furnishings and equipment owned or leased by the Facility necessitated by normal wear and tear,
  - parking and transportation services as specified by the Facility,
  - a minimum of 14 hours of planned group activities per week, and
  - personal items at the charge specified by the Facility.
2. To furnish a current Statement of Charges to Resident or the Financial Legal Representative upon request. Billing will be one month in advance.
3. To use the services of Resident's attending physician. If Resident's physician is not available to treat Resident, the Facility shall (1) use its best efforts to arrange for an alternate physician or (2) secure emergency room physicians' services, and such expense shall be borne of Resident. The Facility is not obligated to provide Resident with any medicines, treatment, special diets, or equipment without specific orders or directions from Resident's attending physician.
4. To offer services from time to time of outside providers such as a licensed dentist, pharmacist, laboratory, x-ray, podiatry, optometry, ambulance services, etc. Such services are available under guidelines and procedures established by the Facility and may be utilized by Resident at his or her own expense, unless otherwise covered by a third-party payor. Resident or Financial Legal Representative is obligated to pay such fees and costs whether the goods and services are furnished by a person or provider made available by the Facility, or by a person or provider selected by Resident, and whether the goods were provided at the Facility or elsewhere.
5. To place Resident in appropriate accommodations, consistent with Resident's Bill of Rights.
6. To be responsible only for those personal items which are left in the custody of the Executive Director. Resident hereby releases Facility from any liability for safeguarding all other personal property of Resident.
7. To exercise reasonable care when Resident is taken from the Facility by Facility staff on Facility-sanctioned outings. The Facility assumes no responsibility for Resident's welfare when Resident is taken from the Facility either temporarily or permanently under any other circumstances.

8. To notify Resident's physician and Personal Legal Representative of any significant change in Resident's physical, mental or psychosocial condition about which the Facility has information, and of accidents involving Resident which result in injury or the need to alter Resident's treatment significantly.
9. If changes are made in the contract, to provide an amended contract or an amendment to the contract for review and signature within 30 days of the change.

### **ACCESS TO SERVICES**

\_\_\_\_\_ (facility) offers \_\_\_\_\_ (list levels of care). Residents will have priority access to these different service levels; residents will still need to meet the admission requirements for the needed level of care in order to be admitted. Residents will have priority access between all services levels, e.g. IL to SNF, IL to AL, AL to SNF, SNF to AL, etc., as residents of \_\_\_\_\_ (facility). \_\_\_\_\_ (facility) will work with each resident to ensure the resident is residing at the appropriate care level, and help facilitate any changes as needed. If a Resident moves to a different level of care, a resident agreement for that specific care level will need to be signed.

### **THE RESIDENT/LEGAL REPRESENTATIVE AGREES:**

1. To provide all required documentation for admission as listed in the Resident Handbook.
2. To provide clothing and personal effects as may be needed by Resident.
3. To provide an appropriate amount of spending money as Resident's needs warrant.
4. To abide by all policies and rules of the Facility, including changes in those policies or procedures as may be established by the Facility from time to time.
5. To provide the Facility a fourteen (14) day notice when Resident or Resident's Personal or Financial Legal Representative terminates occupancy. Failure to provide notice may result in charges for up to fourteen (14) days of notice (see also Refund Policy on page 3 of this Agreement).

### **TERMINATION, TRANSFER, OR DISCHARGE**

THE FACILITY RESERVES THE RIGHT TO DISCHARGE OR TRANSFER A RESIDENT WITH APPROPRIATE NOTICE PURSUANT TO APPLICABLE STATE DISCHARGE REGULATIONS FOR ANY OF THE REASONS SET FORTH BELOW:

1. Transfer or discharge is necessary for Resident's welfare and Resident's needs cannot be met in the Facility as documented by the physician, physician assistant or nurse practitioner;
2. Resident's health has improved sufficiently such that Resident no longer needs services provided by the Facility as documented by the physician, physician assistant or nurse practitioner;
3. The safety of individuals in the Facility is endangered by Resident;
4. The health of individuals in the Facility would otherwise be endangered unless Resident is discharged or transferred as documented by the physician, physician assistant or nurse practitioner;
5. Resident has failed to pay the costs of services and accommodations by the payment due date according to the resident contract after receiving written notice of warning of discharge for failure to pay; or
6. Resident has failed to perform obligations under this agreement or abide by the rules and regulations of the Facility.

Notice and Waiver of Notice: The Facility will notify Resident and Personal Legal Representative or family member at least thirty (30) days in advance of the transfer or discharge date, except in those situations described in numbers 1, 2, 3 or 4, above. In such situations, notice will be given as soon as practicable before the transfer or discharge.

Withdrawal Against Advice: In the event Resident withdraws from the Facility against the advice of his/her attending physician and/or without approval of the Facility, all of Facility's responsibilities for the care of Resident are terminated.

Failure of the Facility to discharge a Resident is not a waiver of any of the legal rights of the Facility. Further information regarding Discharge/Transfer policies is found in the Resident Handbook.

## **FINANCIAL AGREEMENT**

- Resident or Financial Legal Representative will pay or arrange payment for services hereunder in accordance with the Facility's then prevailing Room Rates, as amended from time to time. All room and board charges are billed one (1) month in advance. All charges billed on the monthly statement are due and payable by the 10th day of the current month. Any invoice not paid within 30 days of the date of the invoice are subject to a late charge of 1.5% per month (annual rate of 18%) and Resident or Financial Legal Representative is obligated to pay any late charges. In the event the Facility initiates any legal actions or proceedings to collect payments due from Resident under this Agreement, Resident or Financial Legal Representative shall be responsible to pay all attorney's fees and costs incurred by the Facility in pursuing the enforcement of Resident's financial obligations under this agreement.
- 
- The Resident and/or the Resident's Financial Legal Representative will be notified of changes in Room Rates or other charges as soon as any change is known, but no less than 30 days before rate change is initiated by the Facility.
- Basic residential fees are determined by the facility. Additional rates may apply depending on the Resident's level of care assessment. Basic rates for all levels of care are provided by the facility, and the Resident or the Resident's Financial Legal Representative will be notified of changes as noted above.
- Prior to or on the occupancy date, Resident or Resident's Financial Legal Representative shall pay the Facility an amount equal to the remainder of the admission month. If the occupancy date is after the first day of the month, the advance payment shall be pro-rated accordingly.
- Additional services such as beauty/barber, ancillary supplies, etc. shall be due and payable upon receipt of the monthly statement reflecting those charges.
- Possible Medicaid availability or financial assistance through other non-profit organizations or ministries must be discussed with the Executive Director in advance. Medicaid beds are not available in all LSA facilities and are very limited in others; therefore, there is no guarantee of Medicaid placement.

## **REFUND POLICY**

If the Resident, after being notified by the Facility of its intent to discharge him/her, moves out of the Facility before the thirty days notice has elapsed, the Facility shall refund the Resident an amount equal to the cost of care for the remainder of the month minus any nights spent in the Facility during the notice period. The refund shall be made within fourteen days after the Resident leaves the facility.

If the Resident moves out of the facility without giving the fourteen days notice, or moves out before the fourteen days notice has elapsed, the Resident owes the Facility an amount equal to the cost of care for the required notice period. The Facility shall refund the Resident the remainder of any advance payment following settlement of the cost of care. The refund shall be made within fourteen days from the date of notice or, if no notice is given, within fourteen days after the resident leaves the Facility.

When there is an exception to the notice, to protect the health or safety of the Resident or others in the Facility, the Resident is only required to pay for any nights spent in the Facility. A refund shall be made to the Resident by the Facility within fourteen days from the date of the Resident's departure from the Facility.

When a resident gives a fourteen day notice of leaving the Facility and leaves at the end of the notice period, the Facility shall refund the resident the remainder of any advance payment within fourteen days of the notice.

If a resident dies, the administrator of his/her estate or the Clerk of the Superior Court, when no administrator for his/her estate has been appointed, shall be given a refund equal to the cost of care for the month minus any nights spent in the Facility during the month. This is to be done within thirty days after the Resident's death.

## **ADDITIONAL RESPONSIBILITIES AND PROVISIONS**

**Resident's Responsibility to Pay for Pharmaceuticals:** If a resident is an eligible beneficiary under the Medicare Part D insurance program and has enrolled in Medicare Part D or Medicare Advantage Plan, Resident shall advise Facility in writing of Resident's chosen Prescription Drug Plan (PDP) upon admission. If Resident becomes eligible for enrollment after admission, or if Resident elects to change his/her PDP, Resident shall notify the Facility and provide a copy of such election.

Resident is responsible to pay the charges for all prescription drugs or medications while a resident in the Facility, except to the extent that such drugs and medications are covered in whole or in part by any applicable government reimbursement program. Some or all of the charges for prescription drugs may be covered by benefits available through Medicare Part D or other private insurance or governmental insurance/benefit programs.

In the event that coverage for any prescription drug or pharmaceutical is denied, then Resident or Legal Representative shall remain responsible to pay for all such prescriptions, drugs, supplies, other medications or pharmaceuticals. The Facility is not responsible for and has made no representations regarding the actions or decisions of any PDP.

**INDEMNIFICATION:** Resident shall indemnify and hold the Facility harmless from, and is responsible to pay for, any damages or injuries to other persons and residents or to the property of other persons or residents caused by the acts or omissions of Resident, to the fullest extent permitted by law.

**MISCELLANEOUS PROVISIONS:**

1. **Governing Law:** This Agreement shall be governed by and construed in accordance with the laws of the State of North Carolina and shall be binding upon and inure to the benefit of each of the undersigned parties and their respective heirs, personal representatives, successors, and assigns.
2. **Severability:** The various provisions of this Agreement shall be severable one from another. If any provision of this Agreement is found by a court or administrative body of proper jurisdiction and authority to be invalid, the other provisions shall remain in full force and effect as if the invalid provision had not been a part of this Agreement.
3. **Captions:** The captions used in connection with the sections and subsections of this Agreement are inserted only for the purpose of reference. Such captions shall not be deemed to govern, limit, modify, or in any manner affect the scope, meaning or intent of the provisions of this Agreement, nor shall such captions be given any legal effect.
4. **Modifications:** The Facility reserves the right to modify unilaterally the terms of this Agreement to conform to subsequent changes in law, regulation, or operations. To the extent possible, the Facility will give Resident and Personal and Financial Legal Representative, as applicable, thirty (30) days advance written notice of any such modifications. Resident may not modify this Agreement except by a writing signed by the Facility.
5. **Waiver of Provisions:** The Facility reserves the right to waive any obligation of Resident under the provisions of this Agreement in its sole and absolute discretion. No term, provision or obligation of this Agreement shall be deemed to have been waived by the Facility unless such waiver is in writing by the Facility. Any waiver by the Facility shall not be deemed a waiver of any other term, provision or obligation of this Agreement, and the other obligations of Resident under this Agreement shall remain in full force and effect.

THE UNDERSIGNED HAVE READ, DO UNDERSTAND, HEREBY AGREE TO, AND BEEN GIVEN A COPY OF THIS AGREEMENT AS INDICATED BY THEIR SIGNATURES BELOW:

\_\_\_\_\_  
Resident Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Financial Legal Representative

\_\_\_\_\_  
Date

\_\_\_\_\_  
Personal Legal Representative

\_\_\_\_\_  
Date

\_\_\_\_\_  
Facility Representative

\_\_\_\_\_  
Date



**LEASE AGREEMENT FOR AN APARTMENT  
LSA ELMS PROPERTY, INC.  
D/B/A TRINITY ELMS  
(AN AFFILIATE OF LUTHERAN SERVICES CAROLINAS  
CLEMMONS, NORTH CAROLINA)**

This Lease Agreement (this "Agreement") is made as of the \_\_\_\_\_ day \_\_\_\_\_ by and between LSA Elms Property, Inc., d/b/a Trinity Elms, hereinafter referred to as "**TRINITY ELMS**", and \_\_\_\_\_ herein referred to as "Resident" (and, if more than one, collectively the "Resident").

WHEREAS Trinity Elms has developed an independent living rental community located at 7543 Fair Oaks Drive, Clemmons, North Carolina, (herein referred to as "The Community"); and

WHEREAS, Resident is desirous of becoming a resident of The Community and of using and enjoying the facilities, programs and services provided by Trinity Elms subject to the terms and conditions of this Agreement;

NOW, THEREFORE, for and in consideration of the mutual covenants and premises set forth herein, and for other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, Resident and Trinity Elms agree as follows:

1. **Accommodations and Services.** Subject to the terms and conditions set forth in this Agreement, Trinity Elms agrees to provide the Resident the living accommodations, services, and programs at The Community as follows:

a. **Apartment.** Resident has the exclusive right to occupy and use the specific Apartment described herein, subject to the terms and conditions set forth in this Agreement. The below apartment unit will hereinafter be referred to as the "Apartment":

Type: \_\_\_\_\_  
Address/Unit: \_\_\_\_\_  
Description: \_\_\_\_\_

b. **Utilities.** Trinity Elms will provide water, sewer, trash removal, local telephone service, internet and cable services.

c. **Furnishings.** Trinity Elms will provide a refrigerator, dishwasher, microwave, oven/range, window blinds, and any other features in the Apartment as described in the marketing materials describing the Community. Any upgrades requested by the Resident must be paid for by the Resident prior to the purchase of such upgrades. All such furnishings and appliances, as well as any upgrades thereto, will remain the property of Trinity Elms after the Resident vacates the Apartment.

d. **Meals.** A meal plan or meal credit is not included in the monthly rent for the Apartment. A Resident may purchase an individual meal or a monthly meal plan for an additional cost. The Resident should review the Dining Plan options in the Resident Handbook for The Community for details on the costs and procedures for ordering meals.

e. **Housekeeping Services.** Trinity Elms shall provide housekeeping services every other week, including vacuuming, dusting, cleaning of baths and kitchens, and trash removal. Heavy housekeeping services shall be provided on an annual basis, including cleaning of refrigerators, oven/range, windows, baseboards, light fixtures, and carpet cleaning, as may be needed. Any extra cleaning services shall be at the Resident's sole cost and expense.

f. **Laundry Services.** Trinity Elms shall not provide any laundry services. Each unit is equipped with a hook-up for a washer and dryer, which must be provided by the Resident at the Resident's sole cost and expense.

- g. **Maintenance and Repairs.** Trinity Elms shall provide for the maintenance, repair and up-keep of The Community's facilities, improvements, fixtures, furnishings, and equipment. Individual apartment maintenance is included for appliances, fixtures, etc. that belong to Trinity Elms and are part of the Apartment. Trinity Elms will not be responsible for the cost of equipment and/or labor for maintenance required for any personal belongings of the Resident. It is the responsibility of the Resident to review the Maintenance Policy for the Apartments, which is included in the Resident Handbook. A Resident must contact Trinity Elms immediately in the event of a maintenance need that would be considered an emergency, including, without limitation, water leaks, electrical issues and plumbing issues. Notwithstanding anything herein to the contrary, Trinity Elms shall not be responsible for any maintenance and/or repairs that arise as a result of the Resident's negligence or intentional acts.
  - h. **Grounds keeping.** Trinity Elms shall furnish grounds keeping services to The Community, including lawn, tree and shrubbery care. Subject to approval by Trinity Elms, Residents may plant and maintain certain areas designated for such purpose by Trinity Elms. Trinity Elms must pre-approve in writing all plantings in accordance with the landscape design plan.
  - i. **Parking.** Trinity Elms shall provide parking areas for the Resident's personal vehicle (limited to one vehicle for each individual apartment, unless otherwise approved in writing by Trinity Elms).
  - j. **Common Facilities.** Trinity Elms will provide common facilities for the common use and benefit of all Residents such as a multi-purpose room, day room with fireplace, and the community building. Residents of Trinity Elms will also have access to common facilities in Trinity Elms health and rehab and Trinity Elms assisted living facilities located adjacent to the community each of which are operated by separate entity affiliates of Lutheran Retirement Center – Clemmons, Inc..
  - k. **Transportation.** Trinity Elms may provide transportation for Community scheduled outings for residents at no additional charge.
  - l. **Activities.** Trinity Elms may provide, from time to time, planned social, recreational, spiritual, educational, and cultural activities for the Residents.
  - m. **Emergency Assistance.** Trinity Elms does not provide emergency call systems in the Apartments or common areas. The Resident may elect to purchase equipment and services for their own personal emergency assistance device. Residents are not permitted to install any emergency assistance device/equipment in an Apartment or common area without the prior, written approval from the Executive Director of Trinity Elms.
  - n. **Health Care.** Residents of the Trinity Elms apartments will have priority application access to assisted living and skilled nursing care at the adjacent facilities operated by its affiliates. A Resident must meet all of the regulatory and admission requirements to receive assisted living or skilled nursing care. Trinity Elms cannot guarantee that a room will be available at the time a Resident needs a higher level of care; in the event that there is no availability and/or the Resident does not qualify for such admission, Trinity Elms will make every effort to assist the Resident in finding placement in another community. The Resident will be given priority access to other assisted living and skilled nursing communities owned and operated by affiliates of Lutheran Services Carolinas.
2. **Admission Requirements.** All residents of The Community must be 62 years of age or older. Trinity Elms will provide facilities and services to individuals regardless of race, color, religion, sex, handicap, familial status, national origin, marital status, veteran status, sexual orientation, or any other prohibited categories. The Resident is required to meet the following standards prior to admission to Trinity Elms:
- a. **Age.** The Resident must be 62 years of age or older.

- b. **Personal Interview.** The Resident may be requested to have an interview with a representative from Trinity Elms prior to taking residency.
- c. **Application Forms.** The Resident shall submit for review an Application for Admission (the “Application”) provided by Trinity Elms upon or prior to execution of this Agreement.
- d. **Notification.** Trinity Elms shall review the information provided on the Application forms and the personal interview and will notify the Resident about qualifying for admission within ten (10) business days of receipt of the completed Application. If a Resident does not qualify for admission, this Agreement will automatically terminate on the date of notification of such qualifications.
- e. **Health Requirements.** The Resident shall be ambulatory, generally in good health, able to live independently without assistance, and free of any communicable diseases in order to meet the admission requirements for the Apartment.
- f. **Financial Requirements.** The Resident must have assets and income sufficient under foreseeable circumstances to pay the financial obligations of the Resident under this Agreement and to meet ordinary living expenses of the Resident.

### 3. **Terms of Residency.**

- a. **Use.** The Apartment and the Community are for the use, benefit and enjoyment of the Resident as their full-time personal residence and for no other purpose whatsoever. The Resident agrees only the Resident, except for short-term guests from time to time, will occupy the Apartment.
- b. **Term.** The initial term of this Agreement is for twelve (12) months from the initial date of occupancy defined as the date the Monthly Charge commences, and shall continue on a month-to-month basis after the first twelve (12) months, subject, however, to the earlier termination provisions of Section 4 hereof.
- c. **Availability Date.** The Availability Date is the date that the Apartment is ready for occupancy. The Resident does not have to take occupancy on the Availability Date [see Section 3(d) herein below for details on occupancy], but the Resident agrees to begin paying the rent for the selected Apartment on the Availability Date of the Apartment. Lutheran Retirement Center-Clemmons, Inc. will make every effort to give advanced notice to the Resident(s) of the Availability Date. It is further understood that if a Resident fails to begin paying the Monthly Charge on the Availability Date of the Apartment unless otherwise agreed to in writing by the Executive Director and the Resident, the Resident may forfeit their right to rent the Apartment and this Agreement may automatically terminate at the sole and absolute discretion of Trinity Elms.
- d. **Occupancy.** The “Date of Occupancy” shall be defined as the date the Monthly Charge commences.
- e. **Visitors.** Except for short-term visitors, no person other than the Resident may reside in the Apartment without the prior, written approval of Trinity Elms. Short-term visitors shall mean visitors who stay less than 14 consecutive days or 21 days in the aggregate in any calendar month period, and no longer than 30 days in any given calendar year, unless otherwise pre-approved in writing by the Executive Director, at the Executive Director’s sole discretion.
- f. **Loss of Property.** Trinity Elms shall not be responsible for the loss of any property belonging to the Resident due to theft, mysterious disappearance, flood, water drainage, fire or any other cause whatsoever. It is understood that the Resident will have the responsibility of providing any desired insurance protection covering any such loss of its property.
- g. **Assignment and Subletting.** Without the prior written consent of Trinity Elms, Resident shall not assign under this Agreement, or sublet the Apartment or any part thereof. Consent by Trinity Elms to one assignment or subletting shall not be deemed to be consent to any subsequent assignment or subletting.

- h. **Showing Premises.** Resident hereby grants permission to Trinity Elms to show the Apartment to prospective residents at reasonable hours during the sixty (60) days written notice period as outlined in Section (4) below.
- i. **Entry for Inspection, Repairs, and Alterations.** Trinity Elms shall have the right to enter the Apartment at reasonable hours for inspection and, whenever necessary, to make necessary repairs and alterations to the Apartment.
- j. **Care of Apartment and Premises.** Trinity Elms shall deliver to the Resident the Apartment in good and habitable condition. Resident shall maintain the Apartment and deliver the Apartment and all property belonging to Trinity Elms in good, clean and habitable order and condition, reasonable wear and tear excepted, upon termination of this Agreement. Resident may paint the Apartment only with the prior written consent of Trinity Elms. It is agreed that Resident will not make or permit any alterations, improvements, or changes to the Apartment without, in each case, first obtaining the prior, written consent of Trinity Elms. All such alterations, changes, and improvements, with the exception of fixtures owned by the Resident and removable without damage, shall, unless otherwise provided by written agreement between Trinity Elms and Resident, be the property of Trinity Elms and remain in the Apartment premises at the termination of this Agreement.
- k. **Pets.** All pets must meet the established criteria per the Pet Policy which can be found in the Resident Handbook. Residents with pets must abide by all guidelines and policies.
- l. **Neat and Orderly Condition.** Resident agrees to keep the Apartment and premises in a neat and orderly condition, free of any trash or materials considered to be a nuisance by Trinity Elms.
- m. **Policies, Procedures, Rules, and Regulations.** Resident agrees to abide by the policies, procedures, rules, and regulations and such reasonable guidelines as set forth in the Resident's Handbook (as may be amended from time to time by Trinity Elms), which will be made available for Resident prior to execution of this Agreement.
- n. **Laws/Ordinances.** Resident agrees to fully comply with all applicable laws, rules, regulations and ordinances.

4. **Rescission and Termination Provisions.**

- a. **Termination by Resident before Occupancy.** The Resident has the right to rescind this Agreement for any or no reason within seven (7) days from the date of this Agreement by giving Trinity Elms written notice of such intention to rescind. In the event of such rescission, Trinity Elms will, within thirty (30) days of notification thereof, refund the Resident one half of the Security Deposit paid to Trinity Elms. Any cost for upgrades agreed upon by Trinity Elms and the Resident that have already been paid for by Trinity Elms will be the financial responsibility of the Resident and will be deducted from the Security Deposit or directly billed to the Resident, if not already collected. Resident shall pay any amounts due to Trinity Elms within thirty (30) days of Resident's receipt of such bill.

After the seven (7) day rescission period, Resident may terminate this Agreement for any reason by giving Trinity Elms written notice of intention to terminate. In event of such termination before occupancy, Resident will receive a refund of one half of the Security Deposit paid to Trinity Elms, within thirty (30) days of such notification, unless otherwise agreed upon by Trinity Elms and Resident, minus the cost of any upgrades completed by Trinity Elms at the request of the Resident. If the one half of the Security Deposit owed to the Resident for termination of the Agreement after the seven (7) day rescission period is less than the balance owed by the Resident for any upgrades or changes made by Trinity Elms at the request of the Resident, the Resident agrees to pay any outstanding balance to Trinity Elms within thirty (30) days of termination of this Agreement.

A full refund will be made, however, if such termination should occur because of death of Resident or a Resident's spouse if the Resident hereunder consists of a married couple, or because of a change in the physical or mental condition, which would make Resident or Resident's spouse ineligible for admission to Trinity Elms, minus the cost of upgrades completed by Trinity Elms at the request of the Resident. Trinity Elms will, within thirty (30)

Days of notification thereof, provide the Resident with any refund. The Resident agrees to pay any outstanding balance to Trinity Elms within thirty (30) days of termination of the date of this Agreement.

- b. **Termination after Occupancy.** After occupancy by Resident, this Agreement shall terminate no earlier than twelve (12) months from the initial Date of Occupancy, provided that Resident shall provide Trinity Elms at least sixty (60) days advance written notice prior to termination. Without such notice, this Agreement shall continue in full force and effect on a month-to-month basis thereafter, subject to increases as set forth in Section (6) below and subject to the foregoing requirement of 60-days' advance written notice.

If the Resident terminates this Agreement prior to the completion of the initial twelve (12) month term for any reason other than by death or if the Resident no longer meets the Admission Requirements, the Resident forfeits the entire Security Deposit, unless otherwise determined by Trinity Elms.

- c. **Termination by Trinity Elms.** Before the Resident takes occupancy, Trinity Elms may terminate this Agreement in the event the Resident does not meet the criteria for admission as set by the Board of Directors of Trinity Elms, or should the information in the application forms provided by Resident differ materially from that disclosed to Trinity Elms during the admissions process.

Upon such termination, the Resident would receive a refund of any and all monthly Charges and fees paid to Trinity Elms within thirty (30) days of notification by Trinity Elms of such termination, minus the cost of any upgrades or alterations made by Trinity Elms to the Apartment at the request of the Resident.

Notwithstanding any other provisions of this Agreement, Trinity Elms may also terminate this Agreement at any time after the Resident takes occupancy if: (i) there has been a material misrepresentation or omission made by the Resident in the completed application forms provided by the Resident to Trinity Elms; (ii) if the Resident fails to make the payments to Trinity Elms in the Monthly Charges or fees which are described in Section (6) of this Agreement within thirty (30) days of the date when due; or (iii) if the Resident fails to abide by the rules, regulations, and policies adopted by Trinity Elms from time to time or breaches the terms and conditions of this Agreement. In the event of termination for any of such causes, Resident shall not be entitled to a refund of any Monthly Charges or fees made by the Resident.

- d. **Termination Due to Death.** If Resident should die during the term of this Agreement, this Agreement shall terminate. The Monthly Charge will be paid until such time the Resident's belongings are removed from the Apartment and the Apartment is returned to Trinity Elms in good and habitable condition.

## **5. Transfers.**

- a. **Change in Apartments.** It is understood Trinity Elms, in its sole discretion, has the right to make a change in apartment assignments if necessary in order to best serve the needs of the Resident. A Resident may not transfer from one apartment to another apartment during the initial twelve (12) month term unless pre-approved in writing by the Director of Trinity Elms. Approval is subject to the sole and absolute discretion of the Director of Trinity Elms on a case by case basis.
- b. **Transfer to Trinity Elms Assisted Living.** Resident agrees that Trinity Elms shall have the authority to determine when or if a Resident should be transferred from the Apartment to Trinity Elms assisted living for assisted living care facilities operated by its affiliates. Such determination shall be made based on the professional opinion of the Executive Director of Trinity Elms and shall be made only after consultation, to the extent practical, with the Resident, a representative of the Resident's family or the sponsor of Resident, the Resident's attending physician, as well as the Director of Health Services at Trinity Elms assisted living. Admission to such assisted living facility is contingent upon a Resident meeting the regulatory requirements for admission and upon bed availability. If there is no bed available at Trinity Elms' affiliates, or a Resident does not meet the admission requirements, Trinity Elms will make reasonable efforts to assist the Resident in finding placement at another community. The Resident will be given priority application access at other assisted living communities operated by Lutheran Services Carolinas or its affiliates.

- c. **Transfer to Trinity Elms Health and Rehab.** Resident agrees that Trinity Elms shall have the authority to determine when or if a Resident should be transferred from the Apartment to the Trinity Elms health and rehab for skilled nursing care. Such determination shall be made based on the professional opinion of the Executive Director of Trinity Elms and shall be made only after consultation, to the extent practical, with the Resident, a representative of the Resident's family or the sponsor of Resident, the Resident's attending physician, as well as the Director of Nursing at Trinity Elms health and rehab. Admission to Trinity Elms health and rehab is contingent upon the Resident meeting the regulatory requirements for admission and upon bed availability. If there is no bed available at Trinity Elms, or a resident does not meet the admission requirements, Trinity Elms will make reasonable efforts to assist the Resident in finding placement at another community. The Resident will be given priority application access at other skilled nursing communities operated by Lutheran Services Carolinas or its affiliates.
- d. **Transfer to Other Health Care Facility.** If it is determined by the Executive Director that the Resident needs care beyond that which can be provided by Trinity Elms, Resident may be transferred to a hospital or other center or institution equipped to give such care, which care will be at the expense of Resident. Such transfer of Resident will be made only after consultation, to the extent possible, with Resident, a representative of Resident's family or the sponsor of Resident, and Resident's attending physician.
- e. **Permanent Transfers.** If a determination is made by Trinity Elms that any transfers are permanent in nature, Resident agrees to surrender the Apartment. If Trinity Elms subsequently determines that the Resident can resume occupancy in any apartment, Resident shall have application priority to a comparable apartment as soon as it would become available. Resident will be obligated to pay rent for the Apartment until all personal belongings are removed from the Apartment.

6. **Financial Arrangements.**

- a. **One-Time Administrative Fee.** In consideration for refurbishment of the Apartment at the conclusion of this Agreement, and certain administrative costs associated with the initiation and maintenance of this Agreement, Resident agrees to pay a one-time administrative fee of \$ 400.00 . Such fee is due upon execution of this Agreement and is non-refundable after the seven (7) day rescission period expires. Such fee will be deducted from the Security Deposit referenced in Section 6.b. hereof.
- b. **Security Deposit.** A resident will provide a Security Deposit equal to one month's rent. Upon termination of the Agreement, the Resident will receive a refund of the Security Deposit, less any money owed to Trinity Elms for damages beyond normal wear and tear or any other charges or fees owed to Trinity Elms hereunder and less the \$400.00 administrative fee referenced in Section 6.a. hereof.
- c. **Damages beyond Normal Wear and Tear.** Resident understands that the one-time administrative fee covers only normal wear and tear.

Resident agrees to immediately pay to Trinity Elms a sum equal to the cost of repairs beyond normal wear and tear, non-payment of rent, costs associated with removal or storage of Resident's property, or any costs associated with any breach of this Agreement by the Resident.

- d. **Monthly Charge.** Commencing on the initial Date of Occupancy and continuing throughout the entire term of this Agreement, Resident agrees to pay Trinity Elms a Monthly Charge. The Monthly Charge from the initial Date of Occupancy until October 1, 2024, shall be equal to \$\_\_\_\_\_ per month. Trinity Elms shall have the right to adjust such Monthly Charges on an annual basis as of October 1<sup>st</sup> of each year during the term of this Agreement. The Monthly Charge is payable in advance on or before the first day of such calendar month during the entire term of this Agreement.

The Monthly Charge may be prorated on a per day rate and calculated based on the number of days in the calendar month in which the prorated amount is due/owed.

Trinity Elms will provide Resident with a monthly statement of the total charges owed by the Resident. Trinity Elms may assess a late payment charge of \$25 for statements not paid within ten (10) calendar days after the monthly statement is furnished.

e. **Charges at Trinity Elms Assisted Living.** Charges at the Trinity Elms assisted living facility will be incurred at the published per diem rate for the accommodations occupied by the Resident, plus other charges for other services not included in such per diem rate.

f. **Charges at Trinity Elms Health and Rehab.** Charges at the Trinity Elms health and rehab facility will be incurred at the published per diem rate for the accommodation occupied by the Resident, plus other charges for other services not included in such per diem rate.

g. **Charges for Care in Other Health Care Facilities.** Should Resident require care that requires transfer to another health care facility, all expenses which will result from such transfer and related care shall be borne entirely by Resident.

## 7. General Provisions

a. **Assignment.** The rights and privileges of Resident under this Agreement are personal to the Resident and may not be assigned or transferred.

b. **Tax Status and Ownership.** Trinity Elms is a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code of 1986 through the sponsorship of Lutheran Services Carolinas, Inc. Trinity Elms is governed by a volunteer Board of Directors.

c. **Power of Attorney.** Resident is required to have a written Power of Attorney and an executed copy must be given to the Executive Director of Trinity Elms.

d. **Will.** Resident is strongly encouraged to have a will providing for the disposition of his or her real and personal property and provision for proper burial at his or her own expense. Resident agrees to notify the Executive Director of Trinity Elms as to the location of this will and to notify Trinity Oaks of the Resident's the Executor under such will.

e. **Subordination.** Resident's rights under this Agreement shall be subject and subordinate to the lien of any deed of trust now or hereafter placed on the premises by Trinity Elms.

f. **Entire Agreement.** This Agreement constitutes the entire agreement between Trinity Elms and the Resident.

g. **Successors and Assigns.** Except as set forth herein, this Agreement shall bind and inure to the benefit of the successors and assigns of Trinity Elms and the heirs, executors, administrators, and assigns of Resident.

h. **Governing Law.** This Agreement shall be governed by the laws of the State of North Carolina. The venue for any action arising hereunder shall be Forsyth County, North Carolina.

i. **Counterparts/Copies.** This Agreement may be executed simultaneously in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. Further, copies of signatures hereto shall constitute originals for all purposes.

Residents, by their execution hereof, acknowledge having received and reviewed a copy of the Resident Handbook relating to The Community and agrees to fully abide by the provisions thereof. Resident acknowledges and agrees that Trinity Elms may amend the Resident Handbook from time to time as deemed reasonably necessary by Trinity Elms.

In WITNESS WHEREOF, the parties have executed this Agreement under seal as of the day and year above written.

ATTEST:

TRINITY ELMS

\_\_\_\_\_  
WITNESS

By: \_\_\_\_\_  
Executive Director

\_\_\_\_\_  
WITNESS

By: \_\_\_\_\_  
Resident

\_\_\_\_\_  
WITNESS

By: \_\_\_\_\_  
Resident

\_\_\_\_\_  
Current Address: Street

\_\_\_\_\_  
City, State, Zip Code

\_\_\_\_\_  
Telephone

Lease Revised 11/15/2018





**Trinity Elms**  
**Continuing Care Retirement Community**  
**Disclosure of Services**

Lutheran Retirement Center-Clemmons, Inc. dba Trinity Elms is part of a Continuing Care Retirement Community licensed as Trinity Elms. Trinity Elms is comprised of five entities; Lutheran Retirement Center-Clemmons, Inc. is the entity that provides independent living services; Lutheran Home at Trinity Elms, Inc. is the entity that provides skilled nursing services; LSA Elms at Tanglewood, Inc. is the entity that provides assisted living services; Lutheran Home Forsyth County Property, Inc. is the entity that holds assets for Lutheran Home-Forsyth County, Inc.; and LSA Elms Property, Inc. is the entity that holds assets for LSA Elms at Tanglewood, Inc.

Residents of the Trinity Elms campus will have priority access to all levels of care as many times as needed as long as admission requirements are met.

**Admission to the independent living residences, Lutheran Retirement Center-Clemmons, Inc., requires that a resident meet the below requirements:**

- Health: Each independent living Resident must have sufficient physical and mental capacities to live independently without posing a danger to his/her health or to the health and safety of other Trinity Elms residents and staff. The Resident will be required to provide a Personal Health Application.
- Financial: The Resident shall have furnished information to Trinity Elms with respect to the Resident's financial resources demonstrating that the Resident has the financial income and assets to pay the Monthly Fee and the future adjustments of these charges during the term of this Agreement.
- Age: The Resident must be at least 62 years of age at the time he or she occupies an Apartment at Trinity Elms, with an exception in the case of one of two married Residents.

**Assisted living services are provided at LSA Elms at Tanglewood, Inc. and are available to residents who meet the admission requirements, which include but are not limited to:**

- Resident must provide an (FL-2) dated no more than 90 days prior to admission. However, it may be requested that any FL-2 dated more than 30 days prior to admission be reviewed by the physician for accuracy.
- Health: Self-ambulation with minimal help and/or with the aid of wheelchairs or walkers. Resident must be able to complete activities of daily living, including bathing, dressing and medication administration with light assistance. Resident cannot have a primary diagnosis of mental disease.
- Financial: Resident must provide evidence of sufficient financial means. Resident or Financial Legal Representative will pay or arrange payment for services in accordance with the Facility's then prevailing room rates.
- Age: The Resident must be at least 55 years of age.

- A two-step PPD or chest X-ray within the last year with a statement that you are free of communicable disease is required. Documentation that the resident has received a vaccination for pneumonia and influenza, or a physician’s statement stating the reason why the resident cannot receive the vaccinations, or a signed statement documenting resident’s refusal to have the vaccinations.

**Skilled nursing services are provided at Lutheran Home-Forsyth County, Inc. and are available to those who meet the Trinity Elms admission requirements, which include but are not limited to:**

- A resident has a medical condition(s) that requires 24/7 interventions and/or monitoring by the licensed personnel of a skilled nursing facility; a resident requires skilled nursing and therapy care that can only be safely and effectively performed by, or under the supervision of, professionals or technical personnel.
- Must have a payor source to pay for the services the facility is providing.
- The facility must determine they are able to meet the needs of each resident, which will be evaluated when/if skilled nursing services are needed.

In the event a Resident requires a higher level of care and there is no availability at Trinity Elms, or the resident does not qualify for admission at Trinity Elms, Trinity Elms will assist the Resident in finding another health care center as close as possible to the quality and price of Trinity Elms.

If a resident has a temporary stay from independent living to a higher level of care, a Resident will continue to pay the Monthly Fee for their residence at Lutheran Retirement Center-Clemmons, Inc. If a Resident has a permanent transfer from independent living to a higher level of care, the Resident will continue paying the Monthly Fee until the residence is vacated including the return of the keys to the residence.

**Charges**

Charges at Lutheran Home-Forsyth County, Inc. for skilled nursing will be incurred at the published per diem rate for the accommodations occupied by the Resident, plus other charges for other services not included in such per diem rate.

Charges at LSA Elms at Tanglewood, Inc. for assisted living services will be incurred at the published per diem rate for the accommodation occupied by the Resident, plus other charges for other services not included in such per diem rate.

Charges at Lutheran Retirement Center-Clemmons, Inc. for an independent living apartment will be incurred at the published rate.

As a resident entering the Trinity Elms Continuing Care Retirement Community, I understand that all of the stated levels of care will be offered to me with priority access as long as I meet the admission requirements. Each level of care will require its own separate contract at time of admission to that specific level of care.

**THE UNDERSIGNED HAVE READ, DO UNDERSTAND AND BEEN GIVEN A COPY OF THIS DISCLOSURE AS INDICATED BY THEIR SIGNATURES BELOW:**

Resident \_\_\_\_\_ Date \_\_\_\_\_

Resident Representative \_\_\_\_\_ Date \_\_\_\_\_

Relationship to Resident (circle all that apply): Financial Legal Personal Legal Other (explain) \_\_\_\_\_

Facility Representative \_\_\_\_\_ Date \_\_\_\_\_

Witness: \_\_\_\_\_ Date \_\_\_\_\_