

# Disclosure Statement

March 1, 2024

Lutheran Retirement Center – Salisbury, Inc. known as  
“Trinity Oaks”

728 Klumac Road, Salisbury, North Carolina 28144  
Telephone (704) 633-1002  
[www.trinityoaks.net](http://www.trinityoaks.net)

In accordance with Chapter 58, Article 64-20(b) of the North Carolina General Statutes of the State of North Carolina, the delivery of a 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 may be delivered until revised, but not after February 28, 2025.

\*This Disclosure Statement has not been reviewed or approved by any government agency or representative to ensure the accuracy or completeness of the information set out.

# TRINITY OAKS DISCLOSURE STATEMENT

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**DISCLOSURE STATEMENT**  
**LUTHERAN RETIREMENT CENTER - SALISBURY, INC.**

1. Provider

- (a) Name of Provider. The Provider is:  
Lutheran Retirement Center - Salisbury, Inc.  
doing business as "Trinity Oaks," a  
North Carolina nonprofit corporation  
728 Klumac Road  
Salisbury, North Carolina 28144

(Lutheran Services for the Aging (LSA) recently rebranded its name to Lutheran Services Carolinas (LSC))

2. Officers and Directors. The names and business addresses of officers and directors of the Provider are:

**Chair of the Board and Director:**

Mr. Gregory A. Hudgins  
2 Kersey Ct.  
Durham, NC 27713

**Vice Chair of the Board and Director**

Mr. Cary Grant  
113 Bennington Parkway  
Durham, NC 27713

**President and Director**

(President of Lutheran Retirement Center – Salisbury dba Trinity Oaks)  
Mr. Ted W. Goins, Jr.  
P.O. Box 947  
Salisbury, NC 28145-0947

**Director**

Ms. Lindsay Wineka  
221 Mitchell Avenue  
Salisbury, NC 28144

**Secretary:**

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

**Treasurer**

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

**Director (Resident Representative)**

Mr. Richard Paschall  
304 Majestic Heights Drive  
Salisbury, NC 28144

3. Experience and Relationships

- (a) Experience in Similar Facilities. The following individuals have had experience in the operations management of similar facilities:
- |                |                 |
|----------------|-----------------|
| Ted Goins, Jr. | Kirby Nickerson |
| Bill Johnson   |                 |

Ted W. Goins, Jr., President and CEO, Lutheran Services Carolinas (LSC) – Prior to being named President in 2000, Mr. Goins was employed by LSC for over 10 years as administrator of Trinity Village nursing home in Hickory, N. C. He also previously served for three years in administration and development, and has spent his entire career in the long-term care profession. Mr. Goins received his AB from Lenoir-Rhyne College (now University), and earned his MS from Pfeiffer University. He is a certified nursing assistant and licensed nursing home administrator. Mr. Goins is active in a number of local, state, and national organizations, including serving on the North Carolina Medical Care Advisory Committee, the Board of the North Carolina Health Care Facilities Association, the Board of Lutheran Immigration and Refugee Services, and as Chair of the Rowan County Chamber of Commerce. He previously served on the Lutheran Services in America Board, including two years as Chair, and also served two terms on the North Carolina Study Commission on Aging. He was appointed to the North Carolina State Board of Examiners for Nursing Home Administrators and went on to serve for seven years, four of those as Chair. Lenoir-Rhyne University honored Mr. Goins received the Distinguished Alumnus Award in 2012 and an honorary doctorate in humane letters in 2018.

Kirby D. Nickerson, Chief Financial Officer/Treasurer, Lutheran Services Carolinas (LSC) - Mr. 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). Mr. 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.

William M. "Bill" Johnson, Executive Director, Trinity Oaks – Mr. Johnson joined LSC in August 2006 as administrator of the nursing and rehab component of Trinity Oaks and was named Executive Director of the campus in 2013. Mr. Johnson has a BA from Urbana University and has been a licensed nursing home administrator for over thirty years.

- (b) Relationship to Organization Providing Services. 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 Oaks.

- (c) Proceedings and Orders. 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)].
4. Religious Affiliation. Trinity Oaks is a 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)).
5. Location and Description of Facility. Trinity Oaks is constructed on a site of approximately 50 acres. The site is located in the city of Salisbury, North Carolina on Klumac Road, north of Jake Alexander Boulevard, adjacent to Trinity Oaks health and rehab. This health care facility consists of 115 nursing beds, where we provide short term rehab and long term care, with 14 of those being in a secured Alzheimer's unit, 12 assisted living beds with 11 of those beds being in a secured Alzheimer's unit, and 12 independent apartments. We provide rehab services for all residents including outpatient specialized services for the campus and community. Trinity Oaks consists of a three-story building containing 125 independent living residential units and 38 assisted living units. There are 42 cottage residential units. The nursing care and assisted living units meet all terms and conditions of the North Carolina Department of Human Resources for the licensing of such units. The total resident population being served on the date of this Disclosure Statement was 360. Construction of the congregate center was started in October 1991 and completed in January 1993. The facility became operational on January 12, 1993 upon admission of its first resident. Construction of the cottages began in 1997 and was completed in fall 2004. An Alzheimer's facility was added to the nursing facility in the fall of 2007. In the fall of 2008, Trinity Oaks added new common, dining, and wellness areas to the community's main building. Construction on a new assisted living wing was completed in the summer of 2018.



6. Admissions Policies and Procedures. 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 Oaks subject to the terms and conditions of this Section 6:

(a) Non-Discrimination. Requirements for admission to Trinity Oaks are nondiscriminatory except as to age. Admission is restricted to persons sixty (60) years of age or older. Trinity Oaks is open to anyone regardless of race, color, religion, sex, sexual orientation, gender identity, handicap, familial status, or national origin.

(b) Reservation Agreement. Upon selection of an apartment or cottage for personal occupancy, Resident will execute a Reservation Agreement. Accompanying this agreement will be a reservation fee of \$1,000. The Reservation Deposit will be applied to the 10% deposit required at the time of initial acceptance by the Admissions Committee and execution of the Residency Agreement. At any time prior to entering the Residency Agreement, Resident may cancel the Reservation Agreement and the entire \$1,000 will be refunded less a processing fee of \$500.

The Reservation Agreement is precedent to the Residency Agreement. Resident agrees to enter the Residency Agreement within 10 days of notification of initial acceptance by the Admissions Committee and pay the remaining 10% of the Entrance Fee.

(c) Disclosure Statement. Upon execution of the Reservation Agreement, the Marketing Representative will provide the Resident a copy of Trinity Oaks' Disclosure Statement which fully describes the organization, facilities, policies, services, fees, financial condition, projections, and the vital information related to Trinity Oaks. Included in the Disclosure Statement is a Residency Agreement.

(d) Application. Within fifteen (15) days of execution of the Reservation Agreement, the Resident will submit an Application for Admission, Personal Health History and a Confidential Financial Statement or other evidence of sufficient financial means for the review and approval by the Trinity Oaks Admissions Committee.

(e) Admissions Committee Review. The Admissions Committee will review the completed Application Forms including financial information as a basis for initial approval for admission to Trinity Oaks. The Admissions Committee will accept or deny the application based on criteria and policies established by the Board of Directors. The Executive Director will notify the Resident in writing of the action taken by the Admissions Committee.

(f) Residency Agreement. The Resident shall execute the Residency Agreement and submit it with a 10% deposit of the Entrance Fee (minus the \$1,000 Reservation Deposit previously paid) within 10 days of notification of initial acceptance by the Admissions Committee. At the same time, Resident will be notified of availability of the Apartment or Cottage for occupancy.

- (g) 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 Oaks residents and staff. We respect the privacy of the Resident's personal health information and are committed to maintaining the Resident's confidentiality. This applies to all information and records related to the Resident's health that Trinity Oaks has received or created.
- (h) Interview. The Resident must have an interview with a representative from the Provider prior to being approved by the Admissions Committee. Upon review of the information outlined in subsections (b), (d), and (e) above, the Provider may request additional personal interviews with the Resident.
- (i) Representations and Warranties. The representations made in the Application for Admission, Personal Health History and Confidential Financial Statement, or other statements of financial capability, will be relied upon by Provider as the basis for the Residency Agreement.
- (j) Financial Condition. Immediately prior to entering Trinity Oaks for occupancy, the Resident will affirm to the Admissions Committee whether or not his/her personal financial situation differs materially and adversely from the financial situation presented in the Resident's Confidential Financial Statement described in subsection 6(d) of this document. If the Resident's current personal financial statement does differ materially and adversely from such prior financial situation, the provider may terminate the Residency Agreement.
- (k) Additional Financial Statements. After occupancy, the Executive Director may require updated financial information. In the case of two Residents occupying an Apartment or Cottage and in the event of the death of one of the occupants, the surviving Resident may be required to submit an update of the original application and provide a new Confidential Financial Statement.
- (l) Rules and Regulations. Upon entering Trinity Oaks for occupancy, the Resident agrees to abide by the administrative policies and procedures as may be established by Trinity Oaks for the operation and management of Trinity Oaks, including such amendments, modifications or changes in those policies and procedures as may be established by Trinity Oaks from time to time.

## 7. Residence Related Services and Programs

- (a) Residential. As stated in the Residency Agreement, Trinity Oaks provides to its Residents the following facilities and services except as plans noted on page 24:
  - (1) Description of Living Unit. A Living Unit as described in the Residency Agreement.

- (2) Furnishings. Trinity Oaks will provide all major kitchen appliances and a washer and dryer in each unit. All units are equipped with hardwood or luxury vinyl plank floors, ceramic tile floors and showers, and such furnishings and fixtures as may be described in the informational brochures published by Trinity Oaks for the purpose of describing Trinity Oaks. All other Living Unit furnishings and furniture are to be provided by Resident.
- (3) Utilities. Trinity Oaks will furnish individually controlled heating, air conditioning, water, sewer, electricity, gas if applicable, and trash removal. Resident shall be responsible for and pay for all telephone, internet and cable television service, including installation and hookup charges. Cottage residents shall pay their own gas and electric bills.
- (4) Meals All apartment residents and cottage residents are provided breakfast each day. Apartment residents are provided one other meal per day (their choice of lunch or dinner). Missed meals may be made up in the month that they are missed (no rollovers month to month). Cottage residents receive 180 meals per year in addition to daily breakfast.
- (5) Housekeeping Services. Trinity Oaks shall furnish housekeeping services to Apartment Residents every two weeks, which shall include cleaning all sinks, tubs, bathroom fixtures, floors, dusting and vacuuming. Trinity Oaks shall furnish Cottage Residents housekeeping services every week, which shall include cleaning all sinks, tubs, bathroom fixtures, floors, dusting and vacuuming. Additional housekeeping services will be available at Resident's expense.
- (6) Laundry. Trinity Oaks shall furnish to Apartment Residents regular flat laundry and bed linen service at such times as shall be stated on a published schedule. Cottage Residents are furnished a washer/ dryer and are responsible for their own laundry.
- (7) Maintenance Services. Trinity Oaks will be responsible for the maintenance and replacement of the property, furnishings and equipment owned or leased by Trinity Oaks for use at Trinity Oaks occurring as a result of normal wear and tear. Resident will be responsible for any damage to such property, furnishings and equipment, including the cost of repair or replacement or the diminution in value thereof, caused by the negligence or intentional acts of Resident or Resident's guests.
- (8) Changes to Living Unit. Any structural or physical change or redecoration of any kind within or outside the Living Unit may be made by Resident only with the prior written consent of the Trinity Oaks Executive Director, and at the sole expense of Resident. Resident shall also pay the appropriate cost necessary to return the Living Unit to its original condition and the cost of redecoration. All such improvements or changes shall be the property of Trinity Oaks.

- (9) Groundskeeping. Trinity Oaks shall maintain and repair the grounds surrounding the Apartments and Cottages and all common areas and grounds, including the lawns, trees, and shrubbery provided by Trinity Oaks. Plantings and customization of landscaped areas by Residents are subject to approval of the Trinity Oaks Executive Director, and are not maintained by Trinity Oaks staff.
- (10) Programs. Trinity Oaks shall provide recreational, social, spiritual, educational and cultural programs and activities for the Residents of Trinity Oaks, subject to additional charges from time to time for some activities.
- (11) Parking. Trinity Oaks will furnish parking areas for Residents and limited parking for guests of Residents.
- (12) Transportation. Trinity Oaks will provide scheduled local transportation, including transportation for shopping, medical care, and some recreational activities. Some transportation is subject to additional charges.
- (13) Trash Removal. Apartment Residents shall dispose of trash and recyclables in the designated areas on each Apartment floor. Cottage Residents' trash and recyclables shall be placed in approved containers to be collected at curbside according to a printed schedule.
- (14) Pets. Pets are permitted per residence upon the completion of a Pet Agreement and payment of a \$300 non-refundable fee.
- (15) Optional Services. A schedule of fees for services provided at extra cost ("Optional Services") including, but not limited to those Optional Services described above, shall be made available to Resident no later than the date upon which Resident occupies the Living Unit.
- (16) Insurance. Trinity Oaks will maintain general liability insurance but will not be responsible for the personal property of Resident. Residents are encouraged to obtain insurance to cover such liabilities. See Section 7(a)(7) regarding Resident's responsibility for damage to property owned or leased by Trinity Oaks.

Except for those services identified in subsections 7(a)(1) through (16) above as being items which shall be the expense of Resident, charges for the services listed above are included within the Monthly Maintenance Fee described in the Residency Agreement.

(b) Health Care

- (1) Terms of Transfer or Changes in Level of Care. Subject to the terms and conditions set forth in this Agreement, Trinity Oaks agrees to arrange for any needed health care or nursing services through the Assisted Living

Center or Trinity Oaks health and rehab, subject to availability of beds, on a priority basis. In the event Trinity Oaks health and rehab has no bed available, services will be arranged at such other health care or nursing facility of similar quality (“Nursing Center”). The Monthly Maintenance Fee includes up to a fifteen (15) day discount of routine nursing care per year, non-cumulative, at Trinity Oaks health and rehab (or such other Nursing Center if space is not first available at Trinity Oaks health and rehab) then current private pay rates. If a Resident becomes eligible for Medicaid then the fifteen (15) day discount does not apply. All Residents at Trinity Oaks health and rehab are responsible for their pharmacy copayments. If a temporary stay at Trinity Oaks health and rehab, a Resident will continue to pay the Monthly Maintenance Fee in the Independent Living Unit. If a permanent transfer to Trinity Oaks health and rehab, the Resident will cease paying the Monthly Maintenance Fee when either the apartment or cottage has been totally vacated.

In addition, Trinity Oaks will make available, at Resident's additional expense, the periodic services of other medical professionals as it deems necessary or appropriate. Some of these services will be provided at no additional cost in the form of educational sessions or clinics.

Trinity Oaks assisted living uses a level of care determination process upon admission, every six months and after either a hospital stay or significant health change to determine which services are needed for each Resident. The following levels of care are defined as follows:

Independent-This service level provides accommodation, meals, minimal help with ADLs and residents that self administer medication or minimal help with medication administration, selected additional services such as special dietary planning. Residents in this level are typically independent.

Enhanced Care Services-This level of care provides moderate levels of help with ADLs to residents that can perform part of the activity for him/her, and several additional services including but not limited to, assistance with medications, ambulation, bathing, dressing, grooming, eating, hygiene and toileting. These residents may require some assistance from Licensed Health Professional Support as well as confusion management and/or management of diabetes, skin integrity, and/or fall risk interventions.

Enhanced Care Plus Services-This level of care provides a significant degree of help with ADLs and is geared towards residents who can perform part of the activity and are very frail/impaired or will require several services on a regular basis. These residents may require some assistance from Licensed Health Professional Support as well as confusion management and/or management of diabetes, skin integrity, and/or fall risk interventions.

Maximum Care-This level of care provides assistance to residents that need someone else to complete the task for the resident most of the time. These residents may require extensive assistance with confusion management and/or management of diabetes, skin integrity, and/or fall risk interventions.

- (2) Medical Director. Trinity Oaks assisted living will employ as a consultant to Trinity Oaks a licensed physician (therein referred to as the "Medical Director") to assist in establishing and implementing health care related policies and practices at Trinity Oaks assisted living and to perform such other duties described in this document or prescribed by Trinity Oaks. Expenses for Resident-related physician services are the responsibility of the Resident. Trinity Oaks also will employ licensed personnel to perform all such duties prescribed by the Medical Director within such person's licensed authority.
- (3) Health Care Support Services. Trinity Oaks will make available to the Resident, or make arrangements for, other health care services, including but not limited to, physical therapy, occupational therapy, rehabilitative treatments and equipment, ambulance services, limited pharmacy services, laboratory tests and other health care related services as may be determined by Trinity Oaks. Charges for these health care services will be in addition to the Monthly Maintenance Fee. At various times, free services will be available through educational programs and clinics.
- (4) Emergency Response System. Trinity Oaks will provide, on a twenty-four (24) hour basis, an emergency call system. Such response to a call shall be limited to an evaluation of the needs of the Resident. If additional medical attention is determined necessary, the Resident is responsible for costs by such private physician and such other medical care provider as may be selected by the Resident, including emergency medical transportation. In the event that Resident is admitted to the Assisted Living Center or Trinity Oaks health and rehab after such emergency response, the fees set forth in Sections 7 and 9 shall apply.
- (5) Medical Response. Trinity Oaks provides security staff who have been trained in CPR and first aid to respond to a medical emergency. However, with the exception of initiating CPR in the case of a resident who requests to be a full code, medical care will not be provided. Staff will call 911 if immediate help is needed, or assist the resident in calling other appropriate medical professionals or family members. If there is any question about the resident's condition or safety, emergency services will be called.
- (6) Designation of Practicing Personal Physician. The Resident will be required to designate a local licensed physician as his/her personal physician. The Resident will be responsible for the cost of any personal

services of his/her physician or related services requested by the Resident. The Provider may, after occupancy, require the Resident to have other physical examinations by his/ her personal physician or another physician selected by the Provider at Resident's expense.

- (7) Limitations. Health Care accommodations and services shall be made available to Residents of the Living Units on a priority basis, subject to the terms of this document and to all admissions requirements imposed by applicable laws and regulatory procedures.

8. Fees and Other Charges, Admissions, Transfers, Termination

(a) Entrance Fee

For the right to reside at Trinity Oaks for a period longer than one year as long as all terms and conditions are met, Resident agrees to pay to Trinity Oaks an Entrance Fee described below:

Independent Apartment and Cottage Entrance Fee - 90% Refund Plan: The Entrance Fee is refundable at a minimum of ninety percent (90%). The Entrance Fee is reduced by a one percent (1.0%) at the time of initial occupancy and by one half of one percent (0.5%) per month for the first eighteen (18) months of occupancy after which an ninety percent (90%) refund will be paid to the Resident or the Resident's estate if the Living Unit is vacated. The balance of any Entrance Fees to be reimbursed after termination of the Residency Agreement will be paid by Trinity Oaks after the Living Unit is vacated and the re-occupancy of the Apartment or Cottage.

Independent Apartment and Cottage Entrance Fee - 50% Refund Plan: The Entrance Fee is refundable at a minimum of fifty percent (50%). The Entrance Fee is reduced by a two percent (2.0%) at the time of initial occupancy and by one percent (1.0%) per month for the first forty-eight (48) months of occupancy after which a fifty percent (50%) refund will be paid to the Resident or the Resident's estate if the Living Unit is vacated. The balance of any Entrance Fees to be reimbursed after termination of the Residency Agreement will be paid by Trinity Oaks after the Living Unit is vacated and the re-occupancy of the Apartment or Cottage.

Independent Apartment and Cottage Entrance Fee - Limited Refund Plan: The Entrance Fee is reduced by a four percent (4%) service fee at the time of occupancy and by two percent (2%) per month for the first forty-eight (48) months of occupancy. The Entrance Fee is non-refundable after forty-eight (48) months.

The balance of any Entrance Fees to be reimbursed after termination of the Residency Agreement will be paid by Trinity Oaks after the Living Unit is vacated and reoccupied.

Resident agrees that, subject to the escrow provisions referred to below, notwithstanding any right to a reimbursement for all or any portion of the Entrance Fee as provided in the Residency Agreement, such Entrance Fee, when paid to Trinity Oaks, shall become part of the funds and property of Trinity Oaks, may be commingled with any other funds received by Trinity Oaks, and may be used by Trinity Oaks for any ordinary and necessary purposes related to the operation of Trinity Oaks, including payment of the principal amount and any interest with respect to any loans made to Trinity Oaks. Trinity Oaks reserves the right to run entrance fee incentive programs during the year.



Schedule of Apartment Entrance Fees Effective 1/1/24

INDEPENDENT LIVING	Limited Refund	50% Refund	90% Refund
Studio	64,999	86,861	155,404
One Bedroom	76,529	101,932	182,585
One Bedroom Deluxe	80,361	106,951	191,449
Two Bedroom	119,951	160,132	286,291
2nd Person	4,434	5,909	10,636

Schedule of Apartment Entrance Fees Effective 1/1/23-12/31/23

INDEPENDENT LIVING	Limited Refund	50% Refund	90% Refund
Studio	63,106	84,331	150,878
One Bedroom	74,300	98,963	177,267
One Bedroom Deluxe	78,020	103,836	185,873
Two Bedroom	116,457	155,468	277,952
2nd Person	4,305	5,737	10,326

Schedule of Apartment Entrance Fees Effective 1/1/22-12/31/22

INDEPENDENT LIVING	Limited Refund	50% Refund	90% Refund
Studio	\$60,101	\$80,315	\$143,693
One Bedroom	\$70,762	\$94,250	\$168,826
One Bedroom Deluxe	\$74,305	\$98,891	\$177,022
Two Bedroom	\$110,911	\$148,065	\$264,716
2nd Person	\$4,100	\$5,464	\$9,834

Cottage Entrance Fees Effective 1/1/2024

<b>Address</b>	<b>Sq. Ft.</b>	<b>Limited Refund</b>	<b>50% Refund</b>	<b>90% Refund</b>
114CWD	1453	\$114,042	\$151,860	\$271,810
202LL	1674	\$135,611	\$180,813	\$323,809
408TOD	1677	\$135,611	\$180,813	\$323,809
103CWD	1677	\$135,611	\$180,813	\$323,809
111CWD	1677	\$135,611	\$180,813	\$323,809
303MHD	1677	\$135,611	\$180,813	\$323,809
304MHD	1677	\$135,611	\$180,813	\$323,809
316MHD	1687	\$135,611	\$180,813	\$323,809
314MHD	1699	\$135,611	\$180,813	\$323,809
207LL	1713	\$135,611	\$180,813	\$323,809
205LL	1733	\$135,611	\$180,813	\$323,809
107CWD	1765	\$135,611	\$180,813	\$323,809
305CWD	1821	\$151,565	\$202,085	\$361,510
109CWD	1828	\$151,565	\$202,085	\$361,510
402TOD	1861	\$151,565	\$202,085	\$361,510
404TOD	1861	\$151,565	\$202,085	\$361,510
105CWD	1861	\$151,565	\$202,085	\$361,510
101CWD	1861	\$151,565	\$202,085	\$361,510
118CWD	1861	\$151,565	\$202,085	\$361,510
113CWD	1861	\$151,565	\$202,085	\$361,510
302MHD	1861	\$151,565	\$202,085	\$361,510
312MHD	1903	\$151,565	\$202,085	\$361,510
301MHD	1905	\$151,565	\$202,085	\$361,510
307MHD	1909	\$151,565	\$202,085	\$361,510
208LL	1913	\$151,565	\$202,085	\$361,510
310MHD	1915	\$151,565	\$202,085	\$361,510
116CWD	1916	\$151,565	\$202,085	\$361,510
115CWD	2044	\$151,565	\$202,085	\$361,510
204LL	2077	\$151,565	\$202,085	\$361,510
206LL	2077	\$151,565	\$202,085	\$361,510
311MHD	2089	\$151,565	\$202,085	\$361,510
309MHD	2092	\$151,565	\$202,085	\$361,510
406TOD	2095	\$151,565	\$202,085	\$361,510
104CWD	2250	\$199,429	\$265,902	\$452,032
120CWD	2309	\$199,429	\$265,902	\$452,032
106CWD	2318	\$199,429	\$265,902	\$452,032
306MHD	2318	\$199,429	\$265,902	\$452,032
308MHD	2318	\$199,429	\$265,902	\$452,032
212LL	2545	\$199,429	\$265,902	\$452,032
102CWD	2589	\$199,429	\$265,902	\$452,032
108CWD	2932	\$199,429	\$265,902	\$452,032
210LL	3049	\$199,429	\$265,902	\$452,032
2nd Person		\$6,207	\$8,272	\$14,772

Cottage Entrance Fees Effective 1/1/2023-12/31/2023

<b>Address</b>	<b>Sq. Ft.</b>	<b>Limited Refund</b>	<b>50% Refund</b>	<b>90% Refund</b>
114CWD	1453	\$110,720	\$147,437	\$263,893
202LL	1674	\$131,661	\$175,547	\$314,378
408TOD	1677	\$131,661	\$175,547	\$314,378
103CWD	1677	\$131,661	\$175,547	\$314,378
111CWD	1677	\$131,661	\$175,547	\$314,378
303MHD	1677	\$131,661	\$175,547	\$314,378
304MHD	1677	\$131,661	\$175,547	\$314,378
316MHD	1687	\$131,661	\$175,547	\$314,378
314MHD	1699	\$131,661	\$175,547	\$314,378
207LL	1713	\$131,661	\$175,547	\$314,378
205LL	1733	\$131,661	\$175,547	\$314,378
107CWD	1765	\$131,661	\$175,547	\$314,378
305CWD	1821	\$147,150	\$196,199	\$350,981
109CWD	1828	\$147,150	\$196,199	\$350,981
402TOD	1861	\$147,150	\$196,199	\$350,981
404TOD	1861	\$147,150	\$196,199	\$350,981
105CWD	1861	\$147,150	\$196,199	\$350,981
101CWD	1861	\$147,150	\$196,199	\$350,981
118CWD	1861	\$147,150	\$196,199	\$350,981
113CWD	1861	\$147,150	\$196,199	\$350,981
302MHD	1861	\$147,150	\$196,199	\$350,981
312MHD	1903	\$147,150	\$196,199	\$350,981
301MHD	1905	\$147,150	\$196,199	\$350,981
307MHD	1909	\$147,150	\$196,199	\$350,981
208LL	1913	\$147,150	\$196,199	\$350,981
310MHD	1915	\$147,150	\$196,199	\$350,981
116CWD	1916	\$147,150	\$196,199	\$350,981
115CWD	2044	\$147,150	\$196,199	\$350,981
204LL	2077	\$147,150	\$196,199	\$350,981
206LL	2077	\$147,150	\$196,199	\$350,981
311MHD	2089	\$147,150	\$196,199	\$350,981
309MHD	2092	\$147,150	\$196,199	\$350,981
406TOD	2095	\$147,150	\$196,199	\$350,981
104CWD	2250	\$193,620	\$258,157	\$438,866
120CWD	2309	\$193,620	\$258,157	\$438,866
106CWD	2318	\$193,620	\$258,157	\$438,866
306MHD	2318	\$193,620	\$258,157	\$438,866
308MHD	2318	\$193,620	\$258,157	\$438,866
212LL	2545	\$193,620	\$258,157	\$438,866
102CWD	2589	\$193,620	\$258,157	\$438,866
108CWD	2932	\$193,620	\$258,157	\$438,866
210LL	3049	\$193,620	\$258,157	\$438,866
2nd Person		\$6,026	\$8,031	\$14,342

Cottage Entrance Fees Effective 1/1/22-12/31/22

<b>Address</b>	<b>Sq. Ft.</b>	<b>Limited Refund</b>	<b>50% Refund</b>	<b>90% Refund</b>
114CWD	1453	\$105,447	\$140,416	\$251,327
202LL	1674	\$125,391	\$167,188	\$299,408
408TOD	1677	\$125,391	\$167,188	\$299,408
103CWD	1677	\$125,391	\$167,188	\$299,408
111CWD	1677	\$125,391	\$167,188	\$299,408
303MHD	1677	\$125,391	\$167,188	\$299,408
304MHD	1677	\$125,391	\$167,188	\$299,408
316MHD	1687	\$125,391	\$167,188	\$299,408
314MHD	1699	\$125,391	\$167,188	\$299,408
207LL	1713	\$125,391	\$167,188	\$299,408
205LL	1733	\$125,391	\$167,188	\$299,408
107CWD	1765	\$125,391	\$167,188	\$299,408
305CWD	1821	\$140,143	\$186,856	\$334,268
109CWD	1828	\$140,143	\$186,856	\$334,268
402TOD	1861	\$140,143	\$186,856	\$334,268
404TOD	1861	\$140,143	\$186,856	\$334,268
105CWD	1861	\$140,143	\$186,856	\$334,268
101CWD	1861	\$140,143	\$186,856	\$334,268
118CWD	1861	\$140,143	\$186,856	\$334,268
113CWD	1861	\$140,143	\$186,856	\$334,268
302MHD	1861	\$140,143	\$186,856	\$334,268
312MHD	1903	\$140,143	\$186,856	\$334,268
301MHD	1905	\$140,143	\$186,856	\$334,268
307MHD	1909	\$140,143	\$186,856	\$334,268
208LL	1913	\$140,143	\$186,856	\$334,268
310MHD	1915	\$140,143	\$186,856	\$334,268
116CWD	1916	\$140,143	\$186,856	\$334,268
115CWD	2044	\$140,143	\$186,856	\$334,268
204LL	2077	\$140,143	\$186,856	\$334,268
206LL	2077	\$140,143	\$186,856	\$334,268
311MHD	2089	\$140,143	\$186,856	\$334,268
309MHD	2092	\$140,143	\$186,856	\$334,268
406TOD	2095	\$140,143	\$186,856	\$334,268
104CWD	2250	\$184,398	\$245,864	\$417,968
120CWD	2309	\$184,398	\$245,864	\$417,968
106CWD	2318	\$184,398	\$245,864	\$417,968
306MHD	2318	\$184,398	\$245,864	\$417,968
308MHD	2318	\$184,398	\$245,864	\$417,968
212LL	2545	\$184,398	\$245,864	\$417,968
102CWD	2589	\$184,398	\$245,864	\$417,968
108CWD	2932	\$184,398	\$245,864	\$417,968
210LL	3049	\$184,398	\$245,864	\$417,968
2nd Person		\$5,739	\$7,649	\$13,659

Article 64 of Chapter 58 of the General Statutes of North Carolina includes a requirement that Residents' Entrance Fees received by Trinity Oaks be placed in an escrow account as specified in the statutes. Facilities that have met pre-sales or occupancy requirements as outlined in NCGS 58-64-35(a)(2)a, are not required To escrow Entrance Fees, unless otherwise required by the Commissioner of Insurance. Trinity Oaks has met these particular requirements and is no longer escrowing Entrance Fees.

(b) Monthly Maintenance Fee, Other Charges

Resident shall pay to Trinity Oaks by the 10th day of each month after occupancy commences a Monthly Maintenance Fee. An additional Resident shall pay a Second Resident Fee. The Monthly Maintenance Fee for any part of a month occurring at the beginning of occupancy shall be prorated and become due and payable upon occupancy.

**Schedule of Monthly Maintenance Fees ( January 1, 2020 - December 31, 2020)**

<b>Unit Type</b>	<b>Monthly Fee</b>	<b>Additional for</b>
<b>Independent Living Units:</b>	<b>Single Resident</b>	<b>Second Resident</b>
Studio	\$1,982	N/A
One Bedroom	\$2,487	\$1,092
One Bedroom Deluxe	\$2,662	\$1,092
Two Bedroom	\$3,177	\$1,092
Cottage	\$3,425	\$1,217
Cottage (Freedom Plan)*	\$1,921	\$266
Cottage (Unbundled Plan)*	\$2,674	\$796
<b>Assisted Living</b>		
Standard	\$5,563	N/A
Enhanced Care Services	\$5,928	N/A
Enhanced Care Plus Services	\$6,293	N/A
Maximum Care	\$6,658	N/A

\*Limited service plan with no nursing care days. Groundskeeping and cottage maintenance are the two services included in this plan. Ended 10/1/13.

\*\*Please see Attachment 6.

**Schedule of Monthly Maintenance Fees ( January 1, 2021 - December 31, 2021)**

<b>Unit Type Independent Living Units:</b>	<b>Monthly Fee Single Resident</b>	<b>Additional for Second Resident</b>
Studio	\$2,041	N/A
One Bedroom	\$2,562	\$1,125
One Bedroom Deluxe	\$2,742	\$1,125
Two Bedroom	\$3,272	\$1,125
Cottage	\$3,528	\$1,254
Cottage (Freedom Plan)*	\$1,979	\$274
Cottage (Unbundled Plan)*	\$2,754	\$820

**Assisted Living**

Standard	\$5,730	N/A
Enhanced Care Services	\$6,095	N/A
Enhanced Care Plus Services	\$6,460	N/A
Maximum Care	\$6,825	N/A

\*Limited service plan with no nursing care days. Groundskeeping and cottage maintenance are the two services included in this plan. Ended 10/1/13.

\*\*Please see Attachment 6.

**Schedule of Monthly Maintenance Fees ( January 1, 2022 - December 31, 2022)**

<b>Unit Type Independent Living Units:</b>	<b>Monthly Fee Single Resident</b>	<b>Additional for Second Resident</b>
Studio	\$2,102	N/A
One Bedroom	\$2,639	\$1,159
One Bedroom Deluxe	\$2,824	\$1,159
Two Bedroom	\$3,370	\$1,159
Cottage	\$3,634	\$1,292
Cottage (Freedom Plan)*	\$2,038	\$282
Cottage (Unbundled Plan)*	\$2,837	\$845

**Assisted Living**

Standard	\$5,902	N/A
Enhanced Care Services	\$6,267	N/A
Enhanced Care Plus Services	\$6,632	N/A
Maximum Care	\$6,997	N/A

\*Limited service plan with no nursing care days. Groundskeeping and cottage maintenance are the two services included in this plan. Ended 10/1/13.

\*\*Please see Attachment 6.

**Schedule of Monthly Maintenance Fees ( January 1, 2023 - December 31, 2023)**

<b>Unit Type Independent Living Units:</b>	<b>Monthly Fee Single Resident</b>	<b>Additional for Second Resident</b>
Studio	\$2,207	N/A
One Bedroom	\$2,771	\$1,194
One Bedroom Deluxe	\$2,965	\$1,194
Two Bedroom	\$3,539	\$1,194
Cottage	\$3,816	\$1,331
Cottage (Freedom Plan)*	\$2,140	\$290
Cottage (Unbundled Plan)*	\$2,979	\$870

**Assisted Living**

Standard	\$6,138	N/A
Enhanced Care Services	\$6,503	N/A
Enhanced Care Plus Services	\$6,868	N/A
Maximum Care	\$7,233	N/A

\*Limited service plan with no nursing care days. Groundskeeping and cottage maintenance are the two services included in this plan. Ended 10/1/13.

\*\*Please see Attachment 6.

**Schedule of Monthly Maintenance Fees ( January 1, 2024 - December 31, 2024)**

<b>Unit Type Independent Living Units:</b>	<b>Monthly Fee Single Resident</b>	<b>Additional for Second Resident</b>
Studio	\$2,295	N/A
One Bedroom	\$2,882	\$1,230
One Bedroom Deluxe	\$3,084	\$1,230
Two Bedroom	\$3,681	\$1,230
Cottage	\$3,969	\$1,371
Cottage (Freedom Plan)*	\$2,226	\$299
Cottage (Unbundled Plan)*	\$3,098	\$896

**Assisted Living**

Standard	\$6,384	N/A
Enhanced Care Services	\$6,749	N/A
Enhanced Care Plus Services	\$7,114	N/A
Maximum Care	\$7,479	N/A

\*Limited service plan with no nursing care days. Groundskeeping and cottage maintenance are the two services included in this plan. Ended 10/1/13.

\*\*Please see Attachment 6.

Extra Charges:

- Notary Services - \$5.00 per stamp
- Typing - \$2.00 per page
- Delivery of Meals- \$3.00 per meal
- Personal Laundry - \$10.00 per load
- Transportation Charges – See page 39
- Unscheduled housekeeping - \$15.00 per hour, ½ hour minimum at \$7.50
- Extra Maintenance - \$20.00 per hour, ½ hour minimum at \$10.00

**Changes in Monthly Fees for the Previous Five Years - 2019-2023**

<b>Assisted Living:</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Average % Increase	3.00%	3.00%	3.00%	4.00%	4.00%
Average \$ Increase	\$162	\$167	\$172	\$236	\$246

<b>Independent Living:</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Average % Increase	3.00%	3.00%	3.00%	5.00%	4.00%
Average \$ Increase					
Studio	\$58	\$59	\$61	\$105	\$88
1 Bedroom	\$72	\$75	\$77	\$132	\$111
1 Bedroom Deluxe	\$78	\$80	\$82	\$141	\$119
2 Bedroom	\$93	\$95	\$98	\$169	\$142
2nd Occupant Apartment	\$32	\$33	\$34	\$35	\$36
Cottage	\$100	\$103	\$106	\$182	\$153
2nd Occupant Cottage	\$35	\$37	\$38	\$39	\$40

Trinity Oaks may from time to time, at its sole discretion and upon sixty (60) days prior written notice to Resident, increase or decrease the Monthly Maintenance Fee to cover the cost of maintaining the services and to maintain the financial integrity of Trinity Oaks, including maintaining adequate reserve funds. Residents can generally anticipate an annual increase in monthly maintenance fees of 4-6% based on inflation, health care inflation, market conditions, insurance increases, rising expenses, etc. It is agreed that monthly payments for residency and care shall continue during any temporary absence from Trinity Oaks. However, if Resident is voluntarily absent from Trinity Oaks for seven (7) or more consecutive days, a daily meal credit in an amount to be published from time to time by Trinity Oaks will apply from the first day of absence, provided that Resident has given Trinity Oaks prior written notice of such absence. Fees for additional and optional services may be increased or decreased at Trinity Oaks’ discretion without such notice.



(c) Nursing Home Fees and Charges

Trinity Oaks will obtain and publish, from time to time, daily rates from Trinity Oaks health and rehab, for assisted living, and nursing care services provided by the Nursing Center.

If a Resident is admitted to Trinity Oaks health and rehab (or any other nursing center if space is not first available at Trinity Oaks health and rehab), the Resident will continue to pay the Monthly Maintenance Fee for his/her Independent or Assisted Living Unit. The Resident will receive a fifteen (15) day discount (not necessarily consecutive) at Trinity Oaks health and rehab at then current private pay rates. Only when services cannot be provided by Trinity Oaks health and rehab will services at another nursing center be covered by this fifteen (15) day discount. When eligible for Medicare benefits, Medicare pays first for health care. When benefits are no longer applicable, the fifteen (15) day discount will apply. If a Resident becomes eligible for Medicaid then the fifteen (15) discount does not apply. All Residents at Trinity Oaks health and rehab are responsible for their pharmacy copayments.

If a transfer to the Trinity Oaks health and rehab is determined likely to be permanent in accordance with Section 7(b) of this document, then the Resident will continue payment of the Monthly Maintenance Fee up to the point that the Apartment or Cottage is vacated including the return of the keys to the residence, entrance door cards, personal pendant(s), and garage door opener, if applicable. However, in such an event, a reduction in the Monthly Maintenance Fee will be made in an amount determined by Trinity Oaks to eliminate, where possible, the duplication of services and charges to the Resident.

(d) Additional Charges. Resident also agrees to pay on demand 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. (See Section 11, Personal Belongings.)

(e) Monthly Statements. Trinity Oaks will furnish the Resident with a monthly statement showing the total amount of the Monthly Maintenance Fee and all other charges owed by the Resident. Fees and other charges will be due and payable by the tenth (10<sup>th</sup>) day of each month. Late payments will be assessed a penalty of twenty-five dollars (\$25).

(f) 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.

(g) Terms of Residence

- (1) Permitted Occupants. The Resident(s) and no other person(s) shall reside in or occupy the Living Unit during the term of the Residency Agreement, except with the express prior written approval of Trinity Oaks. If a second occupant, including a resident marrying a new spouse, who is not party to the Residency Agreement is accepted for residency after the date of the Residency Agreement, such acceptance shall be subject to completion of application materials, approval by the Admissions Committee, and admissions policies then governing all other admissions. Trinity Oaks may charge a new occupant an Entrance Fee of up to two-thirds (2/3) of the then current Entrance Fee for the residence to be occupied at its sole discretion. If such second occupant does not meet the requirements for residency, or if such second occupant does not execute a Residency Agreement, such second occupant shall not be permitted to occupy the Living Unit. Trinity Oaks' decision as to such second occupant's residency shall be at Trinity Oaks' sole discretion. Resident may terminate the Residency Agreement as provided therein. If two residents marry and decide to live in one of the two current Living Units, they would pay the two-person Monthly Maintenance Fee for the Living Unit. The surrendered Living Unit's refund would be paid according to the refund policy in 8(a) under Entrance Fees. If both Residents surrender their Living Units and move to a different Living Unit, an additional Entrance Fee may or may not be required as defined in the Transfers Section 8(g)(2). This will be determined based on the size of the Living Unit they are moving into and the size of the Living Units they are vacating. A revised contract will be signed by the couple, outlining the terms of any refund.
- (2) Transfers. Should a Resident desire to transfer to another Apartment or Cottage he/she must notify the Executive Director in writing. Following receipt of this request, Resident shall be granted an option to move to the next available Apartment or Cottage of the size requested, subject to the Executive Director satisfying prior, similar requests of other Residents, and subject to the rights other Residents may have in their Residency Agreements.

If the Entrance Fee for the new apartment or cottage is higher than the Entrance Fee paid by the Resident for their original accommodation, the

Resident will pay the difference between then-current Entrance Fee for the smaller accommodation from which the Resident is moving and the then-current Entrance Fee for the larger accommodation into which the Resident is moving. The Resident will be responsible for paying the difference in these two Entrance Fees prior to occupancy. When the contract is terminated, the amount of the refund, if any, will be based on the total Entrance Fee paid.

The Resident acknowledges and agrees that any such difference required to be paid toward the Entrance Fee will be deemed to be included in the original Entrance Fee as of the Effective Date and will be subject to the terms and conditions of this Agreement regarding refunds in the same manner as any portion of the original Entrance Fee paid by the Resident.

If the Resident elects to move to a smaller residence, the Resident will not be entitled to any refund of the Entrance Fee as a result of the move. When the contract is terminated, the amount of the refund, if any, will be based on the total Entrance Fee paid.

With all transfers, the Monthly Maintenance Fee for the month in which the move takes place shall be prorated to reflect the percentage of the month that the Resident spends in each type of residence. When transferring, the Resident shall pay the then current Monthly Maintenance Fee. With all transfers, there will be an up-fitting charge of up to \$5,000, for the vacated residence. Resident will move all furnishings and belongings to the new residence within 30 days of the established occupancy date for the new residence. Any moving expense and service connections for phone will be the responsibility of the Resident.

- (3) Death or Transfer of One Resident. If one of multiple Residents occupying a Living Unit dies, moves out or is permanently transferred to Trinity Oaks health and rehab, or any other nursing center, the remaining Resident(s) may elect to continue to occupy that Living Unit at the applicable occupancy rate then in effect.
- (4) Procedure. In the event it is determined that the Resident requires a permanent transfer or change in the level of care and accommodations at Trinity Oaks, the Resident hereby agrees to make such a change. Such determination of a change will be made by and based on the professional opinion of the resident's personal physician, the Director of Community Relations, the Executive Director and if needed, other health care support staff of Trinity Oaks. Such a decision to transfer the Resident will be made only after consultation to the extent possible with the Resident, the representatives of the Resident's family or sponsor, and the Resident's physician.

- (5) Transfer Outside Trinity Oaks. If it is determined by the Director of Community Relations, the Executive Director and if needed, other health care support staff that the Resident needs care beyond the scope of the facility and personnel of Trinity Oaks, the Resident will be transferred to a qualified hospital, nursing center or institution equipped to give such care, at the expense of the Resident. Such transfer of the Resident will be made only after consultation to the extent possible with the Resident, a representative of the Resident's family or sponsor, and the Resident's physician.
- (6) Medical/Mental Condition. Trinity Oaks is not designed or licensed to care for persons who have certain medical or mental conditions or suffer from certain contagious or dangerous diseases. If it is determined by the Director of Community Relations, the Executive Director and if needed, other health care support staff,, using standard legal/medical and acceptable evaluation procedures, that a Resident suffers from a medical or mental condition, so that a Resident's continuing presence at Trinity Oaks is detrimental to the health or safety of the Resident or other Residents, then the Resident may be transferred to an institution capable of administering such care and his/her Apartment or Cottage shall be assigned to others, subject to the rights of any remaining second Apartment or Cottage Resident. In such situations, the expenses of such institution will be the responsibility of the Resident. The final determination will be at the discretion of the Executive Director. (Also see Section 11, Personal Belongings.)
- (7) Release/Readmission. If a determination is made by the Director of Community Relations, the Executive Director and if needed, other health care support staff, that any such transfer or change described in this Section will likely be permanent in nature, the Resident hereby agrees to release his/her rights and use of the Apartment or Cottage, subject to the rights of any remaining second Apartment or Cottage Resident (according to the provisions of the Residency Agreement). If however, the Resident's physician, the Director of Community Relations, the Executive Director and if needed, other health care support staff, subsequently determine that the Resident can resume occupancy in accommodations equivalent to those previously occupied by the Resident, the Resident shall have priority to such accommodations as soon as they become available, with no additional Entrance Fee unless the Entrance Fee has been refunded under the provisions described in Section 8.

(h) Termination.

- (1) Statutory 30-Day Period. The Residency Agreement may be rescinded by Resident at any time within thirty (30) days following the later of the date of execution of the Residency Agreement or the receipt by Resident of the Disclosure Statement (the "Disclosure Statement") required by Article 64 of Chapter 58 of the North Carolina General Statutes. During this thirty (30) day period, Resident shall not be required to move into Trinity Oaks. If such rescission is made, any money or property paid or transferred to Trinity Oaks, except those periodic charges specified in the Residency

Agreement and applicable only to such period as the Living Unit was actually occupied by the Resident, shall be returned in full to the Resident or to the party who made the payment or payments on behalf of the Resident, except for a non-refundable processing fee of 2% of the Apartment or Cottage Entry Fee and any nonstandard costs (including custom selections and upgrades) specifically incurred by Trinity Oaks at the request of the Resident and described in the Residency Agreement or an amendment to it signed by the resident. Thereafter neither party shall have any further obligation or duty to the other. Reimbursement due the Resident will be made within 90 days of written notification of rescission by Resident.

- (2) Death or Illness Before Occupancy. If Resident dies before occupying a Living Unit or if, on account of illness, injury or incapacity, Resident is precluded from occupying a Living Unit under the terms of the Residency Agreement, the Residency Agreement is automatically canceled and Resident or his legal representative shall receive a refund of all money or property paid or transferred to Trinity Oaks, less (i) those nonstandard costs (including Major Options, custom selections and upgrades, and requested change orders for a Cottage), specifically incurred by Trinity Oaks at the request of the Resident and described in the Residency Agreement or an amendment to it signed by the Resident and (ii) the non-refundable processing fee of \$1,000 of the basic Cottage or Apartment Entrance Fee. All other refunds due the Resident will be made within 90 days of written notification by resident or his/her legal representative.

- (3) Termination by Resident After Statutory 30-Day Period. After the expiration of the statutory thirty (30) days beginning with the first full calendar day following the execution of the Residency Agreement, and before Resident has begun occupancy in Trinity Oaks, Resident may terminate the Residency Agreement for reasons other than (i) death, or (ii) illness, injury or other incapacity which would make it appropriate for Trinity Oaks to accept the Resident's occupancy in the Living Unit. Resident will receive a refund of all money or property paid or transferred

to Trinity Oaks, less those nonstandard costs (custom selections and upgrades), specifically incurred by Trinity Oaks at the request of the Resident and described in the Residency Agreement or an amendment to it signed by the Resident and the non-refundable processing fee equal to two percent (2%) of the basic Cottage or Apartment Entrance Fee. All other refunds due the Resident will be made within 90 days of notification by Resident or his/her legal representative.

- (4) Termination by Resident After Occupancy. After occupancy, subject to the provisions of Section 8 hereof, Resident may terminate this Residency Agreement by giving written notice to Trinity Oaks no less than ninety (90) days before Resident intends to move out of Trinity Oaks. Resident is responsible to pay Monthly Maintenance Fees during the 90-day period, or until the Living Unit is vacated, whichever occurs last.
  
- (5) Termination by Trinity Oaks. Trinity Oaks may, subject to the provisions of Section 8 hereof, upon notice and opportunity to cure as stated in this document, revoke Resident's right to reside at Trinity Oaks and terminate the Residency Agreement upon the occurrence of any default by the Resident in meeting the covenants, warranties, representations, and terms of Residency provided for in this Disclosure Statement. Trinity Oaks 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 Section 6.
  6. Material breach by you of this Agreement.

However, we shall not terminate the Agreement as provided herein until we give you written notice of, and a reasonable opportunity to cure within a reasonable period, the conduct warranting the cancellation of this Agreement.

- (6) Notice and Right to Cure. Once Resident has occupied the Living Unit, Trinity Oaks 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 Oaks may, at its sole option, terminate the Residency Agreement at the expiration of the thirty (30) day period.

(7) Death of Resident After Occupancy. In the event of the death of Resident after occupancy, the Residency Agreement shall be subject to termination as follows:

(i) If there is only one Resident occupying the Living Unit, the Residency Agreement shall be automatically terminated as of the date of death of such Resident or the date thereafter upon which all of Resident's property is removed from the Living Unit, all keys, pendant, entrance slide and garage door opener (if applicable) have been turned in to the Director of Resident Services. The Monthly Maintenance Fee shall automatically be terminated at this point. Resident's Estate is responsible for any payment due Trinity Oaks. Resident's Entrance Fee is subject to refund as provided in Section 8.

(ii) If there is more than one Resident occupying the Living Unit, the second person shall have the option of continuing to reside in the Living Unit at the single person rate. If the second Resident elects to terminate the original Residency Agreement, Trinity Oaks must receive a written notice of such election within sixty (60) days after the date of the first Resident's death. The Monthly Maintenance Fee shall continue until the removal of all Resident's property, all keys, pendant, entrance slide and garage door opener (if applicable) are turned in to the Director of Resident Services. The surviving Resident's Entrance Fee is subject to refund as provided in Section 8.

(i) Reimbursement of Entrance Fee.

(1) Amount. If, after Resident has commenced occupancy, Resident or Trinity Oaks terminates the Residency Agreement, or in the event of the death of the Resident, Resident (or Resident's estate) will be reimbursed as follows:

Independent Apartment and Cottage Residents - 90% Refund Plan: The Entrance Fee is refundable at a minimum of ninety percent (90%). The Entrance Fee is reduced by a one percent (1.0%) at the time of initial occupancy and by one half of one percent (0.5%) per month for the first eighteen (18) months of occupancy after which an ninety percent (90%) refund will be paid to the Resident or the Resident's estate if the Living Unit

is vacated. The balance of any Entrance Fees to be reimbursed after termination of the Residency Agreement will be paid by Trinity Oaks after the Living Unit is vacated and the re-occupancy of the Apartment or Cottage.

Independent Apartment and Cottage Residents - 50% Refund Plan: The Entrance Fee is refundable at a minimum of fifty percent (50%). The Entrance Fee is reduced by a two percent (2.0%) at the time of initial occupancy and by one percent (1.0%) per month for the first forty-eight (48) months of occupancy after which a fifty percent (50%) refund will be paid to the Resident or the Resident's estate if the Living Unit is vacated. The balance of any Entrance Fees to be reimbursed after termination of the Residency Agreement will be paid by Trinity Oaks after the Living Unit is vacated and the re-occupancy of the Apartment or Cottage.

Independent Apartment and Cottage Residents - Limited Refund Plan: The Entrance Fee is reduced by a four percent (4%) service fee at the time of occupancy and by two percent (2%) per month for the first forty-eight (48) months of occupancy. The Entrance Fee is non-refundable after forty-eight (48) months. The balance of any Entrance Fees to be reimbursed after termination of the Residency Agreement will be paid by Trinity Oaks after the Living Unit is vacated and the re-occupancy of the Apartment or Cottage.

In addition, Trinity Oaks will retain as reimbursement for previously incurred expenses on behalf of the Resident, a sum equal to:

- (i) The amount of medical expenses incurred by Trinity Oaks for Resident's care during the term of his/her residency, unpaid by Resident at date of termination;
  - (ii) The amount of any Monthly Maintenance Fee or other sums owed by Resident to Trinity Oaks under the Residency Agreement;
  - (iii) The amount of any Monthly Maintenance Fee, the collection of which may have been deferred by Trinity Oaks on behalf of Resident under Section 8(f) hereof; and
  - (iv) The cost of any extraordinary repairs or refurbishing with respect to the Living Unit, including entry and doors, or any alterations required to restore the Living Unit to standard design or condition.
- (2) Time of Payment. Subject to clauses of Section 8, the balance of the Entrance Fee to be reimbursed to the Resident after termination of the Residency Agreement (or to the Resident's estate upon death) will be paid by Trinity Oaks after the Living Unit is vacated and reoccupied.



- (3) Multiple Residents. It is understood that when two or more persons are named in the Residency Agreement, reimbursement of the refundable portion of the Entrance Fee will be made only after the termination of the Residency Agreement in accordance with Section 8.
  - (4) Accounting. An accounting shall be provided to Resident or Resident's legal representative upon reimbursement of the Entrance Fee, as provided in this document.
9. Required Health Insurance Coverage. Resident shall maintain Medicare Part A, Medicare Part B and one supplemental health insurance policy or maintain equivalent insurance coverage comparable to Medicare and approved by the Executive Director to assure Resident's ability to cover such health care related costs, and shall furnish to Trinity Oaks 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 Oaks. 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. If insurance coverage is not maintained, or if Resident refuses medical treatment, which, in the opinion of Resident's attending physician or the Medical Director is medically required for the health of the Resident or the health or safety of other Residents of Trinity Oaks, the Executive Director may terminate Resident's right to reside at Trinity Oaks and terminate the Residency Agreement as provided in Section 8.
10. Funeral Expenses. Trinity Oaks 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.
11. Personal Belongings. Jewelry and personal possessions or effects brought into Trinity Oaks by the Resident will remain the property of the Resident. Trinity Oaks will not be responsible for the loss or theft thereof. Resident shall, prior to occupancy of the Apartment or Cottage, make provisions in a last will and testament for the final disposition of his/her furniture and possessions located at Trinity Oaks, for burial and payment of funeral expenses and for the appointment of a personal representative; and shall deliver to the Director of Community Relations a copy of the pertinent provisions of Resident's Last Will and Testament at the time he/she commences occupancy. If removal of Resident's property is not accomplished within thirty (30) days after termination of residency, Trinity Oaks may remove and place in storage with a bonded moving or storage company, all of Resident's property and possessions, and Resident or Resident's estate, as the case may be, shall be charged for all costs associated with the storage. Trinity Oaks shall not be responsible for the loss of, or damage to, any property belonging to the Resident due to theft, mysterious disappearance, fire or any other cause. The Resident maintains the responsibility for obtaining desired insurance protection covering any liability.
12. Indebtedness to Trinity Oaks and LSC Affiliates. To the extent allowed by applicable law, Trinity Oaks 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 Oaks 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 Oaks and other LSC affiliates by Resident.

13. Casualty Loss, Condemnation.

- (a) Total Destruction. If Resident's Apartment or Cottage at Trinity Oaks is totally destroyed or damaged by fire or other casualty not occurring through fault or negligence of Trinity Oaks or those employed by or acting for Trinity Oaks, that the same cannot be repaired and restored within a period of ninety (90) days, the Residency Agreement shall absolutely cease and terminate, and the Monthly Maintenance Fee shall abate for the balance of the term as of the date of the casualty. Trinity Oaks will maintain property insurance coverage to cover the building and contents losses sustained because of the necessary termination of operations from an insured peril.
- (b) Partial Destruction. If the damage caused as described in Section 13(a) above is only partial, so that the Resident's Apartment or Cottage can be reasonably restored within a period of ninety (90) days to its condition prior to the partial destruction, Trinity Oaks may, at its option, terminate the Residency Agreement, provide alternative temporary housing, or restore Trinity Oaks to such condition reserving the right to enter the Apartment or Cottage for that purpose. In any event, the Monthly Maintenance Fee shall be reduced during the time Trinity Oaks is in possession, taking into account the extent that the Apartment or Cottage is rendered untenable and the duration of Trinity Oaks' possession. Trinity Oaks will maintain business income and extra expense insurance coverage to cover losses sustained because of the necessary suspension of operations from an insured peril.
- (c) Condemnation. If Trinity Oaks 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 Oaks can no longer be operated reasonably in the opinion of Trinity Oaks' Board of Directors, the Residency Agreement shall terminate as the date title shall rest in the condemner, and the Monthly Maintenance Fee shall abate. In the event of condemnation, the Resident waives all claims against Trinity Oaks, and Resident agrees that he/she will not make or be entitled to any claim or recovery against the condemning authority.

14. Government Eligibilities. Should either Trinity Oaks or the Resident be eligible for federal, state or other funds on behalf of the Resident, nothing in the Residency Agreement shall be construed so as to make either party ineligible for such funds, and the Resident expressly waives any provision in the Residency 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.

15. Liability of Trinity Oaks. The death of the Resident will cancel any and all obligations or liability of Trinity Oaks under the terms of the Residency Agreement.
16. Rights of Management. The absolute rights of management are reserved by Trinity Oaks. Trinity Oaks reserves the right to accept or reject any person for residency. The rights of the Residents do not include any right to participate in the management of Trinity Oaks, to determine admissions or terms of admission of any other Resident, to alter common areas within Trinity Oaks, or to make unapproved alterations to their Apartment or Cottage.
17. Durable Power of Attorney. Resident agrees to execute under seal and maintain in effect a Durable Power of Attorney that is valid under North Carolina law and will survive Resident's incapacity or mental incompetence. This Durable Power of Attorney may be effective only upon certification by a licensed physician that Resident is incapacitated or mentally incompetent, and shall designate as Resident's attorney-in-fact a bank or some responsible person of his/her choice to act for him/her managing his/her financial affairs and in filing for insurance and/or other benefits under private and public assistance programs in as full and complete a manner as Resident could do if acting personally for himself/herself. Resident shall deliver a fully executed original of this Durable Power of Attorney to Trinity Oaks prior to occupancy of the Apartment or Cottage.
18. Binding Effect. The covenants and conditions of the Residency Agreement shall bind and benefit respectively Trinity Oaks and its successors and assigns, and Resident and his/her heirs, personal representatives, successors and assigns, except as otherwise specified in this document. The Residency 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 document. The Residency Agreement, the Exhibits to the Residency Agreement, and other documents and agreements referred to herein supersede all prior agreements and undertakings between the parties and respect to this subject matter.
19. Interruptions. Trinity Oaks 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 Oaks and which by the exercise of ordinary care Trinity Oaks is unable, wholly or in part, to prevent or overcome.
20. Severability. If any clause or provision of the Residency Agreement should be illegal, invalid or unenforceable, the provisions shall be deemed to be severable and the remainder of the Residency Agreement shall not be affected. No amendment of the Residency Agreement will be valid and enforceable unless in writing and executed by the

Executive Director and Resident except that management may amend the Residency Agreement from time to time so that the Residency Agreement complies with applicable laws, rules and regulations of the Federal, State or local government.

21. Governing Law. The Residency Agreement will be governed by and construed under the laws of the State of North Carolina.
22. Execution. The Residency Agreement has been executed on behalf of Trinity Oaks by its duly authorized agent. No officer, director, agent or employee of Trinity Oaks shall have any personal liability hereunder to Resident under any circumstances.
23. 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 Residency 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 Oaks to insist upon strict and/or prompt performance of the foregoing, or any other 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 Oaks' right to thereafter enforce the same strictly according to the tenor hereof in the event of a continuing or subsequent default on the part of the Resident.
24. Interpretation. 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 this document. 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.
25. 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 specified by like notice):
  - (a) If to Trinity Oaks:
    - (i) LUTHERAN RETIREMENT CENTER - SALISBURY, INC.  
d/b/a TRINITY OAKS  
728 Klumac Road  
Salisbury, North Carolina 28144-5714

(b) If to the Resident:

(i) If before Occupancy, as follows:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

(ii) If after occupancy, at the Apartment or Cottage.

26. Nature of Residency Agreement. Subject to the terms and conditions set forth in the Residency Agreement, nursing services, medical services and other health-related services are available at additional fees.
27. Reserve Funding. 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. The forecasted reserve for 2020, 2021, 2022, 2023 and 2024 is calculated as follows:

	(In thousands of Dollars)				
	2024	2025	2026	2027	2028
<b>Projected Total Operating Expense</b>	<b>\$23,950</b>	<b>\$25,653</b>	<b>\$26,574</b>	<b>\$27,524</b>	<b>\$28,486</b>
<b>Less:</b>					
<b>Depreciation</b>	<b>(2,141)</b>	<b>(2,545)</b>	<b>(2,783)</b>	<b>(3,029)</b>	<b>(3,281)</b>
<b>Interest Expense and Amortization</b>	<b>(155)</b>	<b>(146)</b>	<b>(135)</b>	<b>(123)</b>	<b>(110)</b>
<b>Projected Operating Expenses of Lutheran Home at Trinity Oaks and Lutheran Home at Trinity Oaks Property, Inc.</b>	<b>(13,499)</b>	<b>(14,431)</b>	<b>(14,868)</b>	<b>(15,319)</b>	<b>(15,773)</b>
<b>Adjusted Operating Expenses</b>	<b>\$8,155</b>	<b>\$8,531</b>	<b>\$8,788</b>	<b>\$9,053</b>	<b>\$9,322</b>
<b>Include</b>					
<b>Principal Payment - Trinity Oaks</b>	<b>220</b>	<b>230</b>	<b>240</b>	<b>253</b>	<b>266</b>
<b>Interest Payment - Trinity Oaks</b>	<b>139</b>	<b>130</b>	<b>120</b>	<b>109</b>	<b>97</b>
<b>Total Operating Costs</b>	<b>\$8,514</b>	<b>\$8,891</b>	<b>\$9,148</b>	<b>\$9,415</b>	<b>\$9,685</b>
<b>Operating Reserve Percentage</b>	<b>25%</b>	<b>25%</b>	<b>25%</b>	<b>25%</b>	<b>25%</b>
<b>Operating Reserve - Lutheran Retirement Center - Salisbury, Inc.</b>	<b>\$2,129</b>	<b>\$2,223</b>	<b>\$2,287</b>	<b>\$2,354</b>	<b>\$2,421</b>

(a) The requirement to maintain operating reserves at this percentage of total forecasted expenses (less depreciation and amortization expenses and bond

interest expense) is based on the maintenance of occupancy at less than 90% for the years 2016 and forward.

As indicated in the forecasted financial statements, the amount of the operating reserve for 2024 is \$2,129,000. The 2024 operating reserve is fully funded. 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. Operating reserve funds will be invested primarily in obligations of the United States Treasury, highly rated corporate bonds and money market accounts. Investments will be managed by an institutional investment trust established through a bank of investment firm.

28. Cottage Project

Trinity Oaks expanded its facilities with the addition of 42 independent living Cottages. Financing of the project was through the sale of North Carolina Bonds. The bonds were issued in March 1998. Variable interest rates on tax-exempt bonds were converted into a fixed rate of 4.088% through the use of an interest rate swap agreement effective June 1, 2007 through maturity in 2028. In March 2017, the 1998 bond issue was refinanced with a 2017 bond issue. The refinancing allowed for a better interest rate and the removal of the letter of credit enhancement that was on the 1998 bond issue. The 2028 maturity and Swap Agreement still remain in place.

The Board of Directors shall direct, under the rules formulated by the Board, the fiscal policies of Trinity Oaks and the investment of its funds. Within the parameters of these policies, specific investment decisions may be authorized by any of the following offices and/or positions of Trinity Oaks:

Chair of the Board of Directors of Trinity Oaks  
Vice Chair of the Board of Directors of Trinity Oaks  
President of Trinity Oaks  
Vice President of Trinity Oaks  
Treasurer of Trinity Oaks

In 2004, Trinity Oaks added a resident and a community citizen to its Board.

29. Miscellaneous. Wherever appropriate in this document the singular shall include the plural, and the masculine shall include the feminine and vice versa.
30. Copy of Residency Agreement. A copy of the Residency Agreement used by Trinity Oaks is attached hereto as Attachment 1.
31. Copy of Assisted Living Admission Agreement. A copy of the Assisted Living Admission agreement used by Trinity Oaks is attached hereto as Attachment 2.
32. Copy of Skilled Nursing Admission Agreement. A copy of the Admission agreement used by Lutheran Home at Trinity Oaks is attached hereto as Attachment 3.

33. Certified Financial Statement of Trinity Oaks. A combined Certified Financial Statement of Trinity Oaks and Lutheran Services Carolinas, Inc. for the Fiscal Year 2019 is attached as Attachment 2.
34. Certified Forecast Financial Statements. A copy of Trinity Oaks' Certified Forecast Financial Statement is attached as Attachment 3.
35. Interim Financials (January 31, 2024). A copy of Trinity Oaks' interim financials is attached as Attachment 4.
36. Assisted Living Enhanced Care Program. A copy of Trinity Oaks assisted living's enhanced care program is attached as Attachment 5.
37. Cottage Unbundling of Services Program. A copy of Trinity Oaks' Cottage Unbundling of Services Program is attached as Attachment 6.
38. Trinity Oaks Resident Transportation Charges

*Medical Transportation:*

- Medical transportation is provided within Rowan County as the schedule permits at no charge.
- Medical transportation is provided to counties bordering Rowan County, as the schedule permits, at the following rates. (Cabarrus, Davidson, Davie, Iredell, and Stanley)
  - \$20 for one way trip. (Drop off or pick up only)
  - \$20 for the 1<sup>st</sup> hour and \$10 at the start of each hour thereafter. (These transports force the driver to stay near the destination site, therefore, the time starts at the departure of the origination point and will end at the arrival of the origination point.)
- Medical transportation is provided to counties not bordering Rowan County, as the schedule permits, at the following rates.
  - \$30 for a one way trip. (Drop off or pick up only)
  - \$30 for the 1<sup>st</sup> hour and at \$10 at the start of each hour thereafter. (These transports force the driver to stay near the destination site, therefore, the time starts at the departure of the origination point and will end at the arrival of the origination point.)

*Non-Medical Transportation:*

- Non-Medical transportation is provided within Rowan County, as the schedule permits, at the following rate.
  - \$10 per destination.
- Non-Medical transportation is provided to counties bordering Rowan County, as the schedule permits, at the following rates. (Cabarrus, Davidson, Davie, Iredell, and Stanley)
  - \$40 for one way trip. (Drop off or pick up only)
  - \$40 for the 1<sup>st</sup> hour and \$20 at the start of each hour thereafter. (These transports force the driver to stay near the destination site, therefore, the time starts at the

departure of the origination point and will end at the arrival of the origination point.)

- Non-Medical transportation is provided to counties not bordering Rowan County, as the schedule permits, at the following rates. (i.e. Airport runs)
  - \$60 for a one way trip. (Drop off or pick up only)
  - \$60 for the 1<sup>st</sup> hour and \$30 at the start of each hour thereafter. (These transports force the driver to stay near the destination site, therefore, the time starts at the departure of the origination point and will end at the arrival of the origination point.)

39. Comparison Forecast Financial Statements (Pages 41 – 43)



## Trinity Oaks Campus Consolidated Balance Sheet

Assets	Actual 2023	Forecast 2023	Difference	Explanation
<b>Current Assets</b>				
Cash and cash equivalents	\$ 6,840,750	\$ 11,070,000	\$ (4,229,250)	Cash to investments
Investments	13,555,628	10,532,000	3,023,628	Cash to investments
Receivables, net of allowance	2,400,528	1,935,000	465,528	
Other	4,869,989	4,041,000	828,989	More due from affiliate
Inventories	69,851	124,000	(54,149)	
<b>Total current assets</b>	<u>27,736,747</u>	<u>27,702,000</u>		
Assets limited as to use	4,883,433	5,028,000	(144,567)	
Net Property and Equipment	25,783,305	25,090,000	693,305	Nursing renovations
<b>Total assets</b>	<u>\$ 58,403,486</u>	<u>\$ 57,820,000</u>		
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Current portion of long-term debt	\$ 231,000	\$ 231,000	-	
Accounts payable - trade	356,718	432,000	(75,282)	
Accrued salaries and payroll taxes	772,801	837,000	(64,199)	
Accrued employee benefits	40,271	54,000	(13,729)	
Accrued interest payable	-	16,000	(16,000)	
Refundable fee deposits - current	231,661	876,000	(644,339)	Timing of refunds
<b>Total current liabilities</b>	<u>1,632,450</u>	<u>2,446,000</u>		
<b>Other liabilities and credits</b>				
Refundable fee deposits	8,358,225	5,665,000	2,693,225	Change in contract refunds
Deferred revenue	-	-	-	
Deferred revenue from fee deposits	7,947,163	9,890,000	(1,942,837)	Change in contract refunds
Long-term debt	4,678,388	5,578,000	(899,612)	Reallocation of debt issuance
<b>Total other liabilities and credits</b>	<u>20,983,775</u>	<u>23,579,000</u>		
Unrestricted	34,933,782	32,979,000		
Temporarily restricted	853,478	1,262,000		
<b>Total net assets</b>	<u>35,787,260</u>	<u>34,241,000</u>		
<b>Total liabilities and net assets</b>	<u>\$ 58,403,486</u>	<u>\$ 57,820,000</u>		

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 Oaks Campus Consolidated  
Income Statement**

	Actual 2023	Forecast 2023	Difference	Explanation
<b>Revenue and other Support</b>				
Net resident service revenue	\$ 22,328,581	\$ 22,326,000	\$ 2,581	
Amortization of deferred entrance fees	1,251,124	900,000	351,124	Accelerated amortization
Restricted funds released for operations	594,877	-	594,877	Temporarily restricted releases
Other revenue	913,354	387,000	526,354	Therapy services
<b>Total revenue and other support</b>	<u>\$ 25,087,936</u>	<u>\$ 23,613,000</u>	<u>\$ 1,474,936</u>	
<b>Expenses</b>				
Health care	8,070,772	8,078,000	(7,228)	
Maintenance	1,488,006	1,352,000	136,006	
Laundry	171,706	263,000	(91,294)	
Housekeeping	814,376	695,000	119,376	
Grounds	280,048	263,000	17,048	
Security	104,482	113,000	(8,518)	
Dietary	3,049,394	3,306,000	(256,606)	Lower staffing
Life Enrichment Services	760,369	751,000	9,369	
Administration	5,914,538	5,041,000	873,538	Bad debt; restricted expenses
Depreciation	2,198,332	2,257,000	(58,668)	
Interest expense	178,170	163,000	15,170	
<b>Total expenses</b>	<u>23,030,193</u>	<u>22,282,000</u>	<u>748,193</u>	
<b>Operating income (loss)</b>	<b>2,057,744</b>	<b>1,331,000</b>	<b>726,744</b>	
<b>Other Income</b>				
Investment Income	1,623,361	533,000	1,090,361	Realized gains
Unrestricted contributions and bequest	91,359	28,000	63,359	
<b>Total other income (loss)</b>	<u>1,714,720</u>	<u>561,000</u>	<u>1,153,720</u>	
<b>Excess revenues over expenses</b>	<b>\$ 3,772,464</b>	<b>\$ 1,892,000</b>	<b>\$ 1,880,464</b>	Investment losses
<b>Other changes in unrestricted net assets</b>	<b>130,778</b>	<b>-</b>	<b>130,778</b>	
<b>Increase (decrease) unrestricted assets</b>	<b>\$ 3,903,242</b>	<b>\$ 1,892,000</b>	<b>\$ 2,011,242</b>	
<b>Temporary restricted</b>				
Contributions	259,354	-	259,354	Unbudgeted
Net assets released from restrictions	(725,655)	-	(725,655)	Unbudgeted
<b>Increase (decrease) temp. restricted</b>	<u>(466,302)</u>	<u>-</u>	<u>(466,302)</u>	
<b>Increase (decrease) net assets</b>	<b>3,436,941</b>	<b>1,892,000</b>	<b>1,544,941</b>	
<b>Net assets - beginning of year</b>	<b>32,350,319</b>	<b>32,349,000</b>		
<b>Net assets - end of year</b>	<u><u>\$ 35,787,260</u></u>	<u><u>\$ 34,241,000</u></u>		

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 Oaks Campus Consolidated  
Statement of Cash Flows**

	Actual 2023	Forecast 2023	Difference	Explanation
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Change in net assets	\$ 3,436,941	\$ 1,892,000	\$ 1,544,941	
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Amortization of deferred revenue from advance fees	(1,251,124)	(900,000)	(351,124)	Accelerated amortization
Depreciation and amortization	2,198,332	2,218,000	(19,668)	
(Increase) decrease in other current assets	(1,242,214)	937,000	(2,179,214)	Receivables
Increase (decrease) in accounts payable/accrued expenses	(43,867)	125,000	(168,867)	
Increase (decrease) in deferred revenue	(33,258)	(33,000)	(258)	
Net cash provided by operating activities	3,064,810	4,239,000		
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Purchase of property and equipment	(3,485,035)	(2,850,000)	(635,035)	
Investments (net)	(5,466,412)	(2,443,000)	(3,023,412)	Investment contribution & returns
(Increase) decrease in assets whose use is limited	(397,672)	(175,000)	(222,672)	
Net cash used in investing activities	(9,349,119)	(5,468,000)		
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Net proceeds from bond issue/debt payments	(223,704)	(224,000)	296	
Advanced fees received, net	2,139,819	1,682,000	457,819	
Net cash provided by financing activities	1,916,115	1,458,000		
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(4,368,194)	\$ 229,000		
<b>CASH AND CASH EQUIVALENTS BEGINNING OF YEAR</b>	11,208,944	\$ 12,139,000		
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 6,840,750	\$ 12,368,000	*	

\* Forecast included 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.



# Attachment 1

Copy of Residency Agreement



**TRINITY OAKS RESIDENCY AGREEMENT**

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**TRINITY OAKS  
RESIDENCY AGREEMENT**

**Recitals**

THIS RESIDENCY AGREEMENT is made this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, between LUTHERAN RETIREMENT CENTER - SALISBURY, INC., a North Carolina nonprofit corporation operating under the name of Trinity Oaks, and \_\_\_\_\_  
\_\_\_\_\_ (herein individually or collectively called "Resident"). If a husband and wife or two other persons desiring to share an Apartment or Cottage at Trinity Oaks enter into this Agreement, the term Resident shall apply to them jointly and severally and to the survivor of them.

WHEREAS, Lutheran Retirement Center - Salisbury, Inc. owns and operates the retirement center and adjacent Cottages known as Trinity Oaks (herein "Trinity Oaks"), located at 728 Klumac Road in Salisbury, Rowan County, North Carolina; and

WHEREAS, Resident desires to use and occupy the residence ("Apartment") or ("Cottage") located in Trinity Oaks and designated in this Agreement and Trinity Oaks desires to make the selected Apartment or Cottage available to Resident;

As conditions precedent to the execution of this Agreement, the Resident shall meet the following requirements to the satisfaction of Trinity Oaks, subject to such exceptions as the Board of Directors of Trinity Oaks may approve in writing:

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 Oaks residents and staff. The Resident will provide a Personal Health Application.

Financial: The Resident shall have furnished information to Trinity Oaks with respect to the Resident's financial resources demonstrating that the Resident has the financial income and assets to pay the Entrance Fee, Monthly Maintenance Fee, extra meal charges, charges for additional services, personal living expenses, and the future adjustments of these charges during the term of this Agreement.

Age: The Resident must be at least 60 years of age at the time he or she occupies an Apartment or Cottage at Trinity Oaks, with an exception in the case of one of two married Residents.

1. Residence, Related Services and Programs. Subject to the terms and conditions of this Agreement, Trinity Oaks shall make available to Resident an Apartment or Cottage, related services, programs and amenities at Trinity Oaks as described below:

(a) Description of Apartment or Cottage. Resident shall be entitled to the exclusive use of Apartment \_\_\_\_\_ or Cottage \_\_\_\_\_ at Trinity Oaks.

- (b) Furnishings. Trinity Oaks will provide all major kitchen appliances and a washer and dryer in each unit. All units are equipped with hardwood floors, ceramic tile floors and showers, and such other furnishings and fixtures as may be described in the informational brochures published by Trinity Oaks for the purpose of describing Trinity Oaks. All other Living Unit furnishings and furniture are to be provided by Resident.
- (c) Utilities. Includes individually controlled heating, air conditioning, water, sewer, gas, electricity, and trash removal. Resident shall be responsible for and pay for all telephone, internet and cable television services, including installation and hookup charges. As of January 2003, Cottage residents shall pay their own gas and electric bills as shown on the resident's monthly statement.
- (d) Meals. All apartment residents and cottage residents are provided breakfast each day. Apartment residents are provided one other meal per day (their choice of lunch or dinner). Missed meals (except breakfast) may be made up in the month that they are missed (no rollovers month to month). Cottage residents receive 180 meals per year in addition to daily breakfast.
- (e) Housekeeping Services. Housekeeping services, every two weeks for Apartment Residents and weekly for Cottage Residents, shall include cleaning all sinks, tubs, bathroom fixtures and floors, dusting, and vacuuming. Additional housekeeping service shall be available at the Resident's expense.
- (f) Laundry. Apartment Residents shall be provided laundering of regular flat and bed linen on a weekly basis. Laundry facilities are provided on each floor for personal laundry, free of charge. Cottage Residents are provided a washer and dryer in each residence and will be responsible for their own laundry.
- (g) Maintenance Services. Trinity Oaks will be responsible for normal wear and tear, maintenance and replacement of the property, furnishings and equipment owned by or leased for use at Trinity Oaks. Resident will be responsible for any damage to such property, furnishings and equipment, including the cost of repair or replacement or the diminution in value thereof, caused by the negligence or intentional acts of Resident or Resident's guests. Resident will be responsible for the maintenance and repair of his/her personal property.
- (h) Changes to Apartment or Cottage. Any structural or physical change or redecoration and remodeling of any kind within or outside the Apartment or Cottage may be made by Resident only with the prior written consent of the Trinity Oaks Executive Director and at the sole expense of Resident. Resident shall pay the appropriate cost necessary to return the Apartment or Cottage to its original condition and the cost of redecoration. All such improvements or changes shall be the property of Trinity Oaks.
- (i) Groundskeeping. Trinity Oaks will maintain and repair grounds surrounding Apartments and Cottages and common areas, including lawns, trees and shrubbery. Personal plantings and customization of landscaped areas are subject to approval by the Trinity Oaks Executive Director and are not maintained by the Groundskeeping Department.
- (j) Programs. Recreational, social, spiritual, educational and cultural programs and activities will be coordinated by staff in conjunction with Resident Committees. Some activities are subject to an additional charge.
- (k) Parking. Parking areas for Residents' personal vehicles and limited parking for guests of Residents will be provided.

- (l) Transportation. Scheduled local transportation within Rowan County is provided, including group transportation for shopping, medical appointments and some other recreational activities. Some transportation is subject to an additional charge.
- (m) Emergency Response System. Trinity Oaks will provide, on a twenty-four (24) hour basis, an emergency call system. Response to a call shall be limited to an evaluation of the needs of the Resident. If other medical response is determined necessary, the Resident is responsible for costs by such private physician or nurse and such other medical care provider as may be selected by the Resident, including emergency medical transportation. In the event that Resident is admitted to the Assisted Living Center or to Trinity Oaks health and rehab after such emergency response, the fees described in Section 6(c) shall apply.

Medical Response. Trinity Oaks provides security staff who have been trained in CPR and first aid to respond to a medical emergency. However, with the exception of initiating CPR in the case of a resident who requests to be a full code, medical care will not be provided. Staff will call 911 if immediate help is needed, or assist the resident in calling other appropriate medical professionals or family members. If there is any question about the resident's condition or safety, emergency services will be called.

- (n) Insurance. Trinity Oaks will maintain general liability insurance but will not be responsible for the personal property of Residents. Residents are encouraged to obtain insurance to cover such liabilities. See Section 1(g) regarding Resident's responsibility for damage to property owned or leased by Trinity Oaks.
- (o) Optional Services. A schedule of fees for services provided at extra cost including, but not limited to those optional services described above, shall be established by Trinity Oaks' Board of Directors and shall be made available to Resident no later than the date upon which Resident occupies the Apartment or Cottage.
- (p) Trash Removal. Apartment Residents shall dispose of trash in the areas designated on each Apartment floor. Cottage Residents' trash should be placed in approved containers to be collected at curbside.
- (q) Pets. Pets are permitted per residence upon completion of a Pet Agreement and payment of a \$300 non-refundable fee. The pet can be replaced in accordance with the Pet Policy.

Charges for services listed above in subparagraphs (a) through (p) are included within the Monthly Maintenance Fee described in the Residency Agreement, unless otherwise indicated for alternate plans.

## 2. Terms of Residence.

- (a) Nature and Extent of Rights. Resident's right to occupy the Apartment or Cottage for a term of years or for life shall exist unless terminated as provided for in Section 8 of the Residency Agreement. Nothing contained herein shall be construed or is intended to require that Trinity Oaks care for the Resident for life, nor shall this Agreement be construed as a life-care contract.
- (b) Terms of Occupancy. Signing of this Residency Agreement and payment of the Entrance Fee 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 Oaks and to all amendments, modifications, replacements or refunding thereof. Resident agrees to execute and deliver any document required by Trinity Oaks or by the holder of any mortgage, deed of trust or other interest to evidence or effect such subordination.

- (c) Alteration or Modification. Notwithstanding any other provisions in this Agreement, Trinity Oaks may alter or modify the Apartment or Cottage 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 Apartment or Cottage.
- (d) Use. The Apartment or Cottage 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.
- (e) Permitted Occupants. The parties hereto recognize and agree that the amount of wear and tear evident in the Apartment or Cottage depends in part upon the number of persons regularly occupying the Apartment or Cottage. It is therefore agreed that the Resident(s) named herein and no other person(s) shall reside in or occupy the Apartment or Cottage during the term of this Agreement, except with the express prior written approval of the Executive Director. If a second occupant, including a resident marrying a new spouse, who is not a party to this Agreement is accepted for residency after the date of this Agreement, such acceptance shall be subject to the approval of the Admissions Committee and adherence to policies then governing all other admissions. If the second occupant does not meet the requirements for residency, or does not execute a Residency Agreement, he/she shall not be permitted to occupy the Apartment or Cottage. The Resident may terminate this Agreement as provided in Section 8. If two residents marry and decide to live in one of the two current Living Units, they would pay the two-person Monthly Maintenance Fee for the Living Unit. The surrendered Living Unit's refund would be paid according to the refund policy in 8(a) under Entrance Fees. If both Residents surrender their Living Units and move to a different Living Unit, an additional Entrance Fee may or may not be required as defined in the Transfers Section 8(g)(2). This will be determined based on the size of the Living Unit they are moving into and the size of the Living Units they are vacating. A revised contract will be signed by the couple, outlining the terms of any refund.
- (f) Transfers. Should a Resident desire to transfer to another Apartment or Cottage he/she must notify the Executive Director in writing. Following receipt of this request, Resident shall be granted an option to move to the next available Apartment or Cottage of the size requested, subject to the Executive Director satisfying prior, similar requests of other Residents, and subject to the rights other Residents may have in their Residency Agreements. If the Entrance Fee for the new apartment or cottage is higher than the Entrance Fee paid by the Resident for their original accommodation, the Resident will pay the difference between then-current Entrance Fee for the smaller accommodation from which the Resident is moving and the then-current Entrance Fee for the larger accommodation into which the Resident is moving. The Resident will be responsible for paying the difference in these two Entrance Fees prior to occupancy. When the contract is terminated, the amount of the refund, if any, will be based on the total Entrance Fee paid.

The Resident acknowledges and agrees that any such difference required to be paid towards the Entrance Fee will be deemed to be included in the original Entrance Fee as of the

Effective Date and will be subject to the terms and conditions of this Agreement regarding refunds in the same manner as any portion of the original Entrance Fee paid by the Resident.

If the Resident elects to move to a smaller residence, the Resident will not be entitled to any refund of the Entrance Fee as a result of the move. When the contract is terminated, the amount of the refund, if any, will be based on the total Entrance Fee paid.

With all transfers, the Monthly Maintenance Fee for the month in which the move takes place shall be prorated to reflect the percentage of the month that the Resident spends in each type of residence. When transferring, the Resident shall pay the then current Monthly Maintenance Fee. With all transfers, there will be an up-fitting charge of up to \$5,000, for the vacated residence. Resident will move all furnishings and belongings to the new residence within 30 days of the established occupancy date for the new residence. Any moving expense and service connections for phone will be the responsibility of the Resident.

- (g) Death or Transfer of One Resident. If one of the Residents named herein dies, moves out or is permanently transferred to the Assisted Living Center, Trinity Oaks health and rehab or any other nursing center, the remaining Resident may elect to continue to occupy the Apartment or Cottage at the single occupancy rate then in effect.

3. Admissions Requirements and Procedures. Upon execution of this Agreement and subject to fulfillment of his/her obligations hereunder, the Resident will be qualified for admission as an occupant of Trinity Oaks:

- (a) Nondiscrimination. The requirements for admission to Trinity Oaks are nondiscriminatory except as to age. Admission is restricted to persons sixty (60) years of age or older with the exception of a younger spouse. Trinity Oaks is open to both single and married men and women of all races, religions, sexual orientation, gender identity, and geographical boundaries.
- (b) Reservation Agreement. At the time a Resident selects an Apartment or Cottage, he/she will complete a Reservation Agreement and submit it to a Marketing Representative at Trinity Oaks along with a Reservation Deposit of \$1,000. This Reservation Deposit will be applied to the 10% Deposit required at the time of initial acceptance by the Admissions Committee and execution of this Residency Agreement.

The Resident may terminate the Reservation Agreement prior to entering into the Residency Agreement for any reason by giving written notice to Trinity Oaks. The Resident shall be refunded the Reservation Deposit of \$1,000, minus the processing fee of \$500 as noted in the Reservation Agreement within 30 days of such notice. The Reservation Agreement is preliminary in nature and precedent to the Residency Agreement.

- (c) Disclosure Statement. Upon execution of the Reservation Agreement, the Marketing Representative will provide the Resident a copy of Trinity Oaks' Disclosure Statement which fully describes the organization, facilities, policies, services, fees, financial condition, projections, and the vital information related to Trinity Oaks. Included in the Disclosure Statement is a Residency Agreement.
- (d) Application. Within thirty (15) days of execution of the Reservation Agreement, the Resident will complete an Application for Admission, a Personal Health History and a

Confidential Financial Statement and/or other evidence of sufficient financial means for the review and approval by the Admissions Committee.

- (e) Admissions Committee Review. The Admissions Committee will review the completed Application Forms as a basis for initial approval for admission to Trinity Oaks. The Admissions Committee will accept or deny the application based on criteria and policies established by the Board of Directors. The Executive Director will notify the Resident in writing of the action taken by the Admissions Committee.
- (f) Residency Agreement. The Resident shall execute the Residency Agreement and submit it with a 10% deposit of the Entrance Fee (minus the \$1,000 Reservation Deposit previously paid) within 10 days of notification of initial acceptance by the Admissions Committee. At the same time, Resident will be notified of availability of the Apartment or Cottage for occupancy. See Section 4.
- (g) Physician's Report. Trinity Oaks asks that residents provide a copy of their most recent physical after occupancy along with copies of health insurance cards for emergency purposes. We respect the privacy of the Resident's personal health information and are committed to maintaining the Resident's confidentiality. This applies to all information and records related to the Resident's health that Trinity Oaks has received or created.
- (h) Interview. The Resident must have an interview with a representative from Trinity Oaks prior to being approved by the Admissions Committee. Upon review of the information outlined in subparagraphs (b), (d) and (e) above, the Executive Director may request additional personal interviews with the Resident.
- (i) Representations and Warranties. The Resident affirms that the representations made in the Application for Admission, Personal Health History and Confidential Financial Statement, or other statements of financial capability, are accurate and reflect the Resident's current status and, as such, are the basis for which Trinity Oaks agrees to enter into this Agreement.
- (j) Financial Condition. Immediately prior to entering Trinity Oaks for occupancy, the Resident will affirm to the Admissions Committee that his/her personal financial situation does not differ materially or adversely from the financial situation as presented in the Resident's Confidential Financial Statement described in Section 3(e) of this Agreement. If the Resident's then Personal Financial Statement differs materially and adversely from prior financial situation, the Admissions Committee may terminate this Agreement.
- (k) Additional Financial Statements. After occupancy, the Executive Director may require updated financial information. In the case of two Residents occupying an Apartment or Cottage and in the event of the death of one of the occupants, the surviving Resident may be required to submit an update of the original application and provide a new Confidential Financial Statement.
- (l) Rules and Regulations. Upon entering Trinity Oaks, the Resident agrees to live in harmony with his/her neighbors in a spirit of good will. The Resident agrees to abide by the administrative policies and procedures as established by the Board of Directors and Trinity Oaks including such amendments, modifications or change in those policies and procedures. These policies and procedures are designed for the comfort, safety and security of all Residents.



4. Notification of Availability. After the Resident is initially approved for admission as stated in Section 3, the Executive Director will notify the Resident of the Apartments or Cottages projected date of availability for occupancy. Residents have sixty (60) days from date of notification to occupy the Apartment or Cottage, pay the remaining Entrance Fee, and begin paying the Monthly Maintenance Fee. All notifications shall be in writing and mailed to the address of the Resident as provided in this Agreement.
5. Health Services for Independent Living Residents.

- (a) Transfer or Changes in Level of Care. Subject to the terms and conditions set forth in this Agreement, Trinity Oaks agrees to arrange for any needed health care or nursing services through the Assisted Living Center or Trinity Oaks health and rehab, subject to availability of beds, on a priority basis. In the event Trinity Oaks health and rehab has no bed available, services will be arranged at such other health care or nursing facility of similar quality ("Nursing Center"). The Monthly Maintenance Fee includes up to fifteen (15) days of routine nursing care per year, non-cumulative, at Trinity Oaks health and rehab (or such other Nursing Center if space is not first available at Trinity Oaks health and rehab) then current private pay rates. If a Resident becomes eligible for Medicaid then the fifteen (15) days discount does not apply. All Residents at Trinity Oaks health and rehab are responsible for their pharmacy copayments. If a temporary stay at Trinity Oaks health and rehab, a Resident will continue to pay the Monthly Maintenance Fee in the Independent Living Unit. If a permanent transfer to Trinity Oaks health and rehab, the Resident will cease paying the Monthly Maintenance Fee when the apartment has been totally vacated. In addition, Trinity Oaks will make available to Resident, at Resident's expense, the periodic services of other medical professionals as it deems necessary or appropriate. Some of these services will be provided at no additional cost in the form of educational sessions or clinics.

Trinity Oaks assisted living uses a level of care determination process upon admission, every six months and after either a hospital stay or significant health change to determine which services are needed for each Resident. The following levels of care are defined as follows:

Independent-This service level provides accommodation, meals, minimal help with ADLs and residents that self administer medication or minimal help with medication administration, selected additional services such as special dietary planning. Residents in this level are typically independent.

Enhanced Care Services-This level of care provides moderate levels of help with ADLs to residents that can perform part of the activity for him/her, and several additional services including but not limited to, assistance with medications, ambulation, bathing, dressing, grooming, eating, hygiene and toileting. These residents may require some assistance from Licensed Health Professional Support as well as confusion management and/or management of diabetes, skin integrity, and/or fall risk interventions.

Enhanced Care Plus Services-This level of care provides a significant degree of help with ADLs and is geared towards residents who can perform part of the activity and are very frail/impaired or will require several services on a regular basis. These residents may require some assistance from Licensed Health Professional Support as well as confusion management and/or management of diabetes, skin integrity, and/or fall risk interventions.

Maximum Care-This level of care provides assistance to residents that need someone else to complete the task for the resident most of the time. These residents may require extensive

assistance with confusion management and/or management of diabetes, skin integrity, and/or fall risk interventions.

- (b) Role of Medical Director. Trinity Oaks assisted living will employ as a consultant, a licensed physician (herein referred to as the "Medical Director") to assist in establishing and implementing health care related policies and practices for Trinity Oaks assisted living and to perform such other related duties described in this Agreement. Trinity Oaks will also employ licensed personnel to perform all such duties prescribed by the Medical Director within such person's licensed authority.
- (c) Availability of Health Services. The Director of Nursing, the Social Worker, Director of Community Relations 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, limited pharmacy services, and laboratory tests. Charges for these health care services will be in addition to the Monthly Maintenance Fee.
- (d) Limitations. Trinity Oaks is comprised of three entities; Lutheran Retirement Center-Salisbury, Inc. is the entity that provides independent living services and assisted living services; Lutheran Home at Trinity Oaks, Inc. is the entity that provides skilled nursing services and assisted living services. All residents will have priority access to these different service levels if needed as long as the resident meets the admission requirements for the needed level of care. Lutheran Home at Trinity Oaks will provide medical, nursing, and personal care services which are adequate and appropriate to Resident's needs pursuant to physician orders as well as to provide room and meal accommodations, Lutheran Retirement Center- Salisbury, Inc. will provide assisted living services such as personal care services which are adequate and appropriate to Resident's needs, staff coverage 24 hours per day to dispense medications, assist with bathing and dressing, as well as to provide room accommodations, programs, and amenities and independent living services will provide residence, related services, programs, and amenities (refer to 1a-q in residency agreement). Residents will have priority access between all service levels, e.g. IL to SNF, IL to AL, AL to SNF, SNF to AL, etc. as residents of Trinity Oaks. Trinity Oaks 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 level will need to be signed.
- (e) Designation of Personal Physician. The Resident will be required to designate a local North Carolina licensed physician as his/her personal physician. The Resident will be responsible for the cost of any personal services of his/her physician or related services as requested by the Resident or Trinity Oaks. The Provider may, after occupancy, require the Resident to have other physical examinations by their personal physician or another physician selected by Trinity Oaks at Resident's expense. Annual updates of each Resident's Physician's History and Physical Examination Report will be requested.

6. Fees and Other Charges.

- (a) Entrance Fees.
  - (i) Entrance Fees for Apartment Residents

For the right to reside in Apartment \_\_\_\_\_ for a term of years or for life as long as all terms and conditions of the agreement are met at Trinity Oaks, Resident agrees to pay to Trinity Oaks an Entrance Fee of \$ \_\_\_\_\_ under the \_\_\_\_\_ Entrance Fee Refund Plan:

Ten percent (10%) of the Entrance Fee (less the \$1,000 reservation fee) is due and payable upon the execution of this Agreement and the balance of the Entrance Fee shall be due and payable prior to occupancy. Resident is required to occupy the Apartment within sixty (60) days after notification of availability (see Section 4).

Independent Apartment and Cottage Entrance Fee - 90% Refund Plan: The Entrance Fee is refundable at a minimum of ninety percent (90%). The Entrance Fee is reduced by a one percent (1.0%) at the time of initial occupancy and by one half of one percent (0.5%) per month for the first eighteen (18) months of occupancy after which an ninety percent (90%) refund will be paid to the Resident or the Resident's estate if the Living Unit is vacated. The balance of any Entrance Fees to be reimbursed after termination of the Residency Agreement will be paid by Trinity Oaks after the Living Unit is vacated and the reoccupancy of the Apartment or Cottage.

Independent Apartment and Cottage Entrance Fee - 50% Refund Plan: The Entrance Fee is refundable at a minimum of fifty percent (50%). The Entrance Fee is reduced by a two percent (2.0%) at the time of initial occupancy and by one percent (1.0%) per month for the first forty-eight (48) months of occupancy after which a fifty percent (50%) refund will be paid to the Resident or the Resident's estate if the Living Unit is vacated. The balance of any Entrance Fees to be reimbursed after termination of the Residency Agreement will be paid by Trinity Oaks after the Living Unit is vacated and the reoccupancy of the Apartment or Cottage.

Independent Apartment and Cottage Entrance Fee - Limited Refund Plan: The Entrance Fee is reduced by a four percent (4%) service fee at the time of occupancy and by two percent (2%) per month for the first forty-eight (48) months of occupancy. The Entrance Fee is non-refundable after forty-eight (48) months. The balance of any Entrance Fees to be reimbursed after termination of the Residency Agreement will be paid by Trinity Oaks after the Living Unit is vacated and the reoccupancy of the Apartment or Cottage.

(ii) Entrance Fees for Cottage Residents

For the right to reside in Cottage at \_\_\_\_\_ for a term of years or for life as long as all terms and conditions of the agreement are met, Resident agrees to pay to Trinity Oaks an Entrance Fee of \$ \_\_\_\_\_ under the \_\_\_\_\_ Cottage Refund Plan. The Entrance Fee is an amount equal to the basic Cottage fee and the total of all Major Options selected, and varies based on the selection of foundation type, refund plan, and Major Options selected (See Addendum VI).

Ten percent (10%) of the Cottage Entrance Fee and one hundred percent (100%) of the cost of Major Options selected is due and payable upon the execution of this Agreement less any Reservation Deposit already paid.

Payment for any custom features may be due prior to any work on those features being initiated.

A final payment equal to the balance (90%) of the basic Cottage Entrance Fee is due and payable prior to occupancy. Resident is required to occupy the Cottage within sixty (60) days after notification of availability (see Section 4).

Independent Apartment and Cottage Entrance Fee - 90% Refund Plan: The Entrance Fee is refundable at a minimum of ninety percent (90%). The Entrance Fee is reduced by a one percent (1.0%) at the time of initial occupancy and by one half of one percent (0.5%) per month for the first eighteen (18) months of occupancy after which an ninety percent (90%) refund will be paid to the Resident or the Resident's estate if the Living Unit is vacated. The balance of any Entrance Fees to be reimbursed after termination of the Residency Agreement will be paid by Trinity Oaks after the Living Unit is vacated and the reoccupancy of the Apartment or Cottage.

Independent Apartment and Cottage Entrance Fee - 50% Refund Plan: The Entrance Fee is refundable at a minimum of fifty percent (50%). The Entrance Fee is reduced by a two percent (2.0%) at the time of initial occupancy and by one percent (1.0%) per month for the first forty-eight (48) months of occupancy after which a fifty percent (50%) refund will be paid to the Resident or the Resident's estate if the Living Unit is vacated. The balance of any Entrance Fees to be reimbursed after termination of the Residency Agreement will be paid by Trinity Oaks after the Living Unit is vacated and the reoccupancy of the Apartment or Cottage.

Independent Apartment and Cottage Entrance Fee - Limited Refund Plan: The Entrance Fee is reduced by a four percent (4%) service fee at the time of occupancy and by two percent (2%) per month for the first forty-eight (48) months of occupancy. The Entrance Fee is non-refundable after forty-eight (48) months. The balance of any Entrance Fees to be reimbursed after termination of the Residency Agreement will be paid by Trinity Oaks after the Living Unit is vacated and the reoccupancy of the Apartment or Cottage.

- (iii) Resident agrees that, notwithstanding any right to a reimbursement of all or any portion of the Entrance Fees as provided in this Agreement, such Entrance Fees, when paid to Trinity Oaks, shall become part of the funds and property of Trinity Oaks, may be commingled with any other funds received by Trinity Oaks, and may be used by Trinity Oaks for any ordinary and necessary purposes related to the operation of Trinity Oaks, including payment of the principal amount and any interest with respect to any loans made to Trinity Oaks.

(b) Monthly Fees and Charges.

- (i) Monthly Fees and Charges for Apartment or Cottage Residents:

Resident shall pay to Trinity Oaks by the tenth (10th) of each month after occupancy commences a Monthly Maintenance Fee of \$ \_\_\_\_\_. If there is a second Resident in the Apartment or Cottage, the second Resident shall pay the published Second Person Monthly Maintenance Fee of \$ \_\_\_\_\_. The

Monthly Maintenance Fee for any part of a month occurring at the beginning of occupancy shall be prorated and become due and payable upon occupancy.

- (ii) The Monthly Maintenance Fee generally is adjusted annually. Fee adjustments are approved by the Board of Directors with sixty (60) days prior written notice given to Resident. Fee adjustments are to cover the cost to Trinity Oaks of maintaining services and the financial integrity of Trinity Oaks including maintaining adequate reserve funds. Residents can generally anticipate an annual increase in monthly maintenance fees of 4-6% based on inflation, health care inflation, market conditions, insurance increases, rising expenses, etc. It is agreed that payments of the Monthly Maintenance Fee shall continue during any temporary absence from Trinity Oaks. However, if Resident is absent from Trinity Oaks for seven (7) or more consecutive days, a daily meal credit will apply from the first day of absence, provided that Resident has given Trinity Oaks prior written notice of such absence, excepting those instances in which a resident is hospitalized. Fees for additional and optional services may be increased or decreased at Trinity Oaks' discretion without such notice.

- (iii) The Assisted Living Center and Trinity Oaks health and rehab Monthly and Daily Fees/Charges.

Trinity Oaks will obtain and publish, from time to time, daily rates from Trinity Oaks health and rehab, for Assisted Living, and nursing care services provided by the Nursing Center.

If a Resident is admitted to Trinity Oaks health and rehab (or any other nursing center if space is not first available at Trinity Oaks health and rehab), the Resident will continue to pay the Monthly Maintenance Fee for his/her Independent or Assisted Living Unit. The Resident will receive fifteen (15) days, (not necessarily consecutive), at Trinity Oaks health and rehab at then current private pay rates. Only when services cannot be provided by Trinity Oaks health and rehab will services at another nursing center be covered by this fifteen (15) days discount. When eligible for Medicare benefits, Medicare pays first for health care. When benefits are no longer applicable, the fifteen (15) discount will apply. If a Resident becomes eligible for Medicaid then the fifteen (15) days discount does not apply. All Residents at Trinity Oaks health and rehab are responsible for their pharmacy copayments.

If a transfer to the Trinity Oaks health and rehab is determined likely to be permanent in accordance with Section 7(b) of this document, then the Resident will continue payment of the Monthly Maintenance Fee up to the point that the Apartment or Cottage is vacated including the return of the keys to the residence, entrance door cards, personal pendant(s), and garage door opener, if applicable. However, in such an event, a reduction in the Monthly Maintenance Fee will be made in an amount determined by Trinity Oaks to eliminate, where possible, the duplication of services and charges to the Resident.

- (c) Additional Charges. Resident also agrees to pay any and all additional amounts which may become due under this Agreement and any and all charges for additional or optional services provided to the Resident (see Section 15).

- (d) Monthly Statements. The Business Office will furnish the Resident with a monthly statement showing the total amount of the Monthly Maintenance Fee and all other charges owed by the Resident. All charges will be due and payable by the tenth (10th) day of each month. Late payments will be assessed a penalty of twenty-five dollars (\$25).
- (e) Inability to Pay. 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.

7. Transfer or Changes in Levels of Care.

- (a) Procedure. In the event it is determined that the Resident requires a transfer or change in the level of care and accommodations, the Resident hereby agrees to make such a change. Such determination will be made by and based on the professional opinion of the Director of Community Relations, the Executive Director and if needed, other health care support staff. A decision to transfer the Resident will be made in the best interest of the Resident and only after consultation to the extent possible with the Resident, the representatives of the Resident's family or sponsor, and the Resident's physician.
- (b) Transfer Outside Trinity Oaks. If it is determined by the Director of Community Relations, the Executive Director and if needed, other health care support staff, that the Resident needs care beyond the scope of the facility and personnel of Trinity Oaks, the Resident will be transferred to a qualified hospital, nursing center or institution equipped to give such care, at the expense of the Resident. Such transfer of the Resident will be made only after consultation to the extent possible with the Resident, a representative of the Resident's family or sponsor and the Resident's physician.
- (c) Medical/Mental Condition. Trinity Oaks is not designed or licensed to care for persons who have certain medical or mental conditions or suffer from certain contagious or dangerous diseases. If it is determined by the Director of Community Relations, the Executive Director and if needed, other health care support staff, , using standard legal/medical and acceptable evaluation procedures, that a Resident suffers from a medical or mental condition, so that a Resident's continuing presence at Trinity Oaks is detrimental to the health or safety of the Resident or other Residents, then the Resident may be transferred to an institution capable of administering needed care and his/her Apartment or Cottage shall be assigned to others, subject to the rights of any remaining second Apartment or Cottage Resident. In such situations, the expenses of such institution will be the responsibility of the Resident. The final determination will be at the discretion of the Executive Director. (Also see Section 14, Personal Belongings).

- (d) Release/Readmission. If a determination is made by the Director of Community Relations, the Executive Director and if needed, other health care support staff, that any such transfer or change described in this Section will likely be permanent in nature, the Resident hereby agrees to release his/her rights and use of the Apartment or Cottage, subject to the rights of any remaining second Apartment or Cottage Resident [see Section 2(f) and (g)]. If, however, the Director of Community Relations, the Executive Director and if needed, other health care support staff, subsequently determine that the Resident can resume occupancy in accommodations equivalent to those previously occupied by the Resident, the Resident shall have priority to such accommodations as soon as they become available, with no additional Entrance Fee unless the Entrance Fee has been refunded under the provisions described in Section 10

8. Termination.

- (a) Statutory 30-Day Period. This Agreement may be rescinded by Resident at any time within thirty (30) days following the later of the date of execution of this Agreement or the receipt by Resident of the Disclosure Statement required by Article 64 of Chapter 58 of the North Carolina General Statutes. During this thirty (30) day period, Resident shall not be required to move into Trinity Oaks. If such rescission is made, any money or property paid or transferred to Trinity Oaks, except those periodic charges specified in this Agreement and applicable only to such period as the Apartment was actually occupied by the Resident, shall be returned in full to the Resident or to the party who made the payment or payments on behalf of the Resident except for a non-refundable processing fee of 2% of the Apartment or Cottage Entrance Fee and any nonstandard costs (including Major Options, custom selections and upgrades, and requested change orders for a Cottage) specifically incurred by Trinity Oaks at the request of the Resident and described in the Residency Agreement or an amendment to it signed by the resident. Thereafter neither party shall have any further obligation or duty to the other. Reimbursement due will be refunded within 90 days of written notification of rescission by Resident.
- (b) Death or Illness Prior to Occupancy. If Resident dies before occupying an Apartment or Cottage or if, on account of illness, injury or incapacity Resident is precluded from occupying an Apartment or Cottage under the terms of this Agreement, this Agreement is automatically canceled and Resident or his legal representative shall receive a refund of all money or property paid or transferred to Trinity Oaks, less (i) those nonstandard costs (custom selections and upgrades) specifically incurred by Trinity Oaks at the request of the Resident and described in this Agreement or an addition to it signed by the Resident and (ii) the non-refundable processing fee of \$1000. Reimbursement due will be refunded within 90 days of written notification by Resident or his/her legal representative.
- (c) Termination by Resident After Statutory 30-Day Period. Beginning with the first full calendar day following expiration of the statutory 30-day period, and before Resident has begun occupancy in Trinity Oaks, Resident may terminate this Agreement for reasons other than (i) death, or (ii) illness, injury or other incapacity which would make it inappropriate for Trinity Oaks to accept the Resident's occupancy in the Apartment or Cottage. Resident will receive reimbursement of all monies paid or transferred to Trinity Oaks, less those nonstandard costs (custom selections and upgrades) specifically incurred by Trinity Oaks at the request of the Resident and described in this Agreement or an addition to it signed by the Resident, and the non-refundable processing fee equal to two percent (2%) of the Apartment or Cottage Entrance Fee which shall be retained by Trinity Oaks as liquidated damages for

costs incurred due to the termination by Resident. Refunds will be made within 90 days of notification by Resident or his/her legal representative.

- (d) Termination by Resident After Occupancy. After occupancy, subject to the provisions of Section 10, Resident may terminate this Agreement by giving written notice to the Executive Director no less than ninety (90) days before Resident intends to move out of Trinity Oaks. Resident is responsible to pay Monthly Maintenance Fees during the ninety (90) day period or until the Independent Living Apartment or Cottage is vacated, whichever occurs last (see Section 10, Reimbursement of Entrance Fees - Independent Living).
- (e) Death of Resident After Occupancy. In the event of the death of Resident after occupancy, this Agreement shall be subject to termination as follows:
  - (i) If there is only one Resident occupying the Living Unit, the Residency Agreement shall be automatically terminated as of the date of death of such Resident or the date thereafter upon which all of Resident's property is removed from the Living Unit, all keys, pendant, entrance slide and garage door opener (if applicable) have been turned into the Director of Resident Services. The Monthly Maintenance Fee shall automatically be terminated at this point. Resident's Estate is responsible for any payment due Trinity Oaks.  
Resident's Entrance Fee is subject to refund as provided in Section 8.
  - (ii) If there is more than one Resident occupying the Living Unit, the second person shall have the option of continuing to reside in the Living Unit at the single person rate under the terms of the Residency Agreement. The surviving Resident's Entrance Fee is subject to refund as provided in Section 8.
- (f) Termination by Trinity Oaks. The Executive Director may, subject to the provisions of Section 10, upon notice and opportunity to cure as herein provided, revoke Resident's right to reside at Trinity Oaks 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 Oaks 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 Section 3;

6. Material breach by you of this Agreement.

However, we shall not terminate the Agreement as provided herein until we give you written notice of, and a reasonable opportunity to cure within a reasonable period, the conduct warranting the cancellation of this Agreement.

(g) Notice and Right to Cure. Once Resident has occupied the Apartment or Cottage, the Executive Director shall give Resident notice in writing of any default by Resident and Resident shall have thirty (30) days within which to correct the default. If Resident fails to correct the default within thirty (30) days, Trinity Oaks may, at its sole option, terminate this Agreement at the expiration of the thirty (30) day period.

9. Remedies Upon Termination. Upon notification of opportunity to cure any default as described in Section 8(f) and (g) 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 re-enter the Apartment or Cottage 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 Oaks in re-entering and taking possession of the Apartment or Cottage. If Resident shall abandon or vacate the Apartment or Cottage before the termination of this Agreement, Resident will pay Trinity Oaks liquidated damages in an amount equal to the full amount of the Monthly Maintenance Fee due for the period of abandonment or vacation until a termination of this Agreement is effected as provided in Section 8(d). 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 Oaks in this document, and all rights and remedies given by law or equity shall be cumulative and concurrent.

10. Reimbursement of Entrance Fee - Independent Living

(a) Amount. If, after Resident has commenced occupancy at Trinity Oaks, if Resident or Trinity Oaks terminates this Agreement, or in the event of the death of the Resident, the Resident (or Resident's estate) will be reimbursed as follows:

Independent Apartment and Cottage Residents - 90% Refund Plan: The Entrance Fee is refundable at a minimum of ninety percent (90%). The Entrance Fee is reduced by a one percent (1.0%) at the time of initial occupancy and by one half of one percent (0.5%) per month for the first eighteen (18) months of occupancy after which an ninety percent (90%) refund will be paid to the Resident or the Resident's estate if the Living Unit is vacated. The balance of any Entrance Fees to be reimbursed after termination of the Residency Agreement will be paid by TrinityOaks after the Living Unit is vacated and the reoccupancy of the Apartment or Cottage.

Independent Apartment and Cottage Residents - 50% Refund Plan: The Entrance Fee is refundable at a minimum of fifty percent (50%). The Entrance Fee is reduced by a two percent (2.0%) at the time of initial occupancy and by one percent (1.0%) per month for the first forty-eight (48) months of occupancy after which a fifty

percent (50%) refund will be paid to the Resident or the Resident's estate if the Living Unit is vacated. The balance of any Entrance Fees to be reimbursed after termination of the Residency Agreement will be paid by Trinity Oaks after the Living Unit is vacated and the reoccupancy of the Apartment or Cottage.

Independent Apartment and Cottage Residents - Limited Refund Plan: The Entrance Fee is reduced by a four percent (4%) service fee at the time of occupancy and by two percent (2%) per month for the first forty-eight (48) months of occupancy. The Entrance Fee is non-refundable after forty-eight (48) months. The balance of any Entrance Fees to be reimbursed after termination of the Residency Agreement will be paid by Trinity Oaks after the Living Unit is vacated and the reoccupancy of the Apartment or Cottage.

In addition, Trinity Oaks will retain as reimbursement for previously incurred expenses on behalf of the Resident, a sum equal to:

- (i) The amount of medical expenses incurred by Trinity Oaks for Resident's care during the term of his/her residency, unpaid by Resident at date of termination;
  - (ii) The amount of any Monthly Maintenance Fee or other sums owed by Resident to Trinity Oaks under this Agreement including late charges;
  - (iii) The amount of any Monthly Maintenance Fee, the collection of which may have been deferred on behalf of Resident under Section 6(e); and
  - (iv) The cost of any extraordinary repairs or refurbishing with respect to the Apartment or Cottage, including the entries and doors, or any alterations required to restore the Apartment or Cottage to standard design or condition.
- (b) Multiple Residents. It is understood that when two persons are named in this Agreement, reimbursement of the refundable portion of the Entrance Fee, if any, and in accordance with Section 10(a), will be made only after the termination of this Agreement.

11. Required Health Insurance Coverage. Resident shall maintain Medicare Part A, Medicare Part B and one supplemental health insurance policy or maintain equivalent insurance coverage comparable to Medicare and approved by the Executive Director to assure Resident's ability to cover such health care related costs, and shall furnish to Trinity Oaks 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 Oaks. 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. If insurance coverage is not maintained, or if Resident refuses medical treatment, which, in the opinion of Resident's attending physician or the Medical Director is medically required for the health of the Resident or the health or safety of other Residents of Trinity Oaks, the Executive Director may terminate Resident's right to reside at Trinity Oaks and terminate this Agreement as provided in Section 8(f).

12. Religious Affiliation. 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)).

13. Funeral Expenses. Trinity Oaks 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.
14. Personal Belongings. Jewelry and personal possessions or effects brought into Trinity Oaks by the Resident will remain the property of the Resident. Unless special arrangements are made in writing by the Resident with the Executive Director, Trinity Oaks will not be responsible for the loss or theft thereof. Resident shall, prior to occupancy of the Apartment or Cottage, make provisions in a last will and testament for the final disposition of his/her furniture and possessions located at Trinity Oaks, for burial and payment of funeral expenses and for the appointment of a personal representative; and shall deliver to the Director of Community Relations a copy of the pertinent provisions of the Resident's Last Will and Testament at the time he/she commences occupancy. If removal of Resident's property is not accomplished within thirty (30) days after termination of residency, Trinity Oaks may remove and place in storage with a bonded moving or storage company, all of Resident's property and possessions, and Resident or Resident's estate, as the case may be, shall be charged for all costs associated with the storage. These provisions are subject to the rights of any remaining second Apartment or Cottage Resident. Trinity Oaks shall not be responsible for the loss of, or damage to, any property belonging to the Resident due to theft, mysterious disappearance, fire or any other cause. The Resident maintains the responsibility for obtaining desired insurance protection covering any such liability.
15. Indebtedness to Trinity Oaks and LSA Affiliates. To the extent allowed by applicable law, Trinity Oaks 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 Oaks 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 Oaks and other LSC affiliates by Resident.
16. Casualty Loss, Condemnation.
  - (a) Total Destruction. If Resident's Apartment or Cottage at Trinity Oaks is totally destroyed or damaged by fire or other casualty not occurring through fault or negligence of Trinity Oaks or those employed by or acting for Trinity Oaks, 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 Maintenance Fee shall abate for the balance of the term as of the date of the casualty. Trinity Oaks will maintain "property" insurance coverage to cover the building and contents losses sustained because of the necessary termination of operations from an insured peril.
  - (b) Partial Destruction. If the damage caused as described in Section 16(a) above is only partial, so that the Resident's Apartment or Cottage can be reasonably restored within a period of ninety (90) days to its condition prior to the partial destruction, Trinity Oaks may, at its

option, terminate this Agreement, provide alternative temporary housing, or restore Trinity Oaks to such condition reserving the right to enter the Apartment or Cottage for that purpose. In any event, the Monthly Maintenance Fee shall be reduced during the time Trinity Oaks is in possession, taking into account the extent that the Apartment or Cottage is rendered untenable and the duration of Trinity Oaks' possession. Trinity Oaks will maintain "business income" and "extra expense" insurance coverage to cover losses sustained because of the necessary suspension of operations from an insured peril.

- (c) Condemnation. If Trinity Oaks 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 Oaks can no longer be operated reasonably in the opinion of Trinity Oaks' Board of Directors, this Agreement shall terminate as the date title shall rest in the condemner, and the Monthly Maintenance Fee shall abate. In the event of condemnation, the Resident waives all claims against Trinity Oaks, and Resident agrees that he/she will not make or be entitled to any claim or recovery against the condemning authority.
17. Government Eligibilities. Should either Trinity Oaks 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.
18. Liability of Trinity Oaks. The death of the Resident will cancel any and all obligations or liability of Trinity Oaks under the terms of this Agreement [see Section 8(e)].
19. Rights of Management. The absolute rights of management are reserved by Trinity Oaks. Trinity Oaks reserves the right to accept or reject any person for residency. The rights of the Residents do not include any right to participate in the management of Trinity Oaks, to determine admissions or terms of admission of any other Resident, to alter common areas within Trinity Oaks, or to make unapproved alterations to their Apartment or Cottage.
20. Durable Power of Attorney. Resident agrees to execute under seal and maintain in effect a Durable Power of Attorney that is valid under North Carolina law and will survive Resident's incapacity or mental incompetence. This Durable Power of Attorney may be effective only upon certification by a licensed physician that Resident is incapacitated or mentally incompetent, and shall designate as Resident's attorney-in-fact a bank or some responsible person of his/her choice to act for him/her managing his/her financial affairs and in filing for insurance and/or other benefits under private and public assistance programs in as full and complete a manner as Resident could do if acting personally for himself/herself. Resident shall deliver a fully executed original of this Durable Power of Attorney to Trinity Oaks prior to occupancy of the Apartment or Cottage.
21. Binding Effect. The covenants and conditions of this Agreement shall bind and benefit respectively Trinity Oaks 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.

22. Interruptions. Trinity Oaks shall not be required to perform any condition, term or covenant in this 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 Oaks and which by the exercise of ordinary care Trinity Oaks is unable, wholly or in part, to prevent or overcome.
23. Severability. If any clause or provision of this 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.
24. Governing Law. This Agreement will be governed by and construed under the laws of the State of North Carolina.
25. Execution. This Agreement has been executed on behalf of Trinity Oaks by its duly authorized agent. No officer, director, agent or employee of Trinity Oaks shall have any personal liability hereunder to Resident under any circumstances.
26. Waiver. No waiver of any term or condition of this 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 Oaks to insist upon strict and/or prompt performance of the requirements, covenants, terms or conditions of this Agreement, and/or the acceptance of such performance thereafter, will not constitute or be construed as a waiver or the relinquishment of Trinity Oaks' right to thereafter enforce the same strictly in the event of a continuing or subsequent default on the part of the Resident.
27. Interpretation. The captions contained herein are for convenience and reference only and in no way define, limit, or describe the scope or intent of this Agreement or affect any of the terms and provisions of this 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.
28. 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 Oaks:
    - (i) LUTHERAN RETIREMENT CENTER - SALISBURY, INC.  
d/b/a TRINITY OAKS  
728 Klumac Road  
Salisbury, North Carolina 28144-5714

(b) If to the Resident:

(i) If before Occupancy, as follows:

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

(ii) If after Occupancy, at the Apartment or Cottage.

29. Multiple Originals. This Agreement shall be executed in multiple originals, so that each Resident and Trinity Oaks shall retain an original, fully executed document.

30. Acknowledgment of Receipt. Resident acknowledges that he has received an executed copy of this Agreement, including Addendums I through IV.

31. IN WITNESS WHEREOF, the parties hereto duly executed this Agreement as of the day and year first above written.

LUTHERAN RETIREMENT CENTER –  
SALISBURY, INC., d/b/a/  
TRINITY OAKS

\_\_\_\_\_  
Witness

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

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Resident

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Resident

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

**ADDENDUM I**

**RESERVATION AGREEMENT  
FOR AN APARTMENT  
TRINITY OAKS - SALISBURY**

THIS RESERVATION AGREEMENT is made this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, between LUTHERAN RETIREMENT CENTER - SALISBURY, INC., a North Carolina nonprofit corporation operating under the name of Trinity Oaks, and

\_\_\_\_\_ (herein individually or collectively called "Resident"). If a husband and wife or two other persons desiring to share an Apartment at Trinity Oaks enter into this Agreement, the term Resident shall apply to them jointly and severally and to the survivor of them.

WHEREAS, Trinity Oaks owns and operates the retirement community located at 728 Klumac Road in Salisbury, Rowan County, North Carolina; and

WHEREAS, Resident desires to reserve the living unit ("Apartment") located at Trinity Oaks and designated in the Reservation Agreement, and Trinity Oaks desires to make such Apartment available to Resident;

NOW, THEREFORE, Resident and Trinity Oaks agree as follows:

- I. **APARTMENT RESERVATION.** Resident agrees to reserve Apartment number \_\_\_\_\_, a \_\_\_\_\_ Apartment. Reservation is contingent upon any prior reservation received by a current resident for a like unit and the current resident shall have first right of refusal to proceed with a new Residency Agreement within 7 days.
  
- II. **PROJECTED DATE OF OCCUPANCY.** Resident estimates the projected date of occupancy of the Apartment to be on or about \_\_\_\_\_, \_\_\_\_\_.
  
- III. **ADMISSIONS PROCEDURES.**
  - A. **Application Forms.** Within thirty (15) days after execution of this Reservation Agreement, the Resident agrees to submit an Application for Admission, a Personal Health History and a Confidential Financial Statement on forms provided by Trinity Oaks. Updated forms may be required within thirty (30) days of occupancy.
  
  - B. **Personal Interview.** The Resident shall have an interview with a representative from Trinity Oaks prior to an Admissions Committee review.
  
  - C. **Admissions Committee Review.** The Admissions Committee will review the Application Forms as a basis for initial acceptance for admission to Trinity Oaks. The Admissions Committee will accept or deny the application based on the criteria and policies established by the Board of Directors. The Executive Director or representative appointed by Trinity Oaks will notify the Resident in writing of the action taken by the Admissions Committee.

- D. Residency Agreement. At the time of execution of this Reservation Agreement, the Resident will be provided a copy of the Residency Agreement included in the Disclosure Statement. The Resident shall execute the Residency Agreement within ten (10) days of notification of initial acceptance by the Admissions Committee.
- E. Disclosure Statement. Upon execution of this Reservation Agreement, Trinity Oaks shall provide the Resident a copy of the Disclosure Statement which fully describes the organization, facilities, policies, services, fees, financial condition, projections, and other vital information.

#### IV. FINANCIAL ARRANGEMENTS

- A. Entrance Fee. The Resident agrees to pay Trinity Oaks an Entrance Fee equal to \$ \_\_\_\_\_ under the \_\_\_\_\_ Entrance Fee Refund Plan as a condition of becoming a Resident. The amount and terms of the Entrance Fee shall be paid as follows:
1. Reservation Deposit. A Reservation Deposit of One Thousand Dollars (\$1,000.00) is paid upon the execution of this Reservation Agreement by the Resident.
  2. Ten Percent (10%) Deposit. An amount equal to ten percent (10%) of the Entrance Fee, less the One Thousand Dollar (\$1,000.00) Reservation Deposit, or \$ \_\_\_\_\_, is due and payable within ten (10) days of Resident having received written notice of initial acceptance by the Admissions Committee.
  3. Balance of the Entrance Fee. The balance of ninety (90%) of the total Entrance Fee will be due and payable within ninety (90) days of the date of this Reservation Agreement or one (1) day prior to occupancy of the Apartment by the Resident, unless otherwise agreed to in writing by Trinity Oaks.
- B. Monthly Maintenance Fee. In addition to the Entrance Fee, the Resident agrees to pay a Monthly Maintenance Fee. As of the date of this Reservation Agreement, the Monthly Maintenance Fee for the Apartment is \$ \_\_\_\_\_ per month for the first Resident, and an additional \$ \_\_\_\_\_ per month if a second Resident occupies the Apartment. The Monthly Maintenance Fee will begin within ninety (90) days of the date of this Reservation Agreement or upon occupancy of the Apartment by the Resident, whichever first occurs, unless otherwise agreed to in writing by Trinity Oaks.

- V. TERMINATION AND REFUND. The Resident may terminate this Agreement prior to entering into the Residency Agreement for any reason by giving written notice to Trinity Oaks. The Resident shall be refunded the entire amount of the Reservation Fee of One Thousand Dollars (\$1,000.00), minus a processing fee of Five Hundred Dollars (\$500.00), within thirty (30) days of such notice.

- VI. PRELIMINARY AGREEMENT. The Reservation Agreement is preliminary in nature and precedent to the Residency Agreement which will be entered into within ten (10) days upon notification of initial acceptance by the Admissions Committee.



IN WITNESS WHEREOF, Trinity Oaks and Resident have executed this Agreement and the Reservation Deposit of One Thousand Dollars (\$1,000.00) has been paid as of the day and year first written above.

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Resident

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Resident

\_\_\_\_\_  
Current Address (Number and Street)

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

\_\_\_\_\_  
Telephone

LUTHERAN RETIREMENT CENTER - SALISBURY, INC.  
d/b/a TRINITY OAKS

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date



## ADDENDUM II

### RESERVATION AGREEMENT FOR A COTTAGE TRINITY OAKS - SALISBURY

THIS RESERVATION AGREEMENT is made this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, between LUTHERAN RETIREMENT CENTER - SALISBURY, INC., a North Carolina nonprofit corporation operating under the name of Trinity Oaks, and \_\_\_\_\_ (herein individually or collectively called "Resident"). If a husband and wife or two other persons desiring to share a Cottage at Trinity Oaks enter into this Agreement, the term Resident shall apply to them jointly and severally and to the survivor of them.

WHEREAS, Trinity Oaks owns and operates the retirement community located at 728 Klumac Road in Salisbury, Rowan County, North Carolina; and

WHEREAS, Resident desires a Cottage located at Trinity Oaks and designated in the Reservation Agreement, and Trinity Oaks desires to make such Cottage available to Resident;

NOW, THEREFORE, Resident and Trinity Oaks agree as follows:

- I. **COTTAGE RESERVATION.** Resident agrees to reserve the Cottage at \_\_\_\_\_. A Cottage Reservation must be accompanied by a deposit of One Thousand Dollars (\$1,000.00) upon the execution of this Reservation Agreement by the Resident. Reservation is contingent upon any prior reservation received from a current resident for a like unit and the current resident will have first right of refusal to proceed with a new Residency Agreement within 7 days after the signing of this Agreement.
- II. **PROJECTED DATE OF OCCUPANCY.** Resident estimates the projected date of occupancy of the Cottage to be on or about \_\_\_\_\_, \_\_\_\_\_.
- III. **ADMISSIONS PROCESS.** Trinity Oaks and Resident agree to proceed with the admissions process as outlined below:
  - A. **Application Forms.** Within thirty (15) days after execution of this Reservation Agreement, the Resident agrees to submit an Application for Admission, a Personal Health History and a Confidential Financial Statement on forms provided by Trinity Oaks. Updated forms may be required within thirty (30) days of occupancy.
  - B. **Personal Interview.** The Resident shall have an interview with a representative from Trinity Oaks prior to an Admissions Committee review.
  - C. **Admissions Committee Review.** The Admissions Committee will review the Application Forms as a basis for initial acceptance for admission to Trinity Oaks. The Admissions Committee will accept or deny the application based on the criteria and policies established by the Board of Directors. The Executive Director or representative appointed by Trinity Oaks will notify the Resident in writing of the action taken by the Admissions Committee.

- D. Residency Agreement. At the time of execution of this Reservation Agreement, the Resident will be provided a copy of the Residency Agreement included in the Disclosure Statement. The Resident shall execute the Residency Agreement within ten (10) days of notification of initial acceptance by the Admissions Committee.
- E. Disclosure Statement. Upon execution of this Reservation Agreement, Trinity Oaks shall provide the Resident a copy of the Disclosure Statement which fully describes the organization, facilities, policies, services, fees, financial condition, projections, and other vital information.

#### **IV. FINANCIAL ARRANGEMENTS**

- A. Entrance Fee. The Resident agrees to pay Trinity Oaks an Entrance Fee equal to \$\_\_\_\_\_ under the \_\_\_\_\_ Entrance Fee Refund Plan as a condition of becoming a Resident. The amount and terms of the Entrance Fee shall be paid as follows:
  - 1. Reservation Deposit. A Reservation Deposit of One Thousand Dollars (\$1,000.00) is paid upon the execution of this Reservation Agreement by the Resident.
  - 2. Ten Percent (10%) Deposit. An amount equal to ten percent (10%) of the Entrance Fee, less the One Thousand Dollar (\$1,000.00) Reservation Deposit, or \$\_\_\_\_\_, is due and payable within ten (10) days of Resident having received written notice of initial acceptance by the Admissions Committee. Payment is due prior to any work for any options or custom features..
  - 3. Balance of the Entrance Fee. The balance of ninety (90%) of the total Entrance Fee will be due and payable within one hundred and twenty (120) days of the date of this Reservation Agreement or one (1) day prior to occupancy of the Cottage by the Resident, unless otherwise agreed to in writing by Trinity Oaks.
- B. Monthly Maintenance Fee. In addition to the Entrance Fee, the Resident agrees to pay a Monthly Maintenance Fee. As of the date of this Reservation Agreement, the Monthly Maintenance Fee for the Cottage is \$\_\_\_\_\_ per month for the first Resident, and an additional \$\_\_\_\_\_ per month if a second Resident occupies the Cottage. The Monthly Maintenance Fee will begin within ninety (90) days of the date of this Reservation Agreement or upon occupancy of the Cottage by the Resident, whichever first occurs, unless otherwise agreed to in writing by Trinity Oaks.

**V. TERMINATION AND REFUND.** The Resident may terminate this Agreement prior to entering into the Residency Agreement for any reason by giving written notice to Trinity Oaks. The Resident shall be refunded the entire amount of the Cottage Reservation Deposit of One Thousand Dollars (\$1,000.00), minus a processing fee of Five Hundred Dollars (\$500.00), within thirty (30) days of such notice.

**VI. PRELIMINARY AGREEMENT.** The Reservation Agreement is preliminary in nature and precedent to the Residency Agreement which will be entered into within ten (10) days upon notification of initial acceptance by the Admissions Committee.

IN WITNESS WHEREOF, Trinity Oaks and Resident have executed this Agreement and the Cottage Reservation of One Thousand Dollars (\$1,000.00) has been paid as of the day and year first written above.

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Resident

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Resident

\_\_\_\_\_  
Current Address (Number and Street)

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

\_\_\_\_\_  
Telephone

LUTHERAN RETIREMENT CENTER - SALISBURY, INC.  
d/b/a TRINITY OAKS

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

|

**ADDENDUM III**

**TRINITY OAKS  
DESIGNATION OF ENTRANCE FEE REFUND**

This Addendum is made between \_\_\_\_\_ and Lutheran Retirement Center - Salisbury, Inc. (d/b/a Trinity Oaks). Disbursement of refunds will be made in accordance with the terms of the Residency Agreement and with the following provision:

ALL REFUNDS WILL BE PAID TO THE RESIDENT OR THE ESTATE IN CARE OF:

\_\_\_\_\_  
Name

\_\_\_\_\_  
Street or P. O. Box

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

\_\_\_\_\_  
Phone

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date





**ADDENDUM IV**

**RECEIPT OF THE DISCLOSURE STATEMENT  
OF LUTHERAN RETIREMENT CENTER - SALISBURY, INC.  
KNOWN AS "TRINITY OAKS"**

I \_\_\_\_\_, with this statement, acknowledge receipt of the Disclosure Statement of Trinity Oaks Retirement Community dated March 1, 2024. This statement was made available to me prior to signing the Residency Agreement for Trinity Oaks.

\_\_\_\_\_  
Name

\_\_\_\_\_  
Name

\_\_\_\_\_  
Address

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

\_\_\_\_\_  
Date



# Attachment 2

Assisted Living Admission Agreement



## 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

# Attachment 3

Skilled Nursing Admission Agreement



## 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 \_\_\_\_\_



# Attachment 4

Certified Financial Statement  
of Provider






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

## **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 Guilford 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 Guilford 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 Guilford 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>50% through 12/31/21 30% 1/1/2022 – 9/30/22</u>
<u>2022</u>	<u>Trinity Rehab, LLC</u>	<u>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  
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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.

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

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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	788,464	332,998	1,100,735	60,481	41,753	77,506	2,401,937
<b>Total</b>	<b><u>\$114,213,343</u></b>	<b><u>\$ 344,098</u></b>	<b><u>\$ 28,260,905</u></b>	<b><u>\$ 11,499,911</u></b>	<b><u>\$ 1,247,006</u></b>	<b><u>\$ 33,732,232</u></b>	<b><u>\$189,186,971</u></b>

<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	301,627	-	406,959	61,635	8,003	-	778,224
<b>Total</b>	<b><u>\$ 91,154,208</u></b>	<b><u>\$ 6,126</u></b>	<b><u>\$ 16,057,969</u></b>	<b><u>\$ 10,989,304</u></b>	<b><u>\$ 1,125,706</u></b>	<b><u>\$ 27,284,802</u></b>	<b><u>\$146,618,115</u></b>

### **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:

<u>Asset Categories</u>	<u>2023</u>	<u>2022</u>
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	5,931,577	5,851,233
	<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:

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

Pledges receivable for LFS are summarized as follows:

	<u>2023</u>	<u>2022</u>
Receivable in less than one year	\$ 10,634	\$ 138,364
Receivable in greater than one year	435,779	494,140
	<u>446,413</u>	<u>632,504</u>
Less allowance for uncollectible pledges	7,358	7,358
Less discounts to net present value	21,735	21,735
	<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>LSA:</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>LFS:</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>
	<u>314,235,106</u>	<u>4,550,481</u>	<u>318,785,587</u>
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	<b>\$107,280,000</b>	\$ -	<b>\$107,280,000</b>
Series 2021B	-	-	-
Series 2021C	<u>34,490,000</u>	-	<u>34,490,000</u>
	<u>141,770,000</u>	-	<u>141,770,000</u>
HUD Loans:			
Section 202	-	131,953	131,953
Section 811	-	249,800	249,800
	-	<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>240,722</u>	<u>240,722</u>
	<u>153,427,723</u>	<u>622,475</u>	<u>154,050,198</u>
Less current maturities of long-term debt	<u>(5,038,597)</u>	<u>(60,750)</u>	<u>(5,099,347)</u>
Less bond issuance costs, net	<u>(1,801,869)</u>	-	<u>(1,801,869)</u>
Add unamortized bond premiums	<u>9,228,976</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>		<b>Total</b>
	<b>LSA</b>	<b>LFS</b>	
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	431,273	-	431,273
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	102,544	-	102,544
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>LSA:</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>LFS:</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>LSA:</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>LFS:</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:

	<b>2023</b>		<b>Total</b>
	<b>LSA</b>	<b>LFS</b>	
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>

	<b>2022</b>		<b>Total</b>
	<b>LSA</b>	<b>LFS</b>	
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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<b>September 30, 2022</b>						
	<b>Program Services</b>		<b>Administrative and General</b>	<b>Development</b>	<b>Marketing</b>	<b>Total</b>
	<b>Senior Services</b>	<b>Child and Family Services</b>				
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	3,707,675	27,291	(28,370)	-	-	3,706,596
<b>Total expense</b>	<b><u>\$99,117,289</u></b>	<b><u>\$24,665,229</u></b>	<b><u>\$14,313,112</u></b>	<b><u>\$ 858,643</u></b>	<b><u>\$ 1,253,353</u></b>	<b><u>\$140,207,626</u></b>

**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.

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

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	<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	-
	<hr/>
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%	2%
		<hr/>
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  
Lutheran Family Services in the Carolinas and Affiliates  
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  
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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	5,756,617	9,327,203	6,137,384	17,477,531	4,965,951	2,011,014	5,485,996	3,454,766	13,367,772	67,984,234
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	263,582	883,512	-	1,884,593	4,339	-	-	-	-	3,036,026
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	\$ 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

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	<u>569,870</u>	<u>753,989</u>	<u>820,650</u>	<u>687,089</u>	<u>542,735</u>	<u>658,339</u>	<u>679,829</u>	<u>377,245</u>	<u>984,063</u>	<u>6,073,809</u>
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	<u>155,095</u>	<u>253,626</u>	<u>-</u>	<u>165,329</u>	<u>43,792</u>	<u>1,825</u>	<u>-</u>	<u>378,887</u>	<u>(1,444)</u>	<u>997,110</u>
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	<u>249,743</u>	<u>883,512</u>	<u>-</u>	<u>1,000,818</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,134,073</u>
Total net assets without donor restrictions	<u>5,805,159</u>	<u>9,567,685</u>	<u>5,583,832</u>	<u>18,212,986</u>	<u>4,573,006</u>	<u>1,609,324</u>	<u>5,301,355</u>	<u>5,819,063</u>	<u>16,840,114</u>	<u>73,312,524</u>
Net assets with donor restrictions										
Total net assets	<u>104,582</u>	<u>112,131</u>	<u>18,527</u>	<u>680,334</u>	<u>21,616</u>	<u>12,292</u>	<u>3,318</u>	<u>22,307</u>	<u>2,481</u>	<u>977,588</u>
Total net assets	<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>
Total liabilities and net 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

	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  
Consolidating Balance Sheets  
September 30, 2023

	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  
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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	<u>1,023,240</u>	<u>20,157</u>	<u>-</u>	<u>-</u>	<u>1,043,397</u>
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	<u>173,144</u>	<u>16,695</u>	<u>3,396</u>	<u>-</u>	<u>193,235</u>
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	2,606,015	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>

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

(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					
Total net assets	<u>10,077</u>	<u>27,248</u>	<u>6,080</u>	<u>-</u>	<u>43,405</u>
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  
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	<u>LSA</u>	<u>LSA Management</u>	<u>LSA Foundation</u>	<u>LSA Therapy</u>	<u>Trinity Guardian</u>	<u>DHS</u>	<u>Total Other</u>
<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>

See Independent Auditor's Report.

	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	<u>6,316,617</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,316,617</u>
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>813,220</u>	<u>69,207</u>	<u>5,909,391</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,791,818</u>
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  
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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	-	-	-
Total current assets	<u>\$ 1,060,268</u>	<u>\$ 9,641,859</u>	<u>\$ 10,702,127</u>
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
Total assets limited as to use	<u>-</u>	<u>930,272</u>	<u>930,272</u>
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
Total assets	<u>\$ 2,536,235</u>	<u>\$ 11,275,749</u>	<u>\$ 13,811,984</u>

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			
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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	<u>Total LSA</u>	<u>Total LFS</u>	<u>Eliminations</u>	<u>Total</u>	<u>Obligated Group*</u>
<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>	<u>134,183,727</u>	<u>10,702,127</u>	<u>(2,042,022)</u>	<u>142,843,832</u>	<u>111,297,920</u>
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>	<u>34,767,980</u>	<u>930,272</u>	<u>-</u>	<u>35,698,252</u>	<u>34,767,980</u>
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>	<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 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.

	<u>Total LSA</u>	<u>Total LFS</u>	<u>Eliminations</u>	<u>Total</u>	<u>Obligated Group*</u>
<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					
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	9,764,504	17,392,507	14,993,045	14,055,483	13,126,535	12,468,060	11,081,232	6,417,172	14,774,084	114,072,622
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	10,040,312	18,467,758	14,848,335	13,432,042	12,679,845	12,276,046	10,265,994	6,056,214	15,044,504	113,111,050
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)	221,075	638,679	109,710	979,611	115,495	96,195	20,000	42,822	822,202	3,045,789
Excess (deficit) of revenues over expenses	(54,733)	(436,572)	254,420	1,603,052	562,185	288,209	835,238	403,780	551,782	4,007,361

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	<u>5,971,087</u>	<u>10,119,550</u>	<u>5,346,889</u>	<u>17,412,090</u>	<u>4,032,715</u>	<u>1,328,757</u>	<u>4,469,435</u>	<u>-</u>	<u>16,288,332</u>	<u>64,968,855</u>
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	385,000	600,000	820,000	653,600	761,100	370,000	1,032,998	885,000	138,000	5,645,698
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	693,393	540,574	805,405	446,085	747,203	539,484	764,857	582,792	125,026	5,244,819
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)	114,838	-	181,367	460,804	120,017	-	51,182	124,911	27,649	1,080,768
Excess (deficit) of revenues over expenses	(193,555)	59,426	195,962	668,319	133,914	(169,484)	319,323	427,119	40,623	1,481,647

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>

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

	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>

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

	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	15,578	10,235,518	37,371	-	-	248,457	10,536,924
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	207,577	9,819,515	12,051	-	-	288,927	10,328,070
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)	1,193,154	2,183,273	825,757	783,450	-	301	4,985,935
Excess (deficit) of revenues over expenses	1,001,155	2,599,276	851,077	783,450	-	(40,169)	5,194,789

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)

	<u>LSA</u>	<u>LSA Management</u>	<u>LSA Foundation</u>	<u>LSA Therapy</u>	<u>Trinity Guardian</u>	<u>DHS</u>	<u>Total Other</u>
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	<u>(15,578)</u>	<u>-</u>	<u>(37,379)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(52,957)</u>
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	<u>8,027,947</u>	<u>8,963,394</u>	<u>7,513,042</u>	<u>4,537,982</u>	<u>-</u>	<u>1,282,658</u>	<u>30,325,023</u>
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>

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

	<b>Total LSA</b>	<b>Total LFS</b>	<b>Eliminations</b>	<b>Total</b>	<b>Obligated Group*</b>
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	<u>7,979,613</u>	<u>416,385</u>	<u>(5,301,600)</u>	<u>3,094,398</u>	<u>1,408,092</u>
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	<u>3,300,855</u>	<u>31,813</u>	<u>-</u>	<u>3,332,668</u>	<u>3,274,075</u>
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)	<u>(385,940)</u>	<u>-</u>	<u>-</u>	<u>(385,940)</u>	<u>(385,940)</u>
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)

	<u>Total LSA</u>	<u>Total LFS</u>	<u>Eliminations</u>	<u>Total</u>	<u>Obligated Group*</u>
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.

# Attachment 5

Certified Forecast Financial  
Statements



**LUTHERAN RETIREMENT CENTER – SALISBURY, INC.  
LUTHERAN HOME AT TRINITY OAKS, INC.  
LUTHERAN HOME AT TRINITY OAKS PROPERTY, INC.  
COLLECTIVELY D/B/A TRINITY OAKS**

**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 – Salisbury, Inc.  
Lutheran Home at Trinity Oaks, Inc.  
Lutheran Home at Trinity Oaks Property, Inc.  
Salisbury, North Carolina

Management is responsible for the accompanying projected combined financial statements of Lutheran Retirement Center – Salisbury, Inc., Lutheran Home at Trinity Oaks, Inc., and Lutheran Home at Trinity Oaks Property, Inc., collectively d/b/a Trinity Oaks (“Trinity Oaks”), 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 summary 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 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 Oaks 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 requirement of North Carolina General Statutes, Chapter 58, Article 64 and is included in Trinity Oaks’ disclosure statement filing), and is not intended to be and should not be used by anyone other than these specified parties.

Board of Trustees  
Lutheran Retirement Center – Salisbury, Inc.  
Lutheran Home at Trinity Oaks, Inc.  
Lutheran Home at Trinity Oaks 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 – SALISBURY, INC.  
LUTHERAN HOME AT TRINITY OAKS, INC.  
LUTHERAN HOME AT TRINITY OAKS PROPERTY, INC.  
COLLECTIVELY D/B/A TRINITY OAKS  
PROJECTED COMBINED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS  
ASSUMING THE HYPOTHETICAL ASSUMPTIONS ON PAGE 6  
FOR THE YEARS ENDING SEPTEMBER 30,  
(In Thousands of Dollars)**

	2024	2025	2026	2027	2028
Operating Revenue					
Patient Service Revenues:					
Monthly Fee Revenues	\$ 6,534	\$ 6,842	\$ 7,078	\$ 7,291	\$ 7,509
Health Care Revenues - Assisted Living and Nursing	18,115	18,861	19,508	20,211	20,719
Amortization of Deferred Entrance Fees	1,240	1,214	1,185	1,155	1,190
Other Operating Revenue	657	691	711	733	755
Total Revenue	<u>26,546</u>	<u>27,608</u>	<u>28,482</u>	<u>29,390</u>	<u>30,173</u>
Expenses					
Health Care	8,608	9,146	9,419	9,703	9,992
Operations:					
Maintenance	695	739	761	783	807
Utilities	736	782	805	830	854
Laundry	266	282	291	300	309
Housekeeping	818	869	895	922	949
Groundskeeping	307	326	336	346	356
Security	225	239	246	253	261
Dietary	3,456	3,671	3,781	3,894	4,011
Activities, Transportation, and Ministry	798	847	873	899	926
Administrative	4,540	4,822	4,967	5,116	5,269
Management Fees	1,205	1,239	1,282	1,326	1,361
Depreciation	2,141	2,545	2,783	3,029	3,281
Interest Expense and Amortization	155	146	135	123	110
Total Operating Costs and Expenses	<u>23,950</u>	<u>25,653</u>	<u>26,574</u>	<u>27,524</u>	<u>28,466</u>
Operating Income	2,596	1,955	1,908	1,866	1,687
Non-Operating Gains:					
Investment Income	778	910	1,019	1,141	1,271
Contributions	227	239	246	253	260
Total Non-Operating Income	<u>1,005</u>	<u>1,149</u>	<u>1,265</u>	<u>1,394</u>	<u>1,531</u>
Excess of Revenues over Expenses	3,601	3,104	3,173	3,260	3,218
Changes in Net Assets	3,601	3,104	3,173	3,260	3,218
Net Assets at Beginning of Year	35,787	39,388	42,492	45,665	48,925
Net Assets at End of Year	<u>\$ 39,388</u>	<u>\$ 42,492</u>	<u>\$ 45,665</u>	<u>\$ 48,925</u>	<u>\$ 52,143</u>

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

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

	2024	2025	2026	2027	2028
Cash Flows from Operating Activities:					
Changes in Net Assets	\$ 3,601	\$ 3,104	\$ 3,173	\$ 3,260	\$ 3,218
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:					
Depreciation	2,141	2,545	2,783	3,029	3,281
Amortization of Debt Issuance Costs	13	13	13	13	13
Amortization of Debt Premium	(52)	(52)	(52)	(52)	(52)
Amortization of Deferred Entrance Fees	(1,240)	(1,214)	(1,185)	(1,155)	(1,190)
Receipt of Non-Refundable Entrance Fees	2,517	2,517	2,517	2,427	2,517
Changes in Assets and Liabilities:					
Accounts Receivable, Residents and Clients	(136)	(78)	(78)	(52)	(52)
Other Current Assets	(17)	(6)	(6)	(4)	(4)
Change in Employee Retention Credit Receivables	1,314	-	-	-	-
Accounts Payable and Other Accrued Liabilities	48	80	40	40	40
Accrued Interest Payable	15	(1)	(1)	(1)	(1)
Net Cash Provided by Operating Activities	<u>8,204</u>	<u>6,908</u>	<u>7,204</u>	<u>7,505</u>	<u>7,770</u>
Cash Flows from Investment Activities:					
Routine Purchases of Property and Equipment	(2,286)	(2,350)	(2,420)	(2,490)	(2,560)
Change in Investments, Net	(3,878)	(2,351)	(2,880)	(3,045)	(3,227)
Change in Assets Whose Use is Limited, Net	(187)	(94)	(64)	(67)	(67)
Net Cash Used in Investment Activities	<u>(6,351)</u>	<u>(4,795)</u>	<u>(5,364)</u>	<u>(5,602)</u>	<u>(5,854)</u>
Cash Flows from Financing Activities:					
Allocated Payments of Long-Term Debt	(231)	(241)	(252)	(265)	(279)
Refunds of Refundable Fees	(1,345)	(1,395)	(1,345)	(1,395)	(1,395)
Net Cash Used in Financing Activities	<u>(1,576)</u>	<u>(1,636)</u>	<u>(1,597)</u>	<u>(1,660)</u>	<u>(1,674)</u>
Change in Cash, Cash Equivalents and Restricted Cash	277	477	243	243	242
Cash, Cash Equivalents and Restricted Cash, Beginning of Year	7,777	8,054	8,531	8,774	9,017
Cash, Cash Equivalents and Restricted Cash, End of Year	<u>\$ 8,054</u>	<u>\$ 8,531</u>	<u>\$ 8,774</u>	<u>\$ 9,017</u>	<u>\$ 9,259</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>					
Cash Paid During the Year for Interest	\$ 195	\$ 186	\$ 175	\$ 163	\$ 150

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

**LUTHERAN RETIREMENT CENTER – SALISBURY, INC.  
LUTHERAN HOME AT TRINITY OAKS, INC.  
LUTHERAN HOME AT TRINITY OAKS PROPERTY, INC.  
COLLECTIVELY D/B/A TRINITY OAKS  
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	\$ 6,962	\$ 7,434	\$ 7,670	\$ 7,906	\$ 8,142
Investments	17,434	19,785	22,665	25,710	28,937
Current Portion of Assets Limited as to Use	156	161	168	175	181
Accounts Receivable, Residents, and Clients, Net of Current Expected Credit Loss	1,794	1,872	1,950	2,002	2,054
Other Receivable	123	123	123	123	123
Inventories	69	72	75	77	79
Prepaid Expenses	69	72	75	77	79
Residents' Funds	19	19	19	19	19
Total Current Assets	<u>26,626</u>	<u>29,538</u>	<u>32,745</u>	<u>36,089</u>	<u>39,614</u>
Assets Limited as to Use:					
Investments - Board Designated Funds	2,024	2,024	2,024	2,024	2,024
Assets Limited as to Use - Operating Reserve Requirement	2,129	2,223	2,287	2,354	2,421
Bond Funds	156	161	168	175	181
Assets Restricted for Investments in Property and Equipment	917	917	917	917	917
Total Assets Limited as to Use	<u>5,226</u>	<u>5,325</u>	<u>5,396</u>	<u>5,470</u>	<u>5,543</u>
Less: Current Portion	(156)	(161)	(168)	(175)	(181)
	<u>5,070</u>	<u>5,164</u>	<u>5,228</u>	<u>5,295</u>	<u>5,362</u>
Due from Affiliate	5,025	5,025	5,025	5,025	5,025
Property and Equipment, Net	25,929	25,734	25,371	24,832	24,111
Total Assets	<u>\$ 62,650</u>	<u>\$ 65,461</u>	<u>\$ 68,369</u>	<u>\$ 71,241</u>	<u>\$ 74,112</u>
<b>LIABILITIES AND NET ASSETS</b>					
Current Liabilities					
Current Maturities of Long-Term Debt	\$ 241	\$ 252	\$ 265	\$ 279	\$ 292
Accounts Payable, Trade	355	379	391	403	415
Accrued Salaries and Payroll Taxes	837	891	918	945	972
Accrued Health Benefits	31	33	34	35	36
Refundable Fees - Current	232	232	232	232	232
Accrued Interest Payable	15	14	13	12	11
Residents' Funds Liability	19	19	19	19	19
Total Current Liabilities	<u>1,730</u>	<u>1,820</u>	<u>1,872</u>	<u>1,925</u>	<u>1,977</u>
Long-Term Liabilities:					
Long-Term Debt, Less Current Maturities, Debt Issuance Costs and Original Issuance Premium	5,298	5,007	4,703	4,385	4,054
Refundable Fees	7,010	5,615	4,270	2,875	1,480
Deferred Revenue from Advance Fees	9,224	10,527	11,859	13,131	14,458
Total Long-Term Liabilities	<u>21,532</u>	<u>21,149</u>	<u>20,832</u>	<u>20,391</u>	<u>19,992</u>
Total Liabilities	<u>23,262</u>	<u>22,969</u>	<u>22,704</u>	<u>22,316</u>	<u>21,969</u>
Net Assets:					
Net Assets Without Donor Restriction					
Unrestricted, Undesignated	36,235	39,339	42,512	45,772	48,990
Unrestricted, Board Designated Funds	2,024	2,024	2,024	2,024	2,024
Total Net Assets Without Donor Restriction	<u>38,259</u>	<u>41,363</u>	<u>44,536</u>	<u>47,796</u>	<u>51,014</u>
Net Assets With Donor Restriction	<u>1,129</u>	<u>1,129</u>	<u>1,129</u>	<u>1,129</u>	<u>1,129</u>
Total Net Assets	<u>39,388</u>	<u>42,492</u>	<u>45,665</u>	<u>48,925</u>	<u>52,143</u>
Total Liabilities and Net Assets	<u>\$ 62,650</u>	<u>\$ 65,461</u>	<u>\$ 68,369</u>	<u>\$ 71,241</u>	<u>\$ 74,112</u>

**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 – Salisbury, Inc., Lutheran Home at Trinity Oaks, Inc., and Lutheran Home at Trinity Oaks Property, Inc., collectively d/b/a Trinity Oaks ("Trinity Oaks"), 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 Oaks depends.

**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.
- Management is able to achieve the occupancy 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 Oaks' 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 Oaks 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 Oaks and LSA are nonprofit corporations under section 501(c)(3) of the Internal Revenue Code and are located in Salisbury, North Carolina.

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 Oaks 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 Oaks**

#### *Trinity Oaks retirement*

Lutheran Retirement Center – Salisbury, Inc., d/b/a “Trinity Oaks retirement,” is a fee-for-service retirement community consisting of 167 independent living units (125 apartments and 42 cottages) and 38 assisted living residences. The independent living apartments, housed in a three-story building, include 45 two-bedroom units, 63 one-bedroom units and 17 studio units. All 38 assisted living residences are single occupancy rooms. Trinity Oaks retirement currently occupies approximately 11 acres, part of the larger 40-acre site upon which the skilled nursing facility known as Trinity Oaks Health & Rehab is located. Trinity Oaks retirement and Trinity Oaks health and rehab (as defined hereinafter) operate together as a North Carolina licensed continuing care retirement community (a “CCRC”).

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

Trinity Oaks retirement offers three entrance fee plans for all of its apartments and cottages (as further described in “Advance Fees” on page 11). The entrance fee entitles occupancy of a residence by the resident at Trinity Oaks retirement, together with the use and benefits of its common areas, amenities, services and programs. The entrance fee also assures the residents priority access to the assisted living center and Trinity Oaks health and rehab. Upon leaving Trinity Oaks retirement’s independent living

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

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

units, the resident or the resident's estate will receive a refund of the entrance fee, depending upon the entrance plan selected. A monthly service fee for the independent living apartments include all occupancy costs (except telephone service and cable TV) and includes two meals per day in the dining room. Service fees are based on the size and type of apartment occupied. Apartments occupied by more than one person are assessed a fee for each additional occupant to cover the additional maintenance and meal cost. Monthly fees and services for cottage residents are modeled after those provided apartment residents, with variations in dietary and certain other services. Monthly fees for the assisted living residents include three meals per day and all occupancy costs (except telephone service and cable TV). Trinity Oaks provides activity and transportation opportunities for all of its residents.

#### *Trinity Oaks health and rehab*

Lutheran Home at Trinity Oaks, Inc., d/b/a "Trinity Oaks health and rehab," consists of 115 nursing facility beds (14 in an Alzheimer's unit), 12 assisted living beds (11 in an Alzheimer's unit) and 12 independent living apartments located in the lower level of the facility. The facility was opened in 1976 with 110 beds and 12 apartments and was expanded to its current complement of beds in 1991. The addition of the Virginia Casey Center provides both skilled nursing and assisted living beds for those residents with Alzheimer's in a secure unit. The facility occupies a portion of the Salisbury campus, which it shares with Trinity Oaks retirement.

#### **Health Care Services**

Trinity Oaks health and rehab offers assisted living and nursing services to its residents. The health care facilities house their own dining facilities, lounges and recreational areas. Emergency nursing response is available to residents of the health care facilities and the independent living apartments 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 Oaks 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 Oaks 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 – Salisbury, Inc., Lutheran Home at Trinity Oaks, Inc. and Lutheran Home at Trinity Oaks Property, Inc. All related party balances and intra-company transactions have been eliminated in combination.

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

Trinity Oaks considers all unrestricted short-term investments with an original maturity of three months or less when purchased to be cash equivalents. Trinity Oaks maintains their cash accounts with high quality financial institutions, which, at times, may exceed federally insured limits. Trinity Oaks has not experienced any losses in such accounts. Trinity Oaks 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	\$ 6,962	\$ 7,434	\$ 7,670	\$ 7,906	\$ 8,142
Residents' Funds	19	19	19	19	19
Assets Limited as to Use					
Bond Funds	156	161	168	175	181
Assets Restricted by Donor for Investment in Property and Equipment	917	917	917	917	917
Total Cash, Cash Equivalents and Restricted Cash Shown in Projected Combined Statements of Cash Flows	\$ 8,054	\$ 8,531	\$ 8,774	\$ 9,017	\$ 9,259

#### **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 Oaks are reported at the estimated transaction from residents, third party payors and others for services rendered. Trinity Oaks provides services to patients 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 Oaks 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 Oaks 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 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.

##### *Entrance fees:*

The nonrefundable entrance fees are recognized as deferred revenue upon receipt of the payment and included in liabilities on the 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 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.

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

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

#### *Patient Service Revenue:*

Trinity Oaks provides assisted living and nursing care to residents and other patients who are covered by government, commercial, and private payers. Trinity Oaks 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 which the board has designated, donors have restricted as to use, the operating reserve required by the North Carolina Department of Insurance, or 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.

#### **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 defined hereinafter) 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 \$2,500 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.

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

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

#### **Compensation Absences**

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

#### **Refundable Fees and Deferred Revenue from Advance Fees**

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

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 reoccupancy or within two years, whichever occurs first. Trinity Oaks records a current portion of refundable 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 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.

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

Net assets with donor restrictions are those whose use by Trinity Oaks 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 Oaks 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 financial statements.

#### **Advertising Costs**

Advertising costs are charged to operations when incurred.

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

Trinity Oaks 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 Oaks 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 Oaks has been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code. Trinity Oaks 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 REVENUE**

Revenues for Trinity Oaks are primarily generated from per diem charges from the nursing and assisted living beds, monthly service fees for the independent living units, and amortization of entrance fees.

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 Oaks throughout the Projection Period.

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

Location	Facility Name	2024	2025	2026	2027	2028
Salisbury	Trinity Oaks retirement	94%	94%	94%	94%	94%
Salisbury	Trinity Oaks health and rehab	99%	99%	99%	99%	99%
	Weighted-average	94%	94%	94%	94%	94%

Source: Management

Management has projected second person occupancy percentages of 17% for Trinity Oaks retirement and 0% for Trinity Oaks health and rehab for each year of the Projection Period.

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

Location	Facility Name	2024	2025	2026	2027	2028
Salisbury	Trinity Oaks retirement	97%	97%	97%	97%	97%
Salisbury	Trinity Oaks health and rehab	91%	91%	91%	91%	91%
	Weighted-average	96%	96%	96%	96%	96%

Source: Management

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

Location	Facility Name	2024	2025	2026	2027	2028
Salisbury	Trinity Oaks health and rehab	89%	90%	91%	92%	92%

Source: Management

**See Independent Accountants' Compilation Report**

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

### **MANAGEMENT’S BASIS FOR PROJECTION OF REVENUE (CONTINUED)**

#### **Projected Entrance Fees, 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 for the Projection Period.

**Table 5**  
**Trinity Oaks Projected Rate Increases**  
**For the Years Ending September 30,**

	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%
Entrance Fee	n/a <sup>(1)</sup>	5.00%	3.00%	3.00%	3.00%

Source: Management

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

#### **Assisted Living Fees**

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

**Table 6**  
**Trinity Oaks – Projected Assisted Living Daily Rates**  
**For the Years Ending September 30,**

Payer Mix	2024	2025	2026	2027	2028
<b>Trinity Oaks retirement</b>					
Private Pay	\$ 202	\$ 210	\$ 221	\$ 228	\$ 235
Medicaid / State Special Assistance	n/a	n/a	n/a	n/a	n/a
Private Pay - Memory Support	n/a	n/a	n/a	n/a	n/a
<b>Trinity Oaks health and rehab</b>					
Private Pay	\$ 209	\$ 219	\$ 226	\$ 233	\$ 240
Medicaid / State Special Assistance	\$ 39	\$ 39	\$ 39	\$ 39	\$ 39
Private Pay - Memory Support	\$ 296	\$ 311	\$ 320	\$ 330	\$ 340

Source: Management

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

### **MANAGEMENT’S BASIS FOR PROJECTION OF REVENUE (CONTINUED)**

#### **Assisted Living Payer Mix**

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

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

Location	Facility Name Payer Mix	2024	2025	2026	2027	2028
Salisbury	Trinity Oaks retirement					
	Private Pay	100%	100%	100%	100%	100%
	Private Pay Memory Support	0%	0%	0%	0%	0%
	Medicaid / State Special Assistance	0%	0%	0%	0%	0%
Salisbury	Trinity Oaks health and rehab					
	Private Pay	9%	9%	9%	9%	9%
	Private Pay Memory Support	91%	91%	91%	91%	91%
	Medicaid / State Special Assistance	0%	0%	0%	0%	0%
Total	Weighted-average					
	Private Pay	79%	79%	79%	79%	79%
	Private Pay Memory Support	21%	21%	21%	21%	21%
	Medicaid / State Special Assistance	0%	0%	0%	0%	0%

Source: Management

#### **Nursing Fees**

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

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

Facility Name Payer Mix	2024	2025	2026	2027	2028
Trinity Oaks health and rehab					
Private Pay	\$ 322	\$ 338	\$ 348	\$ 359	\$ 369
Private Pay - Semi Private	\$ 310	\$ 326	\$ 335	\$ 345	\$ 356
Insurance	\$ 450	\$ 464	\$ 477	\$ 492	\$ 506
Medicare	\$ 445	\$ 458	\$ 472	\$ 486	\$ 501
Medicaid	\$ 312	\$ 318	\$ 325	\$ 331	\$ 338
Hospice	\$ 290	\$ 296	\$ 302	\$ 308	\$ 314

Source: Management

#### **Nursing Payer Mix**

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

**See Independent Accountants’ Compilation Report**

## Summary of Significant Projection Assumptions and Accounting Policies

### MANAGEMENT’S BASIS FOR PROJECTION OF REVENUE (CONTINUED)

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

Location	Payer Mix	2024	2025	2026	2027	2028
Salisbury	Trinity Oaks health and rehab					
	Private Pay	29%	29%	29%	29%	29%
	Insurance	7%	7%	7%	7%	7%
	Medicare	5%	5%	5%	5%	5%
	Medicaid/Hospice	59%	59%	59%	59%	59%

Source: Management

### Independent Living Entrance Fees and Monthly Service Fees

#### *Trinity Oaks Retirement*

Below is a table setting forth the Entrance Fee and Monthly Service Fees for Trinity Oaks retirement's independent living units:

**Table 10**  
**Trinity Oaks Retirement**  
**Independent Living 2024 Entrance Fees and Monthly Fees**

	No. of Units	Square Ft.	Monthly Fee	Entrance Fees		
				Limited-Refund	50% Refund	90% Refund
Apartments:						
Studio	17	504	\$2,295	\$63,106	\$84,331	\$150,878
One Bedroom	18	607	\$2,882	\$74,300	\$98,963	\$177,267
One Bedroom Deluxe	45	695	\$3,084	\$78,020	\$103,836	\$185,873
Two Bedroom	45	971	\$3,681	\$116,457	\$155,468	\$277,952
Cottages	42	1,453 – 3,049	\$3,969	\$152,306	\$203,069	\$358,328
Second Person - Apartments			\$1,230	\$4,305	\$5,737	\$10,326
Second Person - Cottages			\$1,371	\$6,026	\$8,031	\$14,342
Total/Weighted Average	167	1,132	\$3,365	\$105,141	\$140,195	\$249,567

Source: Management



## Summary of Significant Projection Assumptions and Accounting Policies

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

#### ***Trinity Oaks Health and Rehab***

The following table reflects the monthly rental fee for each independent living unit type at Trinity Oaks health and rehab:

Unit Type	No. of Units	Monthly Fee
One Bedroom	7	\$872 - \$926
Two Bedroom	5	\$999 - \$1,250
Total/Weighted Average	12	\$ 1,009

Source: Management

#### **Entrance Fee Receipts and Refund**

Entrance fee receipts and refunds are based on information provided by Management based on historical experience. The following table reflects entrance fees received and refunds paid during the Projection Period for Trinity Oaks, as projected by Management.

	2024	2025	2026	2027	2028
Entrance fees received from unit turnover	\$ 2,517	\$ 2,517	\$ 2,517	\$ 2,427	\$ 2,517
Entrance fees refunded from unit turnover	(1,345)	(1,395)	(1,345)	(1,395)	(1,395)
<b>Total entrance fees received, net of refunds</b>	<b>\$ 1,172</b>	<b>\$ 1,122</b>	<b>\$ 1,172</b>	<b>\$ 1,032</b>	<b>\$ 1,122</b>

Source: Management

Management has assumed that selection of the entrance fee plans would be as follows:

- 100 percent selecting the Limited-Refund Plan;
- 0 percent selecting the 50% Refund Plan; and
- 0 percent selecting the 90% Refund Plan.

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

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

#### **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 Oaks.

**Table 13**  
**Projected Investment Earning Rates**  
**For the Years Ending September 30,**

	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.

#### **Contributions**

Management has projected contributions based upon historical experience.

## **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 on the historical operations of Trinity Oaks. 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 Oaks. These benefit costs have been projected by department based on the historical experience of Trinity Oaks. Management has projected that benefits would approximate 20.7 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 throughout the Projection Period.

#### **Health Care**

Non-salary health care costs have been estimated based upon the historical costs of Trinity Oaks, 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, as well as for changes in occupancy, throughout the Projection Period.

#### **Maintenance / Groundskeeping / Security**

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

#### **Utilities**

Utilities costs' have been estimated based upon the historical utilities' costs of Trinity Oaks, 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 throughout 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 throughout 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 throughout the Projection Period.

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

Non-salary activity, transportation, and ministry costs have been estimated based upon the historical costs of Trinity Oaks, 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 throughout 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. In addition, 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 throughout the Projection Period.

#### **Management Fee**

Effective October 1, 2020, Trinity Oaks entered into a Management Services Agreement with LSA Management, Inc. to provide management services on behalf of Trinity Oaks. 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 Oaks. 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 Oaks 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 118 days for 2024, 2025, 2026, 2027, and 2028. Amounts in excess of these amounts are classified as investments.

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

Accounts receivable, net of current expected credit losses, are projected based on historical levels based on 26 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 1 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 Oaks based on 6 days of operating expenses.

##### *Accrued Health Benefits*

Accrued health benefits have been projected based on historical levels for Trinity Oaks 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 Oaks based on 27 days of total salaries and taxes.

##### *Refundable Fees – Current*

Refundable fees – current - have been projected based on a fixed amount and Management has not projected that the current balances would change during the Projection Period.

##### *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 Oaks had a receivable of approximately \$1,314,000 recorded on the combined balance sheet. Management projected the collection of the approximate \$1,314,000 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.

#### **Under Board Designation**

*Board Designated Investments* – Funds designed by the Board are for capital acquisitions and are assumed to remain stable throughout the Projection Period.

*Assets Restricted for Investment in Property and Equipment* – Trinity Oaks has donor-restricted funds received from a capital campaign that was focused on property and equipment purchases.

*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 Trinity Oaks'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 Oaks can exclude interest and principal payments if a separate debt service reserve fund has been established. Management has projected its occupancy at Trinity Oaks, which is a continuing care retirement community, 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.

## Summary of Significant Projection Assumptions and Accounting Policies

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

**Table 14**  
**Projected Operating Reserve Calculation – Trinity Oaks**  
**For the Years Ending September 30,**  
**(In Thousands of Dollars)**

	2024	2025	2026	2027	2028
Projected Total Operating Expenses	\$ 23,950	\$ 25,653	\$ 26,574	\$ 27,524	\$ 28,486
Less:					
Depreciation	(2,141)	(2,545)	(2,783)	(3,029)	(3,281)
Interest Expense and Amortization	(155)	(146)	(135)	(123)	(110)
Projected Operating Expenses of Lutheran Home at Trinity Oaks and Lutheran Home at Trinity Oaks Property, Inc. <sup>(1)</sup>	(13,499)	(14,431)	(14,868)	(15,319)	(15,773)
Adjusted Operating Expenses	<u>\$ 8,155</u>	<u>\$ 8,531</u>	<u>\$ 8,788</u>	<u>\$ 9,053</u>	<u>\$ 9,322</u>
Include:					
Principal Payment--Trinity Oaks <sup>(2)</sup>	220	230	240	253	266
Interest Payment--Trinity Oaks <sup>(2)</sup>	139	130	120	109	97
Total Operating Costs	<u>\$ 8,514</u>	<u>\$ 8,891</u>	<u>\$ 9,148</u>	<u>\$ 9,415</u>	<u>\$ 9,685</u>
Operating Reserve Percentage <sup>(3)</sup>	25%	25%	25%	25%	25%
<b>Operating Reserve - Lutheran Retirement Center - Salisbury, Inc.</b>	<b><u>\$ 2,129</u></b>	<b><u>\$ 2,223</u></b>	<b><u>\$ 2,287</u></b>	<b><u>\$ 2,354</u></b>	<b><u>\$ 2,421</u></b>

Source: Management

Notes:

(1) Management has excluded the operating expenses of Lutheran Home at Trinity Oaks and Lutheran Home at Trinity Oaks Property, Inc.

(2) Management has allocated to Lutheran Retirement Center - Salisbury, Inc.'s its pro-rata portion of the principal and interest of the Obligated Group's Series 2021 Bonds.

(3) Lutheran Retirement Center - Salisbury, Inc. occupancy as of September 30,

IL Available Units	179.0	179.0	179.0	179.0	179.0
AL Available Units	50.0	50.0	50.0	50.0	50.0
<u>Total Available Units</u>	<u>229.0</u>	<u>229.0</u>	<u>229.0</u>	<u>229.0</u>	<u>229.0</u>
IL Occupied Units	168.7	168.7	168.7	168.7	168.7
AL Occupied Units	47.8	47.8	47.8	47.8	47.8
<u>Total Occupied Units</u>	<u>216.5</u>	<u>216.5</u>	<u>216.5</u>	<u>216.5</u>	<u>216.5</u>
Occupancy Percentage - Lutheran Retirement Center - Salisbury, Inc.	95%	95%	95%	95%	95%

### 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:

**Table 15**  
**Projected Property and Equipment as of September 30,**  
**(In Thousands of Dollars)**

	2024	2025	2026	2027	2028
Land and Land Improvements	\$ 4,131	\$ 4,131	\$ 4,131	\$ 4,131	\$ 4,131
Building and Building Improvements	50,772	52,417	54,111	55,854	57,646
Furnishings and Equipment	8,102	8,807	9,533	10,280	11,048
Construction in Progress	1,289	1,289	1,289	1,289	1,289
	64,294	66,644	69,064	71,554	74,114
Less: Accumulated Depreciation	(38,365)	(40,910)	(43,693)	(46,722)	(50,003)
Net Property and Equipment	\$ 25,929	\$ 25,734	\$ 25,371	\$ 24,832	\$ 24,111

Source: Management

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

**Table 16**  
**Projected Property and Equipment Additions**  
**For the Years Ending September 30,**  
**(In Thousands of Dollars)**

	2024	2025	2026	2027	2028
Routine Purchases of Capital Expenditures	\$ 2,286	\$ 2,350	\$ 2,420	\$ 2,490	\$ 2,560

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 Oaks 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 Oaks 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 Oaks 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 Oaks retirement	14.4%	0.0%
Trinity Oaks health and rehab	0.6%	0.0%
Lutheran Home at Trinity Oaks Property	0.1%	0.0%
All Other Members of the Obligated Group	84.9%	100.0%
Total	100.0%	100.0%

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

**Table 17**  
**Projected Principal Payments**  
**(In Thousands of Dollars)**

For the Year Ending September 30,	Series 2021A Bonds	Series 2021C Bonds	Total
2024	\$ 231	\$ -	\$ 231
2025	241	-	241
2026	252	-	252
2027	265	-	265
2028	279	-	279
2029	292	-	292
2030	304	-	304
2031	316	-	316
2032	329	-	329
2033	342	-	342
Thereafter	2,058	-	2,058
Total	\$ 4,909	\$ -	\$ 4,909

Source: Management

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

The Series 2021 Bonds were evidenced by the parity obligations issued by the Obligated Group under the Master Indenture. As security for repayment of all obligations issued under the Master 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 18**  
**Obligated Group Facilities Pledged as Mortgaged Property**

<u>Member of Obligated Group</u>	<u>Name of Facility</u>
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 Oaks 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 Oaks for presentation purposes during the Projection Period.

## Summary of Significant Projection Assumptions and Accounting Policies

### SUPPLEMENTAL SCHEDULE OF DETAIL OPERATING EXPENSES BY ENTITY

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

<b>For the fiscal year ending September 30, 2024</b>					
	Lutheran Retirement Center - Salisbury, Inc.	Lutheran Home at Trinity Oaks Property, Inc.	Lutheran Home at Trinity Oaks, Inc.	Eliminations	Combined Total Operating Expenses
Expenses					
Health Care	\$ 1,410	\$ -	\$ 7,198	\$ -	\$ 8,608
Operations:					
Maintenance	483	-	212	-	695
Utilities	483	-	253	-	736
Laundry	38	-	228	-	266
Housekeeping	353	-	465	-	818
Groundskeeping	253	-	54	-	307
Security	153	-	72	-	225
Dietary	2,077	-	1,379	-	3,456
Activities, Transportation, and Ministry	490	-	308	-	798
Administrative	1,923	32	3,235	(650)	4,540
Management Fees	492	-	713	-	1,205
Subtotal	<u>8,155</u>	<u>32</u>	<u>14,117</u>	<u>(650)</u>	<u>21,654</u>
Depreciation					2,141
Interest Expense and Amortization					155
Total Operating Costs and Expenses					<u>\$ 23,950</u>

<b>For the fiscal year ending September 30, 2025</b>					
	Lutheran Retirement Center - Salisbury, Inc.	Lutheran Home at Trinity Oaks Property, Inc.	Lutheran Home at Trinity Oaks, Inc.	Eliminations	Combined Total Operating Expenses
Expenses					
Health Care	\$ 1,481	\$ -	\$ 7,665	\$ -	\$ 9,146
Operations:					
Maintenance	507	-	232	-	739
Utilities	507	-	275	-	782
Laundry	40	-	242	-	282
Housekeeping	370	-	499	-	869
Groundskeeping	266	-	60	-	326
Security	161	-	78	-	239
Dietary	2,181	-	1,490	-	3,671
Activities, Transportation, and Ministry	516	-	331	-	847
Administrative	2,020	33	3,452	(683)	4,822
Management Fees	482	-	757	-	1,239
Subtotal	<u>8,531</u>	<u>33</u>	<u>15,081</u>	<u>(683)</u>	<u>22,962</u>
Depreciation					2,545
Interest Expense and Amortization					146
Total Operating Costs and Expenses					<u>\$ 25,653</u>

## Summary of Significant Projection Assumptions and Accounting Policies

### MANAGEMENTS SCHEDULE OF DETAIL OPERATING EXPENSES BY ENTITY (CONTINUED)

For the fiscal year ending September 30, 2026					
	Lutheran Retirement Center - Salisbury, Inc.	Lutheran Home at Trinity Oaks Property, Inc.	Lutheran Home at Trinity Oaks, Inc.	Eliminations	Combined Total Operating Expenses
Expenses					
Health Care	\$ 1,525	\$ -	\$ 7,894	\$ -	\$ 9,419
Operations:					
Maintenance	522	-	239	-	761
Utilities	522	-	283	-	805
Laundry	41	-	250	-	291
Housekeeping	381	-	514	-	895
Groundskeeping	274	-	62	-	336
Security	166	-	80	-	246
Dietary	2,246	-	1,535	-	3,781
Activities, Transportation, and Ministry	530	-	343	-	873
Administrative	2,082	34	3,554	(703)	4,967
Management Fees	499	-	783	-	1,282
Subtotal	<b>8,788</b>	<b>34</b>	<b>15,537</b>	<b>(703)</b>	<b>23,656</b>
Depreciation					2,783
Interest Expense and Amortization					135
Total Operating Costs and Expenses					<b>\$ 26,574</b>

For the fiscal year ending September 30, 2027					
	Lutheran Retirement Center - Salisbury, Inc.	Lutheran Home at Trinity Oaks Property, Inc.	Lutheran Home at Trinity Oaks, Inc.	Eliminations	Combined Total Operating Expenses
Expenses					
Health Care	\$ 1,571	\$ -	\$ 8,132	\$ -	\$ 9,703
Operations:					
Maintenance	538	-	245	-	783
Utilities	538	-	292	-	830
Laundry	43	-	257	-	300
Housekeeping	393	-	529	-	922
Groundskeeping	282	-	64	-	346
Security	171	-	82	-	253
Dietary	2,313	-	1,581	-	3,894
Activities, Transportation, and Ministry	546	-	353	-	899
Administrative	2,144	35	3,661	(724)	5,116
Management Fees	514	-	812	-	1,326
Subtotal	<b>9,053</b>	<b>35</b>	<b>16,008</b>	<b>(724)</b>	<b>24,372</b>
Depreciation					3,029
Interest Expense and Amortization					123
Total Operating Costs and Expenses					<b>\$ 27,524</b>

## Summary of Significant Projection Assumptions and Accounting Policies

### MANAGEMENTS SCHEDULE OF DETAIL OPERATING EXPENSES BY ENTITY (CONTINUED)

	For the fiscal year ending September 30, 2028				
	Lutheran Retirement Center - Salisbury, Inc.	Lutheran Home at Trinity Oaks Property, Inc.	Lutheran Home at Trinity Oaks, Inc.	Eliminations	Combined Total Operating Expenses
Expenses					
Health Care	\$ 1,618	\$ -	\$ 8,374	\$ -	\$ 9,992
Operations:					
Maintenance	554	-	253	-	807
Utilities	554	-	300	-	854
Laundry	44	-	265	-	309
Housekeeping	405	-	544	-	949
Groundskeeping	290	-	66	-	356
Security	176	-	85	-	261
Dietary	2,383	-	1,628	-	4,011
Activities, Transportation, and Ministry	563	-	363	-	926
Administrative	2,206	36	3,773	(746)	5,269
Management Fees	529	-	832	-	1,361
Subtotal	<u>9,322</u>	<u>36</u>	<u>16,483</u>	<u>(746)</u>	<u>25,095</u>
Depreciation					3,281
Interest Expense and Amortization					110
Total Operating Costs and Expenses					<u>\$ 28,486</u>

# Attachment 6

Interim Financials  
(January 31, 2024)





Trinity Oaks Campus Consolidated  
Balance Sheet

	YTD Dec FYE 2024
Assets	
Current Assets	
Cash and cash equivalents	\$ 6,843,996
Investments	15,009,602
Receivables, net of allowance	2,523,806
Other	5,883,626
Inventories	69,851
Total current assets	30,330,880
Assets limited as to use	5,074,759
Net Property and Equipment	25,364,519
Total assets	\$ 60,770,158
Liabilities	
Current Liabilities	
Current portion of long-term debt	\$ 231,000
Accounts payable - trade	404,075
Accrued salaries and payroll taxes	1,063,870
Accrued employee benefits	40,271
Refundable fee deposits - current	80,159
Total current liabilities	1,819,375
Other liabilities and credits	
Refundable fee deposits	8,575,985
Deferred revenue from fee deposits	7,967,697
Long-term debt	4,678,388
Total other liabilities and credits	21,222,069
Unrestricted	36,875,236
Temporarily restricted	853,478
Total net assets	37,728,714
Total liabilities and net assets	\$ 60,770,158

## Trinity Oaks Campus Consolidated Income Statement

	YIDDec FYE2024
<b>Revenue and other Support</b>	
Net resident service revenue	\$ 5,856,893
Amortization of deferred entrance fees	245,872
Restricted funds released for operations	6,084
Other revenue	261,890
<b>Total revenue and other support</b>	<u>\$ 6,370,739</u>
<b>Expenses</b>	
Salaries and Wages	2,858,691
Employee Benefits	486,993
Supplies and Other	2,094,069
Marketing	45,165
Depreciation	565,000
Interest and Amortization	42,881
<b>Total expenses</b>	<u>6,092,799</u>
<b>Operating income (loss)</b>	277,940
<b>Other Income</b>	
Investment Income	1,656,393
Unrestricted contributions and bequest	750
<b>Total other income (loss)</b>	<u>1,657,143</u>
<b>Excess revenues over expenses</b>	\$ 1,935,083
<b>Other changes in unrestricted net assets</b>	-
<b>Increase (decrease) unrestricted assets</b>	\$ 1,935,083
<b>Temporary restricted</b>	
Contributions	12,455
Investment income	-
Net assets released from restrictions	(6,084)
<b>Increase (decrease) temp. restricted</b>	<u>6,371</u>
<b>Increase (decrease) net assets</b>	1,941,454
<b>Net assets - beginning of year</b>	35,787,260
<b>Net assets - end of year</b>	<u><u>\$ 37,728,714</u></u>

Trinity Oaks Campus Consolidated  
Statement of Cash Flows

	YTD Dec FYE 2024
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Change in net assets	\$ 1,941,454
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Amortization of deferred revenue from advance fees	(245,872)
Depreciation	565,000
(Increase) decrease in other current assets	(1,136,914)
Increase (decrease) in accounts payable/accrued expenses	<u>338,427</u>
Net cash provided by operating activities	<u>1,462,095</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Purchase of property and equipment	(146,214)
Investments (net)	(1,453,973)
(Increase) decrease in assets whose use is limited	<u>(191,326)</u>
Net cash used in investing activities	<u>(1,791,513)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Net proceeds from bond issue/debt payments	-
Advanced fees received, net	<u>332,664</u>
Net cash provided by financing activities	<u>332,664</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>3,246</b>
<b>CASH AND CASH EQUIVALENTS BEGINNING OF YEAR</b>	<b><u>6,840,750</u></b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b><u>\$ 6,843,996</u></b>



# Attachment 7

Assisted Living  
Enhanced Care Program



## **LEVEL OF CARE DETERMINATION**

Our philosophy of providing assisted living services in a Level of Care Format allows us the opportunity to provide residents with certain services as needs arise.

**Assessment Date** \_\_\_\_\_

**Resident Name** \_\_\_\_\_ **Apt. #** \_\_\_\_\_

**Responsible Party** \_\_\_\_\_ **Phone** \_\_\_\_\_

**Attending Physician** \_\_\_\_\_ **Phone** \_\_\_\_\_

**Levels of Care** are defined as follows:

\_\_\_\_\_ **Independent**

This service level provides accommodation, meals, minimal help with ADLs and residents that self administer medication or minimal help with medication administration, selected additional services such as special dietary planning. Residents in this level are typically independent.

\_\_\_\_\_ **Enhanced Care services**

This level of care provides moderate levels of help with ADLs to residents that can perform part of the activity for him/herself, and several additional services including but not limited to, assistance with medications, ambulation, bathing, dressing, grooming, eating, hygiene and toileting. These residents may require some assistance from Licensed Health Professional Support as well as confusion management and/or management of diabetes, skin integrity, and/or fall risk intervention.

\_\_\_\_\_ **Enhanced Care Plus services**

This level of care provides a significant degree of help with ADLs and is geared towards residents who can perform part of the activity and are very frail/impaired or will require several services on a regular basis. These residents may require some assistance from Licensed Health Professional Support as well as confusion management and/or management of diabetes, skin integrity, and/or fall risk interventions.

\_\_\_\_\_ **Maximum Care**

This level of care provides assistance to residents that need someone else to complete the task for the resident most of the time. These residents may require extensive assistance with confusion management and/or management of diabetes, skin integrity, and /or fall risk interventions.

### **DETERMINATION OF LEVEL OF CARE AND RELATED EXPENSES**

**PERFORMANCE CODE TOTAL** from ADL and BEHAVIORAL Assessment Tool \_\_\_\_\_

_____ <b>Independent</b>	_____ <b>Enhanced</b>	_____ <b>Enhanced Plus</b>	_____ <b>Maximum</b>
(0-8)	(9-15)	(16-22)	(23+)

**RESIDENT ASSESSMENT FORM**

Level of Care before Assessment \_\_\_\_\_

Level of Care after Assessment \_\_\_\_\_

RESIDENT \_\_\_\_\_

**ADL NEEDS CHECKLIST**

**ADL**

<b>BATHING</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>DRESSING</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>HYGIENE</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>TOILETING</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>TRANSFERRING</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>EATING</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>Mobility/Ambulation</b> (may include assistive devices, fall risk)	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>Medication Administration</b>		<b>1</b> (1-4 meds) Or self adm.	<b>2</b> (5-10 meds)	<b>3</b> (11-15 meds)	<b>4</b> (16+ meds)
<b>LPHS tasks</b> (except meds by injection, ambulation with assistive devices or transferring)	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>Other ADL:</b> Ie: skin care	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>

**BEHAVIORAL**

- 0** Generally oriented to time and place
- 1** Oriented but occasionally forgetful. Some confusion – may need prompting and orienting
- 2** Shows feelings of hopelessness, depression, nervousness or restlessness requiring intervention
- 3** Obvious impairment of memory. Some disorientation and may display anxiety or irritability with memory difficulties. Verbally and/or physically abusive to others
- 4** Sever impairment most of the time. Demonstrates poor judgement – requires behavior management

**TOTAL SCORE** \_\_\_\_\_



## **DEFINITION OF PERFORMANCE CODES**

### **0. INDEPENDENT**

The resident performs the activity without help, or may require minimal supervision of assistance only once or twice a week. For example, a resident who usually transfers on and off the toilet unassisted may need someone to stand by the toilet room door after an especially tiring day away from the home.

### **1. SUPERVISION**

The resident can perform the activity when another person provides oversight, encouragement and prompting, or with supervision plus some physical assistance only once or twice a week. For example, an incontinent resident may be able to use the toilet room unassisted if regularly reminded to do so.

### **2. LIMITED ASSISTANCE**

The resident is highly involved in performing the activity for him/herself. The resident also requires help from another person in guided maneuvering of limbs or other non-weight bearing assistance only once or twice during a week. For example, a resident may need another person to hold up his/her shirt and physically guide his/her hand to the sleeve opening, but the resident can push his/her arm through the sleeve.

### **3. EXTENSIVE ASSISTANCE**

The resident can perform part of the activity for him/herself. The resident also requires other weight bearing support from another person three or more times a week, or someone else to perform the task for him/her (three or more times) during part, but not all, of the week). For example, on three occasions the resident needed another person to lean against and steady him/her while transferring from standing with a walker into a bed or chair.

### **4. TOTALLY DEPENDENT**

Someone else must complete the task for the resident at all times. For example, a resident who cannot do any part of dressing for him/herself, and requires total assistance with dressing from other people.

Staff completing assessment \_\_\_\_\_ Date \_\_\_\_\_



# Attachment 8

Cottage Unbundling of  
Services Program



**Trinity Oaks Retirement Community  
Cottage Unbundling of Services Program**

**January 1 thru December 31, 2024**

	1st Occupant	2nd Occupant	Total Mthly Rate
<b>Unbundled Base Rate</b>	\$3,098.00	\$896.00	\$3,994.00

**A la carte options**

**Dining Services** (All meals are charged to your monthly statement)

Breakfast	\$5.00 per meal
Lunch/Dinner	\$10.00 per meal

**Fee for Service Transportation**

Bordering Counties	\$40.00 one way
CLT & GSO airport	\$60.00 one way
Activity Trips	No transportation fee

**Housekeeping:** Can be contracted through Trinity at Home \$30.00 Per Hour  
(Minimum of 3 hours)

**Healthcare days:** 15 Free Days at Health and Rehab per year

I agree with the unbundling program fee structure and the additional a la carte pricing as listed for January 1 through December 31, 2024

Signature	Date		Base \$3,098
			Trans
			Mthly rate \$
			2nd person
Signature	Date	Total mthly rate	\$