

**DISCLOSURE STATEMENT  
(Information Booklet)**

**THE CYPRESS**  
of Charlotte

**3442 Cypress Club Drive  
Charlotte, North Carolina 28210  
(704) 714-5500**

**June 1, 2020**

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

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

**Unless earlier revised, The Cypress intends for this Disclosure Statement to remain effective until October 28, 2021.**

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## INTRODUCTION

The Cypress brings, to those who are 62 years of age and over, a way of retirement living known as "continuing care". This concept offers active retirees a lifestyle which is designed to meet their unique needs while allowing them the freedom to pursue their personal interests. Continuing care communities such as The Cypress encompass these important components: a privately owned condominium cottage or villa, a wide array of personal services, and the security of an on-site licensed health care center.

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

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

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

**We are pledged to the letter and spirit of U.S. policy for the achievement of equal housing opportunity throughout the Nation. We encourage and support an affirmative advertising and marketing program in which there are no barriers to obtaining housing because of race, color, religion, sex, handicap, or national origin.**



## OVERVIEW

The Cypress is made up of several distinct legal entities, each with their own powers and responsibilities. The Cypress Group, LLC, has a controlling interest in The Cypress of Charlotte, LLC. The Cypress of Charlotte, LLC is the entity that planned The Cypress, designed it, built it, sells the various cottages and villas, and enters into a Membership Agreement with each of The Cypress' perspective Members. The Cypress of Charlotte Club, Inc. and The Cypress of Charlotte Owners' Association, Inc. are two distinct North Carolina legal entities organized as not-for-profit corporations under the laws of North Carolina. As to the foregoing entities, none are affiliated with any religious, charitable or other non-profit organizations. Since The Cypress offers condominium ownership of a cottage or villa, The Cypress of Charlotte Owners' Association, Inc. was created to comply with North Carolina law regarding the ownership of commonly owned property. The Cypress of Charlotte Club, Inc., a 501(c)(4) not-for-profit entity, was organized to manage the various membership functions of The Cypress which are included in each Member's Membership Agreement. The financial and contractual obligations of the facility are the responsibility of The Cypress of Charlotte, LLC and The Cypress of Charlotte Club, Inc.

## THE CYPRESS GROUP, LLC

The Cypress Group, LLC (the "Managing Member") is a South Carolina Limited Liability Company formed on March 18, 1996, serving as Managing Member of The Cypress of Charlotte, LLC with a controlling interest. Further, it is the Managing Member who will be held responsible for The Cypress of Charlotte, LLC. The Managing Member's principals and operating officers are, Marc A. Puntereri, President, and James P. Coleman, Executive Vice President, whose offices are located at 20 Lady Slipper Lane, Hilton Head Island, South Carolina 29926. These same principals serve as the principals of the General Partner in The Cypress of Hilton Head Island, an award winning continuing care retirement community, located in Beaufort County, South Carolina, from its formation in 1988 to its continuing operations. There are no Investor members in The Cypress of Charlotte, LLC holding a ten percent (10%) or greater interest.

James P. Coleman, whose office is located at 20 Lady Slipper Lane, Hilton Head Island, South Carolina 29926, obtained a Bachelor of Science degree in business administration from the University of North Carolina. Mr. Coleman served as a captain in the U.S. Air Force from 1967 to 1971. In 1972, he joined Sea Pines Company and served as senior vice President of Hilton Head Plantation Company from 1974 to 1984. In 1984, he formed The Melrose Company with two partners. As a resident of Hilton Head Island for 32 years, Mr. Coleman has held the position of President of the Hilton Head Board of Realtors, chairman of the board of deacons of the First Presbyterian Church, chairman of the Hilton Head Plantation Architectural Review Board, chairman of the board of Hilton Head Preparatory School, and trustee of the Heritage Classic Foundation.

Marc A. Puntereri, whose office is located at 20 Lady Slipper Lane, Hilton Head Island, South Carolina 29926, obtained a Bachelor of Arts degree in psychology from the University of Virginia in 1973 and a masters degree in business administration from the Colgate Darden School at the University of Virginia in 1977. Mr. Puntereri's business career on Hilton Head Island began in 1977 as a partner in the consulting firm of Hartzog Lader and Richards and continued as President of First Southern Properties, Inc., and development consultant to the Sea Pines Company. Mr. Puntereri received a federal court appointment as special counsel to the Trustee of the Hilton Head Holdings Corporation. His community service has included board and committee service for Hilton Head Hospital, Hilton Head Health Services, Inc., Hilton Head Medical Associates, Inc., Community Services Associates, Inc., Sea Pines Associates, Inc., Sea Pines Montessori School, Hilton Head Preparatory School, St. Luke's Episcopal Church Vestry, the Episcopal Diocese of South Carolina, United Way, Chamber Business/Education Partnership, the Deep Well Project and Volunteers in Medicine, Inc.

### **THE CYPRESS OF CHARLOTTE, LLC**

The Cypress of Charlotte, LLC (the "Company") is a South Carolina Limited Liability Company formed for the purpose of developing and managing a continuing care retirement community. Its current principal business address is 20 Lady Slipper Lane, Hilton Head Island, South Carolina, 29926. The Company has developed luxury condominium single-family cottages and villas for sale to individuals 62 and over, who are capable of independent living. In addition to developing luxury condominium cottages and villas, the Company developed all common areas of the retirement community, including the clubhouse and health care facility. For its efforts in developing the continuing care retirement community, the Company receives from The Cypress of Charlotte Club, Inc. and The Cypress of Charlotte Owners' Association a payment equal to a percentage of actual costs of operating The Cypress. In addition, the Company is entitled to assess and collect a membership fee for all memberships acquired in connection with The Cypress.

The number of members in the Company is now comprised of 12 individual investors. Upon request, The Cypress shall make available the names and business addresses of the Company's members. The Company has as its sole Managing Member, The Cypress Group, LLC (the "Managing Member"), a South Carolina limited liability company, which is the only member that has a 10% or greater equity or beneficial interest in the company. The principals of The Cypress Group, LLC are Mr. Coleman and Mr. Puntereri (profiles above).

The Company has overall management responsibility for The Cypress of Charlotte Club, Inc. In its role as management agent, its primary duties involve the review and approval of capital expenditures, review and approval of operating budgets, and the monitoring of The Cypress' financial condition. Operational policies for The Cypress and criteria for admissions are subject to approval and periodic review. The management agent also adopts and approves personnel policies for The Cypress' employees, annually reviews the insurance coverages on The Cypress' property and personnel, and contracts for and supervises the provision of legal and accounting services to The Cypress. It also monitors compliance with the budget and the performance of The Cypress and its management. These activities are carried out by means of reports, studies, and on-site inspections.

The Company pays the Managing Member certain management and development fees. In 2019, the total fees paid amounted to \$168,000.

## **THE CYPRESS OF CHARLOTTE CLUB, INC.**

The Cypress of Charlotte Club, Inc., (the "Club") is a North Carolina not-for-profit corporation. Its principal business address is 3442 Cypress Club Drive, Charlotte, North Carolina, 28210.

The Board of Directors are: Marc Puntereri (profile on page 6); Jim Coleman (profile on page 5); Dr. Robert Higgins, 7112 Fairway Vista, Charlotte, NC 28226; Mr. Mike Harrison, 4119 Wild Partridge Dr., Charlotte, NC 28226; Mrs. Michelle Fish, 7731 Quail Park Drive, Charlotte, NC 28210. Dr. Higgins, Mr. Harrison and Mrs. Fish have no previous experience with Continuing Care Retirement Communities. The Club was created to serve as the membership entity to carry out and perpetuate The Cypress Membership Agreement as described in this Disclosure Statement. The Club manages the commonly owned property of The Cypress, including the clubhouse and health center, as well as the services provided by the clubhouse and health center. All monthly payments paid by Members, all other operating receipts, and all disbursements go through this not-for-profit corporate entity. The Club has received 501(c) (4) tax-exempt status from the Internal Revenue Service. No member or entity has a 10% or greater interest in the Club.

The Club pays the Company an overhead payment equivalent to 10% of total operating costs, including those of the Association. In 2019 that amount would have been \$2,061,696.

## **THE CYPRESS OF CHARLOTTE OWNERS' ASSOCIATION, INC.**

The Cypress of Charlotte Owners' Association, Inc. (the "Association") was incorporated in December 1998, when the condominium units were substantially complete. Its principal business address is 3442 Cypress Club Drive, Charlotte, North Carolina, 28210. Each cottage or villa owner at The Cypress shall be a member of the Association as long as ownership of the cottage or villa is retained.

There shall be one membership for each cottage or villa owned. If cottage or villa ownership is vested in more than one person, then all of the persons owning such cottage or villa shall designate one of the co-owners to act as a member of the Association. An owner's membership in the Association will automatically cancel when ownership of the cottage or villa ceases. Upon conveying or transferring ownership interest in a cottage or villa to a new owner, the new cottage or villa owner shall simultaneously succeed the former owner's membership in the Association.

The membership will own all the common property of The Cypress, including the clubhouse and health center, with the Association serving as the governing body for all issues related to the real estate aspects of the cottages and common properties. The Association provides for the maintenance, repair, replacement, administration, and operation of The Cypress' property. All activities undertaken by the Association shall be for the sole benefit of the cottage and villa owners, and all funds received by the Association shall be used for the benefit of all cottage and villa owners. The Club shall serve as the administrative vehicle for the Association.

The Association will act through its Board of Directors, which were elected by the cottage and villa owners at a regular annual meeting in accordance with the By-Laws of the Association. The names of the Board of Directors are: Audrey Bittner, 3721 Cypress Club Drive, Charlotte, NC 28210; Quincy Collins, 7035 Marching Duck Drive, E-408, Charlotte, NC 28210; Joan Geuss, 3518 Cypress Club Drive, A-307, Charlotte, NC 28210; Don Herbstman, 3518 Cypress Club Drive, A-102, Charlotte, NC 28210; Don McIver, 3845 Cypress Club Drive, Charlotte, NC 28210; Judy Nichols, 7035 Marching Duck Drive, E-406, Charlotte, NC 28210; Gayle Wylie, 7035 Marching Duck Drive, E-506, Charlotte, NC 28210.

No member or entity has a 10% or greater interest in the Association.

## **LIFE CARE SERVICES LLC**

The Provider has retained Life Care Services LLC ("Life Care Services") to manage the Community. Life Care Services is a wholly-owned subsidiary of Life Care Companies LLC ("LCS"), an Iowa limited liability company.

LCS is a nationally recognized leader in the development, marketing, and management of senior living communities throughout the United States. Since 1971, LCS has been instrumental in the planning, developing, marketing and managing of senior living communities throughout the United States. Management services are provided through Life Care Services, and it currently manages more than approximately 135 communities serving over 33,000 residents in 31 states (see Exhibit A attached to this Disclosure Statement).

Principal officers of LCS include Mr. Joel Nelson, Mrs. Diane Bridgewater, Mr. Rick Exline, Mr. Jason Victor, and Ms. Jill Sorenson.

Mr. Joel Nelson is president and chief executive officer of LCS, the 2nd largest senior living operator, which includes not-for-profit and for-profit assets across the continuum of senior living. He is an experienced leader in governance within the industry, including all phases of real estate acquisition, development, operations, marketing and sales. Joel is responsible for executing the business strategy across the six business lines in the LCS Family of Companies. He thrives on driving business growth, achieving service excellence, and enhancing the company's stability and value among financial partners, property owners, and other stakeholders in the senior living field. Currently, Joel serves on the board of managers for Life Care Companies, LCS Holdings, is past-chair and a current member of the Investment Committee. Outside of LCS, Joel is a member of the National Investment Center (NIC) operator advisory board, and the Central Iowa Alzheimer's Association board. He is also past chair and current board member of ChildServe, Inc., one of Des Moines largest not-for-profit organizations serving children and families with complex health care needs. Joel earned a Bachelor of Science degree in health service administration from Simpson College.

Mrs. Diane Bridgewater is Executive Vice President/Chief Financial and Administrative Officer of LCS. Diane joined the organization in 2006 after filling several executive level positions with Pioneer Hi-Bred International, a DuPont Company. In her years with Pioneer, she held a number of operational and financial roles including: Chief Financial Officer, Vice President and Business Director for North America, Director of Customer and Sales Services for Seed and Crop Protection, Worldwide Finance Director, and other roles. Diane started her career with KPMG. Diane earned her undergraduate degrees in Accounting and French from the

University of Northern Iowa and received her CPA certification in 1986. Diane currently serves on the boards of LCS Holdings, Inc., Life Care Companies LLC, Casey's General Stores, and Bankers Trust.

Mr. Rick Exline joined the company in 1978 and is responsible for the oversight of the company's life plan communities including third party and investment senior living management services. Rick oversees the communities' senior living management teams, health care group, national sales, new business development and life plan community development teams. Rick serves on the board of managers for Life Care Companies LLC, the board of directors for LCS Holdings, Inc., executive leadership and senior living management teams. Rick is also a trustee for the company's 401(k) benefits program as well as serving on the board of trustees for Simpson College. He holds dual bachelor's degrees: one in business administration from Simpson College and one in health care administration from Oklahoma Baptist University. He is a graduate of the Executive Institute at The University of North Carolina at Chapel Hill.

Mr. Jason Victor is Vice President/Controller, Treasurer and a Manager of Life Care Services. Jason joined the organization in 2007 and currently has responsibility for the organization's Corporate Accounting, Treasury and Tax functions. He oversees all aspects of general accounting, cash management, payroll, consolidations, and financial reporting. In addition, Jason provides oversight and guidance related to audits, internal controls, technical accounting, tax, and financial management systems. Jason started his career with Ernst & Young and later spent 9 years in various finance positions with Praxair, a Fortune 500 organization. He earned his undergraduate degree in Accounting from the University of Northern Iowa and currently holds an active CPA license in the state of Iowa. Jason also serves on the board of directors of Hexagon Insurance Company, Ltd.

Ms. Jill Sorenson is Senior Vice President/Senior Director of Operations Management and a Manager of Life Care Services. She has been employed by Life Care Services since 1982. After spending 15 years at the Life Care Services corporate office, working in the areas of accounting, IT liaison, and corporate resource manager, Jill transferred to San Diego to work at a continuing care retirement community, and became the Executive Director of that community in 2000. She was promoted to Director of Operations Management in 2007, to Vice President in 2010, and Senior Vice President/Senior Director of Operations Management in 2012. Jill provides oversight for senior living communities in Oregon, California, Hawaii, Arizona, Utah, Ohio, and Indiana. She has her MBA and bachelor's degree in Business Administration from Simpson College. Jill also served as a CARF/CCAC site evaluator from 2000-2007. She has presented at various industry conferences on a state and national level on a variety of topics affecting the senior living industry.

As operations manager, Life Care Services supervises the management and operation of the Community on our behalf. In general, operations management services include recruiting and training administrative personnel; supervising the licensing, equipping, and staffing of the Community; preparing annual budgets; establishing and operating a system of financial controls for the Community, including comparative analyses with other projects; supervising health-care services; supervising food service; and supervising quality accommodations throughout the Community.

**Criminal Violation Statement**

No officer or director (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.

## **EXECUTIVE DIRECTOR**

Ms. Duvall is the Executive Director of Cypress of Charlotte and an employee of Life Care Services, its managing company. Victoria joined Cypress of Charlotte in February of 2018. She has been in senior care administration and with Life Care Service since 2002. Victoria has a Bachelor of Health Science with a specialization in physical therapy from Florida Atlantic University along with a Master's in Business Administration specializing in health care from Lynn University. Ms. Duvall currently holds a Nursing Administrator's License in Florida, Georgia and Minnesota and also serves as a Preceptor.

## **ADMINISTRATOR**

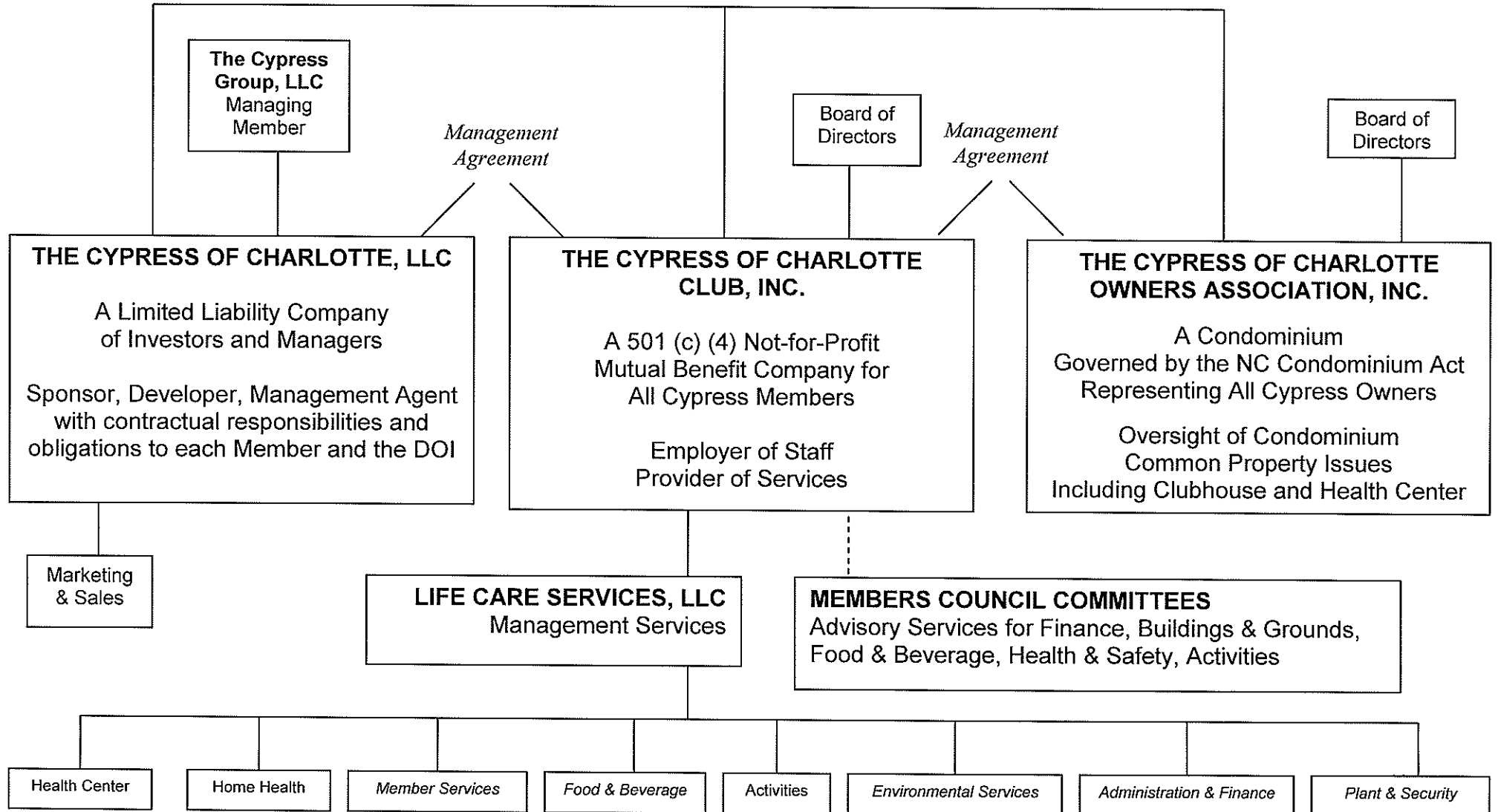
Ashton Brown is the Stewart Health Center Administrator at The Cypress of Charlotte. She is a licensed Nursing Home Administrator and Assisted Living Administrator in North Carolina. Prior to coming to The Cypress, Ashton worked at both skilled nursing and assisted living communities in North Carolina. Ashton graduated from the University of North Carolina at Charlotte with a Bachelor's degree in Sociology and a minor in Public Health.

## **MEMBERS' COUNCIL**

The Company has established a Members' Advisory Council. Members of the Council will be Members of The Cypress. The Council will be made up of chairpersons from five Council committees: finance, buildings and grounds, food and beverage, health and safety, and social and activities. Regularly scheduled meetings are held to enable the Members to ask questions and to permit The Cypress' administration and Council to communicate with the Members for the purpose of free discussion of subjects as they apply to The Cypress, as well as proposed changes in policies, programs, and services, or other issues for the good of The Cypress.

**THE CYPRESS OF CHARLOTTE**  
 A Continuing Care Retirement Community  
 Licensed by the NC Department of Insurance (DOI)

**Entities Comprising the License**



## THE LOCATION

The Cypress is located on 60.5 acres of land at the intersection of Park Road and Park South Drive in Charlotte, North Carolina. It is surrounded by quiet residential neighborhoods, but only a mile away is Charlotte's most prestigious commercial area, South Park, with the area's finest shopping, dining and professional services. Carolinas Medical Center and Presbyterian Hospital are conveniently located nearby.

The site was formerly a 9-hole golf course for more than fifty years and has left its legacy of gentle contours, specimen trees and abundant water features. The site has been developed in a park-like campus setting with lakes and walking trails, and landscape buffers defining a quiet, secure and peaceful environment for the enjoyment of its Members.

## THE CAMPUS

The Cypress is a condominium continuing care retirement community designed to accommodate persons 62 years of age or older in an independent and dignified manner. The first phase opened in early 1999 and included 53 cottages with garages and 104 one and two-bedroom mid-rise villas in two buildings. Phase I also included a 39,000 square foot clubhouse and a 40-bed health center. The clubhouse serves as the hub for community activities. The clubhouse included formal and informal dining rooms, crafts and activities rooms, game room, private dining room, beauty and barber shop, exercise room, hobby shop, reading room, classrooms, indoor lounges and an indoor exercise pool and spa.

Phase II consisted of two villa buildings of 45 and 54 units (99 total) and was completed in the fall of 1999. Phase III, consisted of a villa building of 54 units, and was completed in fall of 2000. There are now a total of 310 cottages and villas and 60 skilled care beds in the health center, including a unit for Members with Alzheimer's disease and related disorders.

The types of villas available in eleven different floor plans are one-bedroom, one-bedroom with Carolina room, two-bedroom, two-bedroom with Carolina room, corner two-bedroom with Carolina room, and deluxe two-bedroom with Carolina room. In addition, there are six different cottage plans available. All cottages and villas are furnished with washers and dryers and with fully equipped kitchens. Each unit contains such safety features as grab rails in the bathtub, emergency call system monitored 24 hours a day, and smoke alarms.

Emphasis in the Health Center is on restorative care and wellness in order to return Members to independent living in their cottages and villas. The first phase 40-bed Stewart Health Center has both private and semiprivate rooms, a physical therapy room, arts and crafts therapy area, dining room, and lounges. Pursuant to a new Certificate of Need from the State of North Carolina, the Health Center was expanded in 2009 by the addition of 20 beds (bringing the total to 60 beds) with additional various commons rooms, support space, and nursing areas. All capital funds for the project were provided by the Company, without debt on the property, and without any capital cost to Cypress Members.



## **THE PERSONNEL**

As approved by the Club, LCS employs an executive director and health care administrator of The Cypress. The Club employs all other personnel, although some services, such as landscape maintenance, may be out-sourced. A medical doctor, an occupational therapist, a physical therapist, and a speech and hearing therapist are available on a consulting basis on site.

## **THE SERVICES**

The decision to move into a continuing care retirement community demands careful consideration of many factors, including the services to be provided. A detailed description of the services provided by the Club is found below. The Member will purchase a cottage or villa for the Member's lifetime use. At the same time, the Member will sign a Membership Agreement which, for a monthly payment, entitles the Member to the following services: (1) food service to Members, including the equivalent of one meal for each day in the month; (2) weekly housekeeping; (3) weekly flat laundry; (4) maintenance of the cottages, villas, and commons area; (5) grounds care; (6) clubhouse activities; (7) scheduled transportation; (8) security; and (9) certain utilities. As of December 31, 2019 there were 420 residents receiving services.

Health center services are available to all Members of The Cypress as stated in the Membership Agreement, and a Member may be admitted directly to the health center from his/her cottage or villa with proper Physician's orders. Members who are able to do so are encouraged to return to independent living as soon as possible. Members who are unable to return to independent living, however, have the benefit of access to permanent care in the health center.

Those Members who do not require care in the health center, but who need additional personal services to continue independent living, will be eligible for the assistance-in-living and/or home care program. Assistance-in-living and home care services are provided by nursing staff, and other staff members. Services such as bathing, dressing, escort, shopping, personal laundry, additional housekeeping, in home care and special transportation will be available to the Members, generally at an additional cost.

The Cypress received its own Home Care Agency License in the fall of 2000, enabling it to perform a full range of skilled health services in the individual cottages and villas, including facilitating Medicare services.

## **DESCRIPTION OF THE SERVICES**

The services available to Members are listed in the Resale Purchase and Sale Agreement and Membership Agreement. To more fully explain the services, the following descriptions have been prepared. The procedures to be followed in furnishing these services may be modified by the Company to allow it to best meet the needs of the Members. Members will be advised of any changes in these services through the Members' Council.

## **ACTIVITIES**

A full-time activities coordinator is employed who plans and organizes a variety of events tailored to the special interests of the Members. The Cypress sponsors a wide variety of activities including tours, shopping excursions, fitness and art classes, dinner dances, card games, craft activities, tournaments, and other activities.

## **ASSISTANCE-IN-LIVING**

As the need develops, a program of additional personal services exists to serve the Members. The purpose of the assistance- in- living program is to provide assistance to Members so that independent living can continue for as long as possible. Assistance-in-living services will not be provided by the health center staff, but by Cypress Home Care staff. Services such as bathing, dressing, escort, shopping, personal laundry, additional housekeeping, and transportation are available on a fee-for-service basis or a flat-fee basis.

Additionally, Members requesting Assistance-in-living also may choose to have such services delivered to them at the Stewart Health Center.

## **BEAUTY AND BARBER SHOP**

Beauty and barbershop services provided by professional beauticians and barbers are available at an extra charge. Space is provided in the clubhouse and health center for this service.

## **COVERED PARKING**

Covered parking is available to villa Members at an extra charge on a first-come, first-served basis. A copy of the covered parking offered, if any, and prices are available during normal business hours at The Cypress' marketing office. Included in the purchase price of all cottages is a two car garage.

## **EMERGENCY CALL SYSTEM**

All cottages and villas have a two-way, telephonic emergency call system. The purpose of this system is to summon help in an emergency. The emergency call system is connected to an indicator panel in the health center, which identifies the cottage or villa from which the signal was initiated, and shows a medical history of the occupants. Licensed nursing personnel with emergency training will respond to calls from the emergency call system and will summon any other appropriate emergency personnel that may be required.

## **FLAT LAUNDRY**

Member's flat laundry is washed, dried, folded, and returned. Such service includes sheets, pillowcases, towels, facecloths, and dishcloths.

## **FOOD SERVICE**

Thirty meal credits per month per member (or the equivalent of one meal per day per month) are provided as part of the monthly payment. Additional meals are available for an additional charge per meal. Charges for extra meals appear on the monthly statement for the convenience of the Members, but can be paid for individually upon request.

Breakfast, lunch and dinner are served by wait staff in the clubhouse dining rooms each day. Reasonable special diets can be provided if requested. The services of a registered dietician are provided to the Members on a regular basis. Home delivery and take-out meals are available.

## **GARDENING**

Gardening areas are available for Members' use and will be under the direction of the activity director on a first-come, first-serve basis.

## **HEALTH CENTER**

If a Member needs comprehensive health care, this care will be provided at The Cypress' health center, called The Stewart Health Center. The health center staff will determine the appropriate level of nursing care (as prescribed by a physician) required by the Member upon admission to the health center. As a part of the determination, the Member's long-term ability to return to independent living is evaluated. The nursing staff will provide an appropriate plan of care, the ultimate goal which shall be, if at all possible, to return the Member to independent living as soon as possible. Members may visit their cottages or villas with the assistance of volunteers as a part of the rehabilitation process if approved by the Member's physician.

Members who are unable to return to a cottage or villa have the benefit of permanent care in the health center. When permanently assigned, a single occupancy Member will continue to pay a reduced monthly payment plus the applicable member's health center fee after 90 days until the cottage or villa is resold. After the cottage or villa is resold, the Member is responsible for the applicable member health center fee. In cases of double occupancy, the remaining Member may remain in the cottage or villa, and the monthly payment for the person continuing to occupy the cottage or villa is reduced to the single occupancy rate.

Both private and semiprivate rooms are available. If a Member desires an available private room, Member may obtain one upon agreement to pay the difference between the charge for semiprivate and private accommodations. Care in the health center includes, but is not limited to, basic nursing care, food service, housekeeping, and flat laundry service.

A physician is retained on a consulting basis to act as Medical Director for the health center. Members may be admitted directly from their cottages or villas and need not come from a hospital. If a Member desires special additional nursing staff while a patient in the health center, arrangements may be made through the health center, at an additional cost to the Member. Friends, relatives, or spouses may take meals with health center Members, although advance notification is required and a guest meal charge will apply.

## **HEALTH CENTER ACTIVITIES DIRECTOR**

An activities director is responsible for coordinating and directing the arts, crafts, social and recreational activities for the health center Members. The focus of these activities is restorative care.

## **HOME CARE AGENCY**

The Cypress of Charlotte Home Care Agency was established and licensed in September, 2000 to provide special nursing and non-nursing care in member's homes, including facilitating Medicare services. This program is under the direction of the Home Care Agency Administrator/Member Service Director. There will be an additional charge for this type of service.

## **HOUSEKEEPING SERVICES**

Housekeeping services are provided to each Member on a weekly basis the cost of which is included in the Member's monthly payment. These services include kitchen and bathroom cleaning, surface cleaning, dusting, and vacuuming. Periodically, window washing, carpet cleaning, and other housekeeping will be done.

## **MAIL**

Mail is distributed by the U.S. Postal Service to the Member's personal mailbox. Once each day the outgoing mail is collected from the mailbox. At the Member's request, mail can be forwarded during the Member's absence.

## **MAINTENANCE OF THE COTTAGE OR VILLA AND THE COMMONS AREA**

Maintenance is provided for each cottage and villa, and also the common areas. If a Member is in need of maintenance service, the Member may complete a maintenance request form at the concierge's desk.

## **MEMBERS' COUNCIL**

The Members' Council holds regularly scheduled Member meetings to enable Members to ask questions and to permit The Cypress' administration and the Members' Advisory Council to communicate with the Members.

## **MONTHLY BILLING SERVICE**

All monthly statements are placed in the Member's mailbox or other appropriate place on or before the fifth day of the month and are to be paid by the tenth day following the delivery date of the statement of each month. Payment may be made at the accounting office or by mail. Payments made after the tenth day may be subject to a late fee.

## **OTHER SERVICES**

Other services may be provided to Members at an additional charge and are added to the monthly payment bill. Such services include guest meals, additional meals, valet service, and such other reasonable services as requested.

## **PARKING FOR MEMBERS AND GUESTS**

The Cypress has ample surface parking for both the Members and their invited guests.

## **PRIVATE DINING ROOM**

A private dining room is available for use by Members and their guests for special family or social occasions. Special meals and wait staff, if desired, are available at an extra cost. Advance reservations with the dining room manager are required.

## **SCHEDULED TRANSPORTATION**

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

## **SECURITY**

Round-the-clock security personnel is provided. For the Members' added safety, all entrance and exit doors can be secured 24 hours a day.

## **HEALTH CENTER**

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

If The Cypress' medical director determines, in consultation with the Member's attending physician, the Member's family or personal representative, and the Member to the extent possible, that the Member requires health care in the health center, such care will be provided for up to 90 lifetime cumulative days with no change in the monthly payment. Such monthly payment will cover health care at the semiprivate room rate. In addition, the Member will be responsible for the cost of two extra meals per day plus nursing supplies, therapies, pharmacy, special duty nurses, personal laundry, rental of equipment, or other services upon special arrangement. If the Member continues to require health care after he/she receives 90 lifetime cumulative days of care, then the Member will pay the applicable member's rate for health care. In addition, the Member will continue to be responsible for the monthly payment, with the appropriate away credit, and other charges pursuant to the terms of the Membership Agreement, until the cottage or villa is resold.

Basic rates are based on a semiprivate room. If a Member desires an available private room, the Member may obtain a private room upon agreement to pay the then-current difference between the non-member private and semiprivate room rates. If the health center is fully occupied, the Member will be provided health care services in, and agrees to relocate to, another health care facility. The Club will be responsible for the charges associated with the alternate health care accommodations so long as the Member continues to pay the monthly payment. Upon availability of accommodations at the health center, the Member will be relocated to the Health Center. The Membership Agreement (see Exhibit C) sets forth in greater detail the extent that health care services are provided and the terms for providing such services.

## **PROPOSED HEALTH CENTER EXPANSION**

After two years of planning and analysis, The Cypress intends to expand the Stewart Health Center, including a dedicated Assisted Living neighborhood and Clinic. With a projected start date in the summer of 2020, and a completion date in late 2021, or early 2022. The project will increase the number of beds from the current 60 to 79, 65 of which will be licensed as skilled beds (including up to 20 of which that may be used for Memory Care), and 14 of which will be licensed as assisted living beds. The project will also include a Clinic, a new physical, occupational and speech therapies wing, and expansion/renovation of the main kitchen, dining rooms, and other common activities and support areas.

As a new element to The Cypress of Charlotte Owners Association Condominium, the resident-owners of the condominium were asked to vote on the project's approval, including the financing terms detailed below. On December 3, 2019, the vote was successful, with 99.2% of the condominium interests, based upon statutory values, voting to approve.

The project will be financed by a \$10 Million loan from Towne Bank, at 4% (or less) interest, interest only during construction (as part of the capital budget), and amortized thereafter over 15 years, secured not by the real estate, but by a pledge of the operating cash flows of The Club and Condominium. It is projected that such cash flows, increased by the additional number of health center beds and increased daily rates from the state-of-the-art facility, agreed-to and voted-on by The Cypress Members, will cover such debt service. In the unlikely event that such cash flows do not materialize, the condominium owners, by vote, have agreed to the condominium's assessment mechanism in the Declaration of Condominium to fund debt service. The Cypress of Charlotte, LLC has also contributed over \$1 Million in the form of forgiveness of accrued-Overhead Payments in anticipation of the project going forward.

A Certificate of Need for the additional 19 beds was received from the North Carolina Department of Health and Human Services in October of 2019. Perkins Eastman Architects has led the design team, with Choate Construction Company providing pre-construction services as the selected General Contractor.

## **THE CONTINUING CARE CONCEPT**

The Cypress' continuing care concept ensures an individual lifetime ownership of a cottage or villa, a wide array of personal services, and long-term nursing care in the on-site health center if he/she can no longer live independently in a cottage or villa. This concept has grown as the result of the increasing number of men and women reaching retirement age and the concern for providing an alternative to traditional retirement living. A Member will purchase a cottage or villa in accordance with the terms of the Resale Purchase and Sale Agreement. At the time of signing a Resale Purchase and Sale Agreement for a cottage or villa, the Member will enter into a Membership Agreement. Pursuant to the Membership Agreement, the Member will pay a monthly payment for the personal services Member receives, which includes a monthly contribution to the Association.

## ACCEPTANCE FOR RESIDENCY

Resale Purchase and Sale Agreements and Membership Agreements are subject to acceptance by the Company. At the time of signing a Resale Purchase and Sale Agreement and a Membership Agreement, the Member (or spouse) must be 62 years of age or older, capable of independent living, free of communicable diseases, and able to pay the purchase price, membership fee, monthly payment, two months of common expenses, 12 months of hazard and flood insurance premiums, and a reserve deposit. After these payments, the Member must have sufficient financial resources to permit payment of the monthly payment plus other personal expenses which may be reasonably expected, and to meet anticipated increases in the cost of living, including any increases in the monthly payment.

Prior to purchase, the Resale Purchase and Sale Agreement may be canceled for failure to pay any of the amounts due pursuant to the Resale Purchase and Sale Agreement or Membership Agreement. If all amounts are paid prior to occupancy and the Member then becomes unable to occupy the cottage or villa, the Member will be allowed to occupy the health center if the appropriate level of care can be offered. Conversely, if the Member becomes incapable of occupying the unit prior to occupancy, or if the Member dies before occupancy, the Resale Purchase and Sale Agreement may be canceled by the purchaser or his estate, with all earnest money refunded. Further, after occupancy, if the Member requires health care, such services will be provided in the health center within the limits of The Stewart Health Center license.

In the event that one spouse does not meet the capability of independent living admission requirement, but the other spouse does, The Cypress will attempt to make a reasonable accommodation for the couple, allowing such spouse to live with the other in independent living, and paying a second person fee, so long as the health, safety and well-being of the both that couple, and all other Cypress Members, are met (which may require Home Health, or other accommodations). Once the spouse can no longer be reasonably accommodated in independent living, he/she may be admitted to the Stewart Health Center without the need for an additional entrance fee, but paying the daily rates that one would pay as-if directly admitted to the Health Center at an Assisted Living level (i.e., approximately one-and-a half to two-times the Member rate).

If an existing Member of The Cypress marries someone who is not a Member, the new spouse, pursuant to the Member spouse's Membership Agreement (Paragraph 3), must qualify for Membership, and pay a Membership Fee equal to the imputed Membership Fee of the unit in which the new spouse will live (generally 10% of the current market's Gross Purchase Price). No additional Membership Fee is required for existing Members marrying existing Members.

## PRICES, MEMBERSHIP FEE AND MONTHLY FEES

(Please refer to the explanatory notes below)

<u>UNIT TYPE</u>	<u>ORIGINAL DEVELOPER PRICES IN 1999</u>		<u>MONTHLY FEE as of January 1, 2020</u>	
	<i>Courtyard</i>	<i>Lakeside</i>	<i>1 Person</i>	<i>2 People</i>
The Afton	\$175,000		\$2,742	\$4,229
The Archer	190,000		2,799	4,286
The Indigo	200,000	\$225,000	2,921	4,408
The Biltmore	215,000	250,000	3,091	4,578
The Birch	250,000	275,000	3,378	4,865
The Carlton	275,000	320,000	3,665	5,152
The Delano	290,000	350,000	3,726	5,213
The Park	275,000	295,000	3,611	5,098
The Azalea	320,000	360,000	3,838	5,325
The Gallery	375,000	420,000	4,112	5,599
The Osprey	410,000	470,000	4,410	5,897
The Ashley		362,000	4,410	5,897
The Cambridge		400,000	4,455	5,942
The Devonshire		450,000	4,468	5,955
The Sycamore		415,000	4,410	5,897
The Hampton		498,000	4,572	6,059
The Wellesley		545,000	4,927	6,414

Note 1: All units at The Cypress of Charlotte have been sold as of June 1, 2000. Any units that may become available in the future will be sold by the then current owner or his or her estate. The original developer prices shown above for 1999 illustrates the base price at which the unit was sold from the developer to the purchaser for the first time. All future sales of cottages and villas will be priced individually by their owners and/or estates based upon then-current market values and any custom upgrades and other unit modifications.

Note 2: Sales prices include 10% membership fee.

Note 3: For 1999 prices, top floor in the C Building add \$10,000. For top floor, Park or Gallery plans add \$15,000. For top floor Osprey, add \$20,000.

Note 4: Covered parking spaces were originally \$5,500 in 1999. Garage spaces were \$9,000.

Note 5: The January 2020, Monthly Fee represents a 5.75% increase over the 2019: The Monthly Fee increases for prior years are as follows: 2019: 5.75%; 2018: 3.5%; 2017: 3.75%; 2016: 3.5%; 2015: 3.4%; 2014: 3.75%; 2013: 4.0%; 2012: 4%; 2011: 3.5%; 2010: 1.75%; 2009: 4.5%; 2008: 4.0%; 2007: 3.75%; 2006: 3.4%; 2005: 3.4%; 2004: 3.5%; 2003: 3.85%; 2002: 4.0%; 2001: 4.0%; 2000: 4.5% over the opening year (1999) fee.



**AVERAGE INCREASE IN MONTHLY FEES**

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
1 <sup>st</sup> Person	\$108	\$112	\$116	\$198	\$210
2 <sup>nd</sup> Person	\$42	\$43	\$45	\$76	\$81

**AVERAGE DOLLAR INCREASE (DECREASE) IN MEMBER RATES IN THE STEWART HEALTH CENTER**

Annual \$ Increases for*:	<b>2016</b> <u>Daily Rate</u>	<b>2017</b> <u>Daily Rate</u>	<b>2018</b> <u>Daily Rate</u>	<b>2019</b> <u>Daily Rate</u>	<b>2020</b> <u>Daily Rate</u>
<u>SKILLED CARE</u>					
Semi-private Room	6.00	8.50	6.64	14.01	8.41
Private Room	-18.00	9.54	5.89	15.86	9.51
<u>ASSISTED LIVING CARE</u>					
Semi-private Room	10.00	10.00	6.64	14.01	8.41
Private Room	13.00	13.00	5.89	15.86	9.51
<u>DEMENTIA CARE</u>					
Semi-private Room	N/A	N/A	N/A	N/A	N/A
Private Room	8.00	11.38	6.97	18.76	None
<u>Home Health</u>					
Hourly Rate	None	1.50	None	.50	1.00

## THE RESALE PURCHASE AND SALE AGREEMENT

Upon deciding to become a Member of The Cypress, a future Member will execute a Resale Purchase and Sale Agreement to purchase the cottage or villa selected, depositing ten percent (10%) of the unit's gross purchase price (which also includes the Membership Fee). The description of the Resale Purchase and Sale Agreement and the terms of residency contained in this Disclosure Statement are qualified by reference to the Purchase and Sale Agreement, which shall prevail in the event of any conflict.

The basic terms and conditions for purchase of a cottage or villa under the Resale Purchase and Sale Agreement are summarized as follows:

1. Purchase Price. At the time a purchaser signs a Resale Purchase and Sale Agreement, an initial deposit representing ten percent (10%) of the gross purchase price for the cottage or villa being reserved shall be paid. The deposit is placed in the Company's Escrow Account at Wells Fargo Bank. At closing, the purchaser shall pay the balance of the purchase price for the cottage or villa selected.

2. Membership Fee. At the time of signing a Resale Purchase and Sale Agreement, a Member must simultaneously acquire membership in the Club by signing a Membership Agreement. A nonrefundable Membership Fee, which is equal to ten percent (10%) of the gross purchase price, is included in the gross purchase price and is payable at or prior to closing on the purchase of a cottage or villa. This Membership Fee is not a traditional entrance fee and thus is treated as income by The Company when received and not amortized.

3. Limited Warranty Deed. The Company conveys good and marketable title purchaser by delivering a Limited Warranty Deed at the time of closing.

4. Monthly Payment. Upon the closing date of the cottage or villa, the Member is required to begin to pay to the Club monthly payments. The monthly payment covers the cost of various services provided by the Club and also the monthly contribution to the Association, known as the condominium fee.

5. Common Expenses. At closing, the purchaser shall also be responsible for paying to the Association two months common expenses for the purpose of establishing a working capital fund and also pay to the Association 12 months hazard and flood insurance premiums.

6. Reserve Deposit. At closing, The Cypress of Charlotte, LLC requires the purchaser to pay a \$7,500 deposit that is used by the provider to maintain an operating reserve which is required by North Carolina regulation. Upon resale of the unit it shall be refunded to the purchaser or his estate, unless the amount is needed for its reserve purpose.

7. Taxes. After closing, the purchaser, as owner of the condominium, pays real estate taxes.

8. Purchaser's Right to Cancel. A purchaser may cancel his/her Resale Purchase and Sale Agreement by sending written notice of purchaser's wish to cancel before midnight of the 30th day after signing the Resale Purchase and Sale Agreement, or the date of delivery of the disclosure statement to the purchaser, whichever date is later. If the purchaser cancels within the 30 days, all money paid is refunded, less those reasonable costs incurred by The Cypress. The refund will be made within 30 days of The Cypress receiving the cancellation notice. The purchaser may also cancel in the case of death or incapacity prior to occupancy.

9. Resale of Cottage or Villa. When the owner of a cottage or villa wishes to sell his/her cottage or villa, and a bona fide offer has been received from a third party, the owner shall then offer it for sale to the Company for the same price as the highest bona fide offer received. Should the Company fail to exercise its option to purchase the cottage or villa within 30 days after receiving written notice, then the owner may sell the property to the third party subject to all covenants, restrictions, limitations, affirmative obligations and other agreements referenced and contained in the Resale Purchase and Sale Agreement and Membership Agreement. Upon resale of a cottage or villa, the Company receives a membership fee for the new purchaser as detailed in the Purchase and Sale Agreement.

## **THE MEMBERSHIP AGREEMENT**

A purchaser of a cottage or villa is required to purchase a nontransferable membership. Therefore, at the time of contract execution for a cottage or villa, the purchaser and the Company will enter into a Membership Agreement (see Exhibit C). As outlined in the Membership Agreement, the membership entitles the purchaser to the use of the clubhouse facilities, specific services, and to be provided with health care in the health center when the purchaser is no longer capable of independent living. The Membership Agreement requires a monthly payment which covers the cost of the various services and features provided at The Cypress. In addition, the monthly payment includes the monthly contribution to the Condominium Association for the cottage or villa owned.

1. Monthly Payment. Pursuant to the Membership Agreement, the purchaser is required to commence making monthly payments upon the earlier of occupancy or on the date specified for closing. Thereafter, the monthly payment will be payable on the tenth day of each month. The monthly payment varies depending upon the type of cottage or villa purchased. The amount of the monthly payment for the calendar year in which the Purchase and Sale Agreement is executed will be stated in the Purchase and Sale Agreement. The total monthly payment, which is higher when a second person shares a cottage or villa, will also be stated in the Purchase and Sale Agreement. The monthly payment includes the cost of services provided pursuant to the Membership Agreement, and can be adjusted annually pursuant to a formula tied to the change in the consumer price index.

Also included within the monthly payment is the condominium fee. The condominium fee is the purchaser's pro rata share of any common expenses of the Association assessed against the cottage or villa purchased. The condominium fee is based on actual costs of operation and on the percentage of ownership in the common elements. The condominium fee is made a part of the monthly payment for convenience so that only one payment is made each month.

The Monthly Payment includes the Condominium Fee of the Unit owned or occupied by the Member and the cost of services and features provided to Members by The Club as described herein. The Monthly Payment for the first full year was based upon estimates provided by an experienced continuing care operator. The Monthly Payment thereafter was determined after the first full year of operations based on the actual cost of operations and the cost of providing the services described herein.

There is a cap on future increases in the cost of services and features provided by The Club (i.e. the Service Fee). With respect to services provided by The Club, the formula for determining the maximum increase permitted for that portion of the Monthly Payment is based on the higher of: (1) the annual percentage increase of the Consumer Price Index, U.S. City Average, All Items (1967 - 100) (hereinafter "C.P.I.") issued by the U.S. City Average, Labor Statistics in its monthly report entitled "The Consumer Price Index, U.S. City Average and its monthly reported entitled "The Consumer Price Index, U.S. City Average and Selected Areas," or (2) the annual percentage increase of the Medical Care Component of the C.P.I. An additional three (3%) percent may be added to the higher of the annual percentages. This formula went into effect after the second full year of operations. The Member shall receive sixty (60) days advance notice of any Monthly Payment adjustment.

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

The Member will continue to pay the monthly payment until the cottage or villa has been sold, transferred, or otherwise conveyed to a new Member who assumes the ownership rights and obligations of the Member with respect to the cottage or villa and the monthly payment.

2. Additional Charges. Any optional services requested by Member that are, not included in the monthly payment are available for an additional charge. These additional services include, but are not limited to, additional meals, additional housekeeping, beauty parlor, barbershop, home health and assistance-in-living services in the Member's cottage or villa. Additional charges are also assessed for special health services and supplies. These special services include, but are not limited to, therapies, pharmacy, special duty nurses, and medical treatment by an attending physician or the medical director. The additional charge for optional services is payable on the tenth day of each month for the optional services obtained during the preceding month. For a list of services for which there is an additional charge, see Sections 8 and 9 of the Membership Agreement.

3. Adding a Member After Initial Occupancy. After initial occupancy of a cottage or villa by a Member, circumstances can arise in which the Member wishes an additional person to have a right to occupy the cottage or villa. For example, the Member may get married and the couple may wish to make the cottage or villa their home, or the Member may wish to have a close family member move into the cottage or villa with him or her. No such additional person may occupy a cottage or villa without the express written approval of the Club. The additional person must go through The Cypress' admission procedures, and the acceptance of any additional person will be in accordance with the current admission policies governing all other admissions. If the additional person is accepted for admission, he or she shall pay a membership fee to the Company based on the fair market value of the cottage or villa as determined by an appraiser. In addition, the then-current second person monthly payment shall be paid each month. If the person does not meet The Cypress' requirements for residency, he or she will not be permitted to occupy the cottage or villa for more than 30 days (except with the express written approval of the Club), or the Agreement may be terminated.

4. Financial Hardship. It is the Club's policy to operate as a not-for-profit organization and to avoid termination of the Member's Membership Agreement solely because of the financial inability of the Member to pay the monthly payment and other charges. The Member will be permitted to remain at The Cypress at a reduced monthly payment based on the Member's ability to pay if (i) the Club

determines that the deferral of payment can be granted without impairing the ability of the Club to operate on a sound financial basis, (ii) the Member can justify the deferral of the charges, and (iii) the Member has the ability to secure repayment of the deferred charges. In any event, the Member will be allowed to remain at The Cypress for 90 days after the date of failure to pay and will pay a reduced monthly payment. The Member will agree to sign a note and mortgage on the cottage or villa as repayment of the debt. However, despite these provisions, if the Member's ability to meet his or her financial obligations has been impaired by making unapproved gifts or transfers, Member's membership may be terminated.

5. Member's Termination Rights. The Member may terminate a Membership Agreement as set forth in Section 11 of the Membership Agreement. The Member (including both of them if there are two Members) may terminate this Agreement at any time for any reason by giving the Company thirty (30) days' written notice signed by the Member (or both of them if there are two Members). The Member's obligations as provided herein shall continue until the Unit is resold, otherwise transferred or properly occupied by a successor Member and the new Member thereby assumes the obligation of the Monthly Payment. Transfer under the will of a deceased Member, other than to his estate, is a conveyance upon which a new Membership Fee must be paid in the event the devisee or beneficiary elects to become a Member of The Club. In the event of death, the Estate of the Member will retain all Membership obligations provided herein until the Member's Unit is sold. As previously stated, if the Member is not also the Unit Owner, the Unit Owner and the Member's Estate shall be jointly and severally responsible for said obligations.

6. The Company's Termination Rights. The Company may terminate a Membership Agreement after it has been accepted only for the reasons set forth in Section 12 of the Membership Agreement. The Company shall not terminate the Membership Agreement without just cause. Just cause shall exist if (i) the Member fails to pay to the Club any charges due under the Membership Agreement, (ii) the Member creates a disturbance within The Cypress which is detrimental to the health, safety, comfort, or peaceful lodging of himself or other Members, (iii) the Member's condition cannot be cared for in the Club's health center within the limits of its license, or (iv) the Member refuses medical treatment which is medically required. Prior to termination of the Membership Agreement, the Club will give the Member notice in writing of the reasons for termination, and the Member will have 30 days thereafter to correct the problem. If the problem is corrected within 30 days, the Membership Agreement shall remain in effect. If the problem is not corrected within the 30 days, the Membership Agreement will be terminated, and the Member must leave The Cypress. However, if it is determined that the 30-day waiting period is detrimental to the Member, other Members, or the staff of The Cypress, this waiting period will be waived.

### **LEASE**

The Company may lease any cottage or villa owned by it on a short or long-term basis. The owner of a cottage or villa may lease his or her cottage or villa only to a family member. However, the cottage or villa shall be used and occupied for whole-time and shall not be utilized for timesharing or interval ownership. Anyone who leases a cottage or villa must meet the residency requirements of The Cypress as set forth in The Cypress' Membership Agreement and must execute a Cypress Membership Agreement and a guaranty agreement which evidences the joint responsibility of the owner and the person(s) using the cottage or villa for the monthly payment. The person(s) leasing will be entitled to all rights and privileges with respect to use of the property, except voting rights which will remain with the owner of the cottage or villa. The Association shall have the right to terminate the lease and evict in the event of default.

## **CONTINUING CARE RETIREMENT COMMUNITY LICENSURE**

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

The Cypress obtained a Start-Up certificate on December 13, 1996 which enabled it to enter into binding Reservation Agreements, and received a Preliminary Certificate which permitted construction. Prior to the facility opening, The Cypress secured a Permanent License for continuous operation.

Pursuant to the North Carolina Act, The Cypress will deliver a Disclosure Statement to each prospective Member upon the earlier of the execution of a Membership Agreement to provide continuing care, or the transfer of any money to The Cypress. Further, within 150 days following the end of each fiscal year, The Cypress will file a revised annual Disclosure Statement with the Department of Insurance which will include updated financial information.

## **CONDOMINIUM ACT**

The Cypress, as a condominium community, is subject to the North Carolina Condominium Act (the "Act"). Pursuant to the Act, the Association conducts the business and affairs of the condominium created by the Declaration which is recorded in the Office of the Deeds and Trusts for Mecklenburg County. The Declaration is the document by which The Cypress is governed and is submitted to the provisions of the Act. A public offering for the sale of condominium will be provided to each prospective purchaser and discloses all issues pertinent to the Condominium Association.

## **HEALTH CENTER LICENSURE**

The Company has received a license from the North Carolina Department of Health and Human Services, Division of Facility Services, for 56 skilled nursing beds and 4 home for the aged beds.

## **MEDICARE AND MEDICAID**

Certain beds in The Cypress' health center are certified by the Federal Government and the facility is able to receive reimbursement from Medicare. Determination of a Member's Medicare eligibility is subject to Federal regulation, and not all health center stays will be eligible for Medicare reimbursement.

The Cypress has chosen not to participate in the Medicaid program. It is The Cypress' policy not to terminate residency of a Member solely by reason of his or her inability to pay the monthly rate or other health center charges pursuant to Paragraph 12(b) of the Membership Agreement (see Exhibit C).

## **ESCROW ACCOUNT**

Upon a prospective Member signing a Resale Purchase and Sale Agreement, where the Company is the broker, all deposits are earnest money deposits that will be placed in the Company's special escrow account with TowneBank.

## **RESERVE ACCOUNTS**

A Reserve for Replacement fund has been created funded by each Member's payment of two months of common expenses to the Association upon closing on a cottage or villa; budgeted amounts in the annual operating budget, and portions of year-end operating surpluses. As of December, 31, 2019 the Reserve for Replacement amount is \$4,090,811, of which \$1,653,879 is an amortizing investment note from The Cypress of Charlotte Owners' Association, Inc., with the balance invested in other fixed income and equity investments. This account is used only for purposes related to the properties of The Cypress, and any interest earned shall remain in the working capital fund.

Further, each purchaser has deposited a \$7,500 Operating Reserve fund deposit which, if unused, may be refunded, with interest, upon resale of the unit. As of December 31, 2019 the current Operating Reserve fund is \$2,368,867. In addition to this account \$2,354,846 from the Reserve for Replacement is allocated to the Operating Reserve fund to meet the Statutory Operating Reserve requirement.

All reserve funds will be invested in "investment grade" instruments, including fixed income securities, cash equivalents, and equity indexes of grades AA or better, pursuant to strict investment policies for both the Reserve for Asset Replacement and the Department of Insurance Operating Reserve (copies of which are available to Members upon request). Investment decisions will be made by James P. Coleman and Marc Puntereri.

## **TAX DEDUCTION**

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

## **FINANCING**

As of January 1, 1999, The Cypress was financed by the formation of a limited liability Company with an initial capitalization of \$5,500,000 in cash equity, \$5,500,000 in letters of credit equity, and a \$49,250,000 construction loan (the terms of which are described below). All monies have been committed and closed. These funds not only covered 100% of the Phase I costs, including, but not limited to, the construction of the clubhouse, 40-bed health center and 157 dwelling units, but it also covered many of the other costs in subsequent phases, such as land, site work, marketing, and general and administrative costs.

The \$49,250,000 construction loan was provided by First Union National Bank and was initially closed on June 13, 1996. The loan, with a term of 48 months, carried an interest rate consisting of the

30-day London Interbank Offered Rate (LIBOR), plus 225 basis points (to wit, 7.66% as of November 1, 1998). The loan was retired at the closings of approximately 154 units in Phase I, in early 1999. Since all of the construction loan was paid off at the opening of Phase I of The Cypress, no permanent financing was required, with The Cypress remaining debt-free.

Phase II of The Cypress, which included two additional villa buildings totaling 99 units, began in September, 1998. First Union provided \$18,500,000 in financing for Phase II with the same terms, interest rate, and conditions as the Phase I loan. This loan amount represented approximately 60% of the contemplated sales revenue of the two buildings. The Company did not begin construction on both of these two buildings until a pre-sale level in excess of 65% was achieved.

Construction for all 99 units occurred in 1999, as shown in the attached financial forecasts. The construction loan was repaid when the units were closed at the buildings' opening in late fall of 1999. Once again, no permanent financing was required.

Phase III, consisting of one 54-unit villa building, commenced with construction in July, 1999. First Union committed to an \$11,700,000 construction loan (approximately 60% of the building's value) similar in terms to the Phase I and II loans. The construction loan was paid off when the units closed in September of 2000, without need for permanent financing.

Phase IV, consisting of a 20-bed addition to the Stewart Health Center, plus ancillary spaces, commenced construction in the second quarter of 2009, completed in the fourth quarter of 2009. All capital costs of this phase are being provided by The Company, without any debt on the property.

Phase V. (proposed), as further detailed in the Health Center Expansion section of the Disclosure Statement, The Cypress intends to add 19 additional beds to the Health Center, along with a Clinic, an expanded therapies wing, and extensive additions/renovations to common areas, starting in the summer of 2020. The Association voted to take out a \$10 Million construction loan, at 4% (or less) interest, converting to a 15-year amortized loan, repaid from the cash flows of The Club and Association, and/or assessments of condominium owners, if needed. The Company also contributed over \$1 Million in accrued Overhead Payments which were forgiven. None of the property will be encumbered.

Any subsequent construction may be built with a construction loan, additional equity, or additional contributions from the Company. No assets of the members or of the Association - including the clubhouse and health center - can be encumbered without the approval of the Association's Board of Directors. The Company does not contemplate the need for such an encumbrance.

Given the condominium nature of ownership of these units, once a unit is sold, there will never be any vacancy issue, since the estate of a deceased member would retain the monthly fee obligation for the unit, just as it would in a non-CCRC situation. As a result, cash flow to The Cypress Club remains predictably constant. This factor, together with The Cypress' debt-free balance sheet, creates financial certainty and safety for the years ahead.



The sources (net of sales revenues) and uses of Phase I, II, III and IV development costs, and the projected sources and uses of the proposed Phase V, may be summarized as follows:

	Phase I Clubhouse, 40 bed Health Center 157 Condominia (Two multi-family buildings and 53 cottages)	Phase II 99 Condominia (Two multi- family buildings)	Phase III 54 Condominia (One multi- family building)	Phase IV 20 bed addition to Health Center	Phase V (Proposed) 19-bed addition to Health Center plus Clinic and other additions
<u>Sources of Funds</u>					
Equity	\$5,500,000	\$1,095,000	\$1,000,000	\$1,815,668	\$1,000,000
Letter of Credit Equity	5,500,000	0	0	0	0
Construction Loan	49,250,000	18,500,000	11,000,000	0	10,000,000
Total	<u>\$60,250,000</u>	<u>\$19,595,000</u>	<u>\$12,000,000</u>	<u>\$1,815,668</u>	<u>11,000,000</u>
<u>Uses of Funds</u>					
Land	\$ 5,349,000	\$ 0	\$ 0	\$ 0	\$ 0
Planning & Design	1,554,000	285,000	125,555	174,335	695,000
Site Work	964,000	725,000	400,000	95,600	657,880
Construction	32,504,000	15,305,953	8,600,000	1,282,600	7,537,120
Furniture, Fixtures, Equip.	1,413,000	80,000	50,000	213,024	615,000
Start-up Operations	600,000	4,000	5,000	26,109	50,000
Marketing & Sales	1,562,000	680,000	518,000	0	0
General & Admin.	1,534,000	486,000	468,000	24,000	50,000
Financing & Interest	3,790,000	925,000	600,000	0	395,000
Contingency	0	0	0	0	1,000,000
Total	<u>\$54,270,000</u>	<u>\$18,490,953</u>	<u>\$10,766,555</u>	<u>\$1,815,668</u>	<u>\$11,000,000</u>
Balance	\$5,980,000	\$1,104,047	\$1,233,445	0	0

Please refer to the attached financial statements for more detailed information.

FINANCIAL STATEMENTS  
(Exhibit A)

Note: There are no material differences for the combined financials of The Cypress of Charlotte Club, Inc. and The Cypress of Charlotte Owners Association, Inc.

## **DEVELOPMENT TIME FRAME**

Phase I, consisting of the Clubhouse, 40-bed health center, 53 cottages, 104 villas and related infrastructure and landscaping, was completed in January 1999.

Phase II, consisting of an additional 99 villas was completed and occupied in the last quarter of 1999.

Phase III, consisting of 54 villa units, was completed in the last quarter of 2000.

Phase IV, consisting of 20 additional Health Center beds, was completed in the last quarter of 2009.

Phase V (proposed), consisting of 19 additional health center beds, clinic, and other common areas, planned to start in the third quarter of 2020, and to be completed in the fourth quarter of 2021.

**Exhibit A**  
**Audited Financial Statements**

# **The Cypress of Charlotte Club, Inc. and The Cypress of Charlotte Owners' Association, Inc.**

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**Combined Financial Statements**

**Years Ended December 31, 2019 and 2018**

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## **Independent Auditors' Report**

To the Board of Directors  
The Cypress of Charlotte Club, Inc.  
The Cypress of Charlotte Owners' Association, Inc.

### ***Report on the Financial Statements***

We have audited the accompanying combined financial statements of The Cypress of Charlotte Club, Inc. and The Cypress of Charlotte Owners' Association, Inc., which are comprised of the combined balance sheets as of December 31, 2019 and 2018, the related combined statements of operations, changes in net assets and members' equity, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements, (collectively, the "financial statements").

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of The Cypress of Charlotte Club, Inc. and The Cypress of Charlotte Owners' Association, Inc. as of December 31, 2019 and 2018, and the combined results of their changes in net assets and members' equity and their combined cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matter***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on future major repairs and replacements and combining balance sheets and statements of operations, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information, except for that portion marked "unaudited," was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, that information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Dixon Hughes Goodman LLP*

**Charlotte, North Carolina  
July 10, 2020**

**The Cypress of Charlotte Club, Inc. and  
The Cypress of Charlotte Owners' Association, Inc.  
Combined Balance Sheets  
December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 624,456	\$ 749,198
Accounts receivable, net	1,037,986	1,022,348
Due from affiliates	61,650	-
Inventory	115,613	95,012
Prepaid expenses	293,371	236,684
Total current assets	<u>2,133,076</u>	<u>2,103,242</u>
Assets limited as to use:		
Internally designated for Department of Insurance operating reserve	2,368,867	2,358,283
Reserve for replacements	2,436,932	1,886,409
	<u>4,805,799</u>	<u>4,244,692</u>
Other investments	25,000	-
Property and equipment, net	13,185,206	13,104,875
Refundable deposits	62,035	62,035
Total assets	<u>\$ 20,211,116</u>	<u>\$ 19,514,844</u>
<b>LIABILITIES AND NET ASSETS AND MEMBERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 675,685	\$ 807,078
Due to affiliate	9,105	1,063,663
Accrued expenses	1,041,947	738,780
Due to homeowners	42,937	36,455
Current portion of capital lease obligations	73,633	70,485
Current portion of notes payable	3,887	3,635
Total current liabilities	<u>1,847,194</u>	<u>2,720,096</u>
Capital lease obligations, less current portion	61,073	134,706
Notes payable - long term	21,548	25,493
Total liabilities	<u>1,929,815</u>	<u>2,880,295</u>
Net assets:		
Without member restrictions	3,665,838	2,040,660
Total net assets	<u>3,665,838</u>	<u>2,040,660</u>
Members' equity:		
Members' equity, undesignated	12,178,531	12,707,480
Members' equity, designated asset replacement and repair	2,436,932	1,886,409
Total members' equity	<u>14,615,463</u>	<u>14,593,889</u>
	<u>\$ 20,211,116</u>	<u>\$ 19,514,844</u>

See accompanying notes.



**The Cypress of Charlotte Club, Inc. and  
The Cypress of Charlotte Owners' Association, Inc.  
Combined Statements of Operations  
Years Ended December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Revenues and gains:		
Member fees and assessments	\$ 15,846,054	\$ 14,954,503
Health Center	4,479,247	4,228,700
Home Health	4,303,631	4,372,686
Other gain (loss)	(57,102)	29,841
Investment income (loss), net	<u>289,834</u>	<u>(29,322)</u>
Total revenue and gains	<u>24,861,664</u>	<u>23,556,408</u>
Expenses:		
Food and beverage	5,159,938	5,048,441
Health Center	3,874,454	3,796,632
Home Health	3,419,601	3,559,593
Plant	3,920,363	4,057,001
Resident services	291,152	320,516
Housekeeping	1,471,561	1,362,750
General and administrative	3,187,672	3,199,217
Management fee	2,061,696	1,295,181
Depreciation	856,374	848,065
Income taxes	<u>37,764</u>	<u>28,140</u>
Total expenses	<u>24,280,575</u>	<u>23,515,536</u>
Change in net assets and members' equity	<u>\$ 581,089</u>	<u>\$ 40,872</u>

See accompanying notes.

**The Cypress of Charlotte Club, Inc. and  
The Cypress of Charlotte Owners' Association, Inc.  
Combined Statements of Changes in Net Assets and Members' Equity  
Years Ended December 31, 2019 and 2018**

	<u>Total Net Assets</u>
<b>Net Assets</b>	
Net assets without member restrictions , December 31, 2017	\$ 2,009,919
Change in net assets	30,741
Net assets without member restrictions , December 31, 2018	<u>2,040,660</u>
Change in net assets	559,515
Equity transfer from the Cypress of Charlotte LLC	<u>1,065,663</u>
Net assets without member restrictions , December 31, 2019	<u><u>\$ 3,665,838</u></u>

	<u>Undesignated</u>	<u>Designated Asset Replacement and Repair</u>	<u>Total Members' Equity</u>
Balance, December 31, 2017	\$ 12,338,202	\$ 2,245,556	\$ 14,583,758
Excess of revenues over expenses	10,131	-	10,131
Amounts distributed from designated asset replacement and repair	<u>359,147</u>	<u>(359,147)</u>	<u>-</u>
Balance, December 31, 2018	12,707,480	1,886,409	14,593,889
Excess of revenues over expenses	21,574	-	21,574
Amounts contributed to designated asset replacement and repair	<u>(550,523)</u>	<u>550,523</u>	<u>-</u>
Balance, December 31, 2019	<u><u>\$ 12,178,531</u></u>	<u><u>\$ 2,436,932</u></u>	<u><u>\$ 14,615,463</u></u>

**The Cypress of Charlotte Club, Inc. and  
The Cypress of Charlotte Owners' Association, Inc.  
Combined Statements of Functional Expenses  
Years Ended December 31, 2019 and 2018**

	2019		
	Program Services	Management and General	Total
Salaries and benefits	\$ 9,735,112	\$ 1,240,328	\$ 10,975,440
Payroll taxes	710,774	50,786	761,560
Fees for services	899,305	1,678,727	2,578,032
Office expenses	468,183	227,978	696,161
Information technology	-	191,491	191,491
Occupancy	383,573	35,193	418,766
Travel	8,990	18,726	27,716
Conferences, conventions, and meetings	17,786	5,306	23,092
Interest	61,242	9,589	70,831
Depreciation	217,638	-	217,638
Insurance	-	289,067	289,067
Food	1,649,131	-	1,649,131
Supplies	486,670	17,860	504,530
Activities	128,972	-	128,972
Medical supplies	96,300	-	96,300
Other expenses	-	86,288	86,288
	<u>\$ 14,863,676</u>	<u>\$ 3,851,339</u>	<u>\$ 18,715,015</u>

Expenses of The Cypress of Charlotte Owners' Association not required  
to be presented on a functional basis

5,565,560  
\$ 24,280,575

	2018		
	Program Services	Management and General	Total
Salaries and benefits	\$ 9,565,458	\$ 1,275,569	\$ 10,841,027
Payroll taxes	702,865	49,762	752,627
Fees for services	787,660	1,182,093	1,969,753
Office expenses	546,596	214,512	761,108
Information technology	-	121,354	121,354
Occupancy	363,860	23,687	387,547
Travel	12,333	22,695	35,028
Conferences, conventions, and meetings	19,124	16,686	35,810
Interest	67,289	12,022	79,311
Depreciation	257,192	-	257,192
Insurance	-	275,516	275,516
Food	1,714,030	-	1,714,030
Supplies	416,972	25,525	442,497
Activities	200,229	-	200,229
Medical supplies	88,295	-	88,295
Other expenses	15,272	64,002	79,274
	<u>\$ 14,757,175</u>	<u>\$ 3,283,423</u>	<u>\$ 18,040,598</u>

Expenses of The Cypress of Charlotte Owners' Association not required  
to be presented on a functional basis

5,474,938  
\$ 23,515,536

See accompanying notes.

**The Cypress of Charlotte Club, Inc. and  
The Cypress of Charlotte Owners' Association, Inc.  
Combined Statements of Cash Flows  
Years Ended December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets and members' equity	\$ 581,089	\$ 40,872
Adjustments to reconcile change in net assets and members' equity to net cash provided by operating activities:		
Loss on disposal of property and equipment	57,871	-
Depreciation	856,374	848,065
Unrealized (gain) loss on assets limited as to use	(218,394)	94,010
Bad debt expense	86,288	1,064
Change in operating assets and liabilities:		
Accounts receivable	(101,926)	237,492
Due from and to affiliates	(1,116,208)	277,588
Inventories	(20,601)	(22,699)
Prepaid expenses	(56,687)	35,513
Refundable deposits	-	(37,035)
Accounts payable	(231,065)	(836,373)
Due to homeowners	6,482	13,462
Accrued expenses	303,167	119,509
Net cash provided by operating activities	<u>146,390</u>	<u>771,468</u>
Cash flows from investing activities:		
Purchase of assets limited as to use	(555,016)	(652,909)
Proceeds from sale of assets limited as to use	187,303	457,396
Purchase of property and equipment	(894,904)	(480,788)
Net cash used by investing activities	<u>(1,262,617)</u>	<u>(676,301)</u>
Cash flow from financing activities:		
Payments of principal on capital lease obligations	(70,485)	(67,736)
Payments of principal on long-term debt	(3,693)	(2,452)
Equity transfer	1,065,663	-
Net cash (used) provided by financing activities	<u>991,485</u>	<u>(70,188)</u>
Net change in cash and cash equivalents	<u>(124,742)</u>	<u>24,979</u>
Cash and cash equivalents, beginning of year	<u>749,198</u>	<u>724,219</u>
Cash and cash equivalents, end of year	<u>\$ 624,456</u>	<u>\$ 749,198</u>
Supplemental disclosure of cash flow information:		
Interest	<u>\$ 9,589</u>	<u>\$ 12,022</u>
Income taxes paid	<u>\$ 37,764</u>	<u>\$ 28,140</u>
Supplemental disclosure of noncash investing activities:		
Property and equipment included in accounts payable	<u>\$ 99,672</u>	<u>\$ 61,877</u>
Transfer from reserve and replacements for equipment and repairs	<u>\$ -</u>	<u>\$ 414,991</u>
Supplemental disclosure of noncash financing activities:		
Capital lease obligations incurred for use of equipment	<u>\$ -</u>	<u>\$ 12,063</u>
Acquisition of equipment through notes payable	<u>\$ -</u>	<u>\$ 31,580</u>

See accompanying notes.

## **Notes to Combined Financial Statements**

### **1. Nature of Business and Significant Accounting Policies**

#### ***Nature of business***

The Cypress of Charlotte Club, Inc. (the "Club") and The Cypress of Charlotte Owners' Association, Inc. (the "Association") are collectively referred to as The Cypress of Charlotte (the "Cypress"). The Cypress is a continuing care retirement community with 310 dwelling units located in Charlotte, North Carolina. The Club was organized as a nonprofit corporation under the laws of the state of North Carolina to manage operations of The Cypress. The Association was created in accordance with the North Carolina Condominium Act to maintain and preserve the common property of The Cypress. The Club and the Association engage in various transactions with an affiliate, The Cypress of Charlotte, LLC (the "Company"), and with each other. The Company is the entity that originally planned, designed and built The Cypress.

The Club was organized to manage the various membership functions of The Cypress that are included in each owner's Membership Agreement. The Club provides the Association with all services related to the Association's stewardship over the common property of the Association. The Club manages the commonly owned property of The Cypress as well as the services provided by the clubhouse and health center.

The Association's revenue is generated primarily through member assessments from condominium owners in the retirement community.

#### ***Principles of combination***

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

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

#### ***Basis of presentation***

The accompanying financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The Club's net assets, revenues and expenses are classified based on the existence or absence of member-imposed restrictions. Net assets and changes therein are classified and reported as follows:

*Net assets without member restrictions* – Net assets that are not subject to member-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Club's management and the board of directors.

*Net assets with member restrictions* – Net assets subject to stipulations imposed by members and grantors. Some member restrictions are temporary in nature; those restrictions will be met by actions of the Club or by the passage of time. Other member restrictions are perpetual in nature, whereby the member has stipulated the funds be maintained in perpetuity. The Club did not have any net assets with member restrictions in 2019 or 2018.

Member restricted contributions are reported as increases in net assets with member restrictions. When a restriction expires, net assets are reclassified from net assets with member restrictions to net assets without member restrictions in the statements of activities.

**The Cypress of Charlotte Club, Inc. and  
The Cypress of Charlotte Owners' Association, Inc.  
Notes to Combined Financial Statements**

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***Cash and cash equivalents***

For the purpose of reporting cash flows, the Club and the Association consider all highly liquid investments with an original maturity of three months or less at the time of purchase that are not included in assets whose use is limited to be cash equivalents. The Club and the Association maintain their cash and cash equivalents in bank deposit accounts which may, at times, exceed federally insured limits. Neither the Club, nor the Association has experienced any financial loss related to such deposits and do not believe they are exposed to any significant credit risk on their cash and cash equivalents.

***Accounts receivable***

The Club records accounts receivable at total unpaid balance. The Club determines past-due status of individual accounts receivable based on the terms of the original contract (or based on how recently payments have been made, for example). The Club estimates an allowance for doubtful accounts based on a combination of factors, including the Club's historical loss experience and any anticipated effects related to current economic conditions, as well as management knowledge of the current composition of accounts receivable. Delinquent accounts are written off when deemed uncollectible. The Club's allowance for doubtful accounts at December 31, 2019 and 2018 was \$19,544 and \$18,576, respectively.

***Inventory***

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

***Prepaid expenses***

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

***Assets limited as to use***

Assets limited as to use include assets set aside by the Board of Directors for North Carolina General Statute reserve requirements, over which the Board retains control and may, at their discretion, subsequently use for other purposes, other than those funds in the operating reserve which shall be used to satisfy the North Carolina General Statute reserve requirements.

Assets limited as to use include investments in debt and equity securities that have readily determinable fair values. Changes in the fair value of investments, including both realized and unrealized gains and losses, are included in the accompanying combined statements of operations. In determining realized gains and losses, the cost of investments is determined using the specific-identification method.

The Club's and Association's investments potentially subject them to market risks and concentrations of credit risk. The Club and the Association maintain various types of investments that encompass many different companies with varied industry and geographical characteristics designed to limit exposure to any one industry, company or geographical location. The Club and the Association retain investment managers who actively buy and sell securities within their respective guidelines and who perform periodic evaluations of the relative credit standing of the companies and financial institutions in which the Club and the Association invest.

***Property and equipment***

The Association, in accordance with ASC 972-360, Common Interest Realty Associations - Property, Plant and Equipment, does not recognize as assets real property directly associated with the members' units. The Clubhouse and Health Center are recognized as assets because they generate significant cash flows. The Association does not recognize as assets any other common property regardless of title or other forms of ownership. The Association and Club capitalize furnishings, vehicles and equipment to which it has title or other evidence of ownership. Capitalized assets are recorded at cost, while assets contributed by the developer are recorded at estimated fair value at the date of the contribution.

**The Cypress of Charlotte Club, Inc. and  
The Cypress of Charlotte Owners' Association, Inc.  
Notes to Combined Financial Statements**

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Property and equipment are carried at cost. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Property and equipment are depreciated over estimated useful lives of 3 to 39 years.

The Club and Association periodically assess the realizability of their long-lived assets and evaluate such assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. For assets to be held and used, impairment is determined to exist if estimated future cash flows, undiscounted and without interest charges, are less than the carrying amount. For assets to be disposed of, impairment is determined to exist if the estimated net realizable value is less than the carrying amount. During the years ended December 31, 2019 and 2018, no impairment indicators were identified.

***Revenue recognition***

Member fees are recorded on the accrual basis of accounting and represent amounts charged to residents under the terms of the Membership Agreement. Health Center and Home Health revenue is reported at the estimated net realizable amounts from residents, third-party payors, and others for services rendered. Revenues under third-party payor agreements are subject to audit and retroactive adjustment. Provisions for estimated third-party payor settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement.

Association activities are accounted for using the accrual basis of accounting whereby revenues are recognized when earned and expenses when incurred. Therefore, member fees are recognized as revenue in the period covered by the billing. First time fees are a one-time/nonrefundable fee for services related to preparing the unit for the new resident, recognized when the resident contracts to acquire the unit and services to prepare the unit are performed.

***Income tax status***

The Club is a nonprofit organization exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code. Management has evaluated that the Club's tax positions and concluded that the Club has taken no uncertain tax positions that require adjustment to the combined financial statements.

The Club files as a tax-exempt organization. Because management has not identified unrelated business income in past years, the Club has not filed Form 990-T, *Exempt Organization Business Income Tax Returns*. Management is not aware of any activities that would jeopardize the tax-exempt status of the Club. Management is not aware of any significant activities that are subject to tax on unrelated business income or excise or other taxes for the Club.

Homeowners associations may be taxed either as membership organizations or as regular corporations. For the years ended December 31, 2019 and 2018, the Association was taxed as a membership organization. As a membership organization, membership income is exempt from taxation if certain elections are made, and the Association is taxed only on its non-membership income, such as interest earnings, at regular federal and state corporate rates.

The Association follows the provisions of ASC 740-10 and has determined that there were no uncertain tax positions requiring recognition as of December 31, 2019 and 2018. At December 31, 2019, the Association has a federal and state tax refund of \$16,486 and \$2,265, respectively.

***Use of estimates***

The preparation of combined financial statements in conformity with GAAP requires the Club's and Association's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**The Cypress of Charlotte Club, Inc. and  
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Notes to Combined Financial Statements**

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***Recently issued accounting pronouncements***

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This standard outlines a single comprehensive model for companies to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that revenue is recognized when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. Transfer of control is not the same as transfer of risks and rewards, as it is considered in current guidance. The Cypress will also need to apply new guidance to determine whether revenue should be recognized over time or at a point in time. The FASB issued several related ASUs which defers the effective date of ASU 2014-09. ASU 2014-09 will be effective for annual reporting periods ending December 31, 2020, using either of two methods: (a) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU 2014-09; or (b) retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined in ASU 2014-09. The Cypress has not yet selected a transition method and is currently evaluating the effect of the pending adoption of ASU 2014-09 on its combined financial statements.

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which supersedes Topic 840, *Leases*. ASU 2016-02 requires a lessee to recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less for which there is not an option to purchase the underlying asset that the lessee is reasonably certain to exercise, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities and should recognize lease expense for such leases generally on a straight-line basis over the lease term. Certain qualitative disclosures along with specific quantitative disclosures will be required, so that users are able to understand more about the nature of an entity's leasing activities. ASU 2016-02 is effective for the Cypress' December 31, 2022 year end. At transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients related to the identification and classification of leases that commenced before the effective date of ASU 2016-02. An entity that elects to use the practical expedients will, in effect, continue to account for leases that commenced before the effective date in accordance with previous GAAP unless the lease is modified, except that lessees are required to recognize a right-of-use asset and a lease liability for all operating leases at each reporting date based on the present value of the remaining minimum rental payments that were tracked and disclosed under previous GAAP. The Cypress is currently evaluating the effect the adoption of this standard will have on its combined financial statements.

***Subsequent Events***

The Cypress has evaluated its subsequent events through July 10, 2020, the date the financial statements were available to be issued.



**The Cypress of Charlotte Club, Inc. and  
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**2. Availability and Liquidity**

The following represents the Cypress' financial assets at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 624,456	\$ 749,798
Accounts receivable, net	1,037,986	1,022,348
Due from affiliates	<u>61,650</u>	<u>-</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,724,092</u>	<u>\$ 1,771,546</u>

The Cypress' goal is generally to maintain financial assets to meet 90 days of operating expenses.

**3. Assets Limited As To Use**

Assets limited as to use at December 31, 2019 and 2018, are set forth in the following table.

	<u>2019</u>	<u>2018</u>
Internally designated for Department of Insurance operating reserve:		
Money market funds	<u>\$ 2,368,867</u>	<u>\$ 2,358,283</u>
Internally designated for reserve for replacement:		
Money market funds	\$ 686,502	\$ 351,085
Corporate debt securities	207,704	207,953
Mutual funds	<u>1,542,726</u>	<u>1,327,371</u>
	<u>\$ 2,436,932</u>	<u>\$ 1,886,409</u>

The following schedule summarizes the investment income and its classification in the combined financial statements for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 64,997	\$ 59,662
Unrealized gains (losses)	<u>224,769</u>	<u>(88,984)</u>
Total investment income (loss), net	<u>\$ 289,834</u>	<u>\$ (29,322)</u>

**The Cypress of Charlotte Club, Inc. and  
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**4. Inventory**

Inventory at December 31, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Food and beverage	\$ 60,374	\$ 47,757
Housekeeping supplies	3,200	3,471
Nursing supplies	15,326	21,114
Plant supplies	<u>36,713</u>	<u>22,852</u>
	<u>\$ 115,613</u>	<u>\$ 95,012</u>

**5. Property and Equipment**

The components of the Club's and Association's property and equipment at December 31, 2019 and 2018, are as follows:

	<u>2019</u>	<u>2018</u>
Land	\$ 740,887	\$ 740,887
Construction in progress	382,245	123,200
Building and improvements	17,759,184	17,632,087
Furniture and fixtures	2,132,736	4,233,709
Vehicles	<u>720,274</u>	<u>772,141</u>
	21,735,326	23,502,024
Less accumulated depreciation, including amortization	<u>8,550,120</u>	<u>10,397,149</u>
	<u>\$ 13,185,206</u>	<u>\$ 13,104,875</u>

**6. Long-Term Debt**

The Club entered into a variable promissory note agreement in 2018 for laundry equipment. The note agreement has a remaining term of 64 months at an implied annual interest rate of 6.5%, with monthly payments of \$469.

Annual future minimum lease obligations under the notes payable obligation as of December 31, 2019, are as follows:

**Years ending December 31:**

2020	\$ 3,887
2021	4,142
2022	4,464
2023	4,810
2024	5,184
Thereafter	<u>2,948</u>
	<u>\$ 25,435</u>

**The Cypress of Charlotte Club, Inc. and  
The Cypress of Charlotte Owners' Association, Inc.  
Notes to Combined Financial Statements**

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**7. Leases**

***Operating leases***

The Club leases certain equipment from third parties which require minimum monthly rental payments. Total minimum lease commitments under operating leases at December 31, 2019, are as follows:

<u>Years ending December 31:</u>	
2020	\$ 86,608
2021	56,569
2022	48,443
2023	48,443
2024	<u>16,148</u>
	<u>\$ 256,211</u>

Rent expense for the years ended December 31, 2019 and 2018, was \$73,201 and \$68,107, respectively.

***Capital leases***

The Club has four lease obligations at December 31, 2019 and which have been classified as capital leases. Three of these lease arrangements are for vehicles, having remaining terms of 22 months at an implied annual interest rate of 4.375%, while the fourth lease arrangement is for wheelchair washers with remaining terms of 35 months at an implied annual interest rate of 4.5%. Monthly payments on these lease obligations range from \$223 to \$4,924. The leases are collateralized by the related assets with a carrying value of approximately \$152,000 and \$225,000 as of December 31, 2019 and 2018, respectively.

Annual future minimum lease obligations under capital leases as of December 31, 2019, are as follows:

<u>Years ending December 31:</u>	
2020	78,070
2021	59,905
2022	<u>2,455</u>
Total minimum lease payments	140,430
Less amount representing interest	<u>5,724</u>
Present value of minimum lease obligations	134,706
Less current portion	<u>73,633</u>
Long-term portion of capital lease obligations	<u>\$ 61,073</u>

**8. Transactions With Affiliates and Management Company**

Pursuant to the Management Agreement entered into between the Club and the Company, as well as the Membership Agreement between each member, the Club and the Company, the Company receives a management fee (overhead payment) from the Club based on the total operating costs of the Club. For the years ended December 31, 2019 and 2018, the management fees (overhead payment) totaled \$1,628,740 and \$1,036,145, respectively. During the year ended December 31, 2019, the Company forgave the amount due from the Club for 2017 and 2018 management fees of \$1,065,663. The transaction is recorded as an equity transfer in the financial statements. Management fees payable totaled \$0 and \$1,065,663 at December 31, 2019 and 2018, respectively. Separately, the Company reimburses the Club when the Club processes operating transactions on the Company's behalf. The amount due from the Company for reimbursable transactions was \$61,650 and \$2,000 at December 31, 2019 and 2018, respectively. The Club has reported a due to affiliate of \$0 and \$1,063,663 for the net amount owed to the Company for management fees and operating transactions at December 31, 2019 and 2018, respectively.

**The Cypress of Charlotte Club, Inc. and  
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During the year ended December 31, 2017, the Association entered into a construction contract with an unrelated party, in the amount of \$3,300,000 (including change orders) for the reconstruction of the indoor pool facility. The Company contributed \$1,500,000 in 2017 towards the funding of the construction project. Additionally, the Association utilized \$2,000,000 from the reserve for replacement account to fund the construction project. The project was completed in 2018 and the Association members began making contributions to the reserve for replacement account. The Association members contributed \$237,324 and \$262,013 during 2019 and 2018, respectively, including interest, and anticipate making monthly payments of \$19,777 over a ten-year period to replenish the reserve.

The Club retains Life Care Services, LLC (Life Care) for their expertise in continuing care retirement communities to assist in managing the Club. The agreement dated March 26, 2014 expired on March 26, 2019 and was subsequently renewed for 60 months expiring March 27, 2024, unless sooner terminated in accordance with the agreement. For the years ended December 31, 2019 and 2018, amounts due to Life Care totaled \$996,102 and \$988,564, respectively. For the years ended December 31, 2019 and 2018, the Club allocated expenses of \$178,269 and \$168,869 respectively, representing the Association's share of costs related to the contract with Life Care. The Club owed \$9,105 and \$330,454 to Life Care at December 31, 2019 and 2018, respectively.

## **9. Retirement Plan**

The Club began a 401(k) retirement savings plan for all eligible employees on March 1, 1999. Employees are eligible to participate in the plan upon attaining the age of 21 years, completing one year of active service, and having worked at least 1,000 hours in a given year. Employees may invest up to 20% of regular, non-overtime income into the plan. The Club will match 50% of the first 4% of an employee's savings. Employees are 100% vested in the portion they contribute to the plan. The Club matching funds are vested over a five-year period.

Retirement expense for the plan was approximately \$88,000 and \$84,000 for the years ended December 31, 2019 and 2018, respectively.

## **10. Regulatory Matters**

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

North Carolina General Statute 58-64-33 requires that continuing care retirement communities with occupancy levels in excess of 90% maintain an operating reserve equal to 25% of total operating costs projected for the 12-month period following the most recent annual statement filed with the Department of Insurance, upon approval of the Commissioner. These reserves are to be used for the benefit of the Club in the event of emergencies or unexpected shortfalls. The facility had occupancy greater than 90% at December 31, 2019.

To meet this obligation, at closing, the Club requires that each purchaser shall be responsible for paying a reserve deposit of \$7,500 to the Club. So long as it is not necessary for the Club to use proceeds or assets from the reserve account, interest and/or dividends shall be paid to each purchaser on a pro rata basis in February of each year. For the years ended December 31, 2019 and 2018, the Club did not use proceeds or assets from the reserve account and the balance of interest and dividends is shown as due to homeowners.

Each subsequent purchaser shall be obligated to pay \$7,500 into the reserve account, so that upon resale of the unit, any unused portion of the \$7,500 deposit shall be returned to the original purchaser plus accrued but unpaid interest on the related deposit through the date of closing.

**The Cypress of Charlotte Club, Inc. and  
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Based on the Club's 2020 forecasted statements, the required operating reserve is \$4,723,713 at December 31, 2019. The balance held in the restricted investment account was \$2,368,867 at December 31, 2019. The North Carolina Department of Insurance had no objection to the proposal that The Cypress be permitted to fund any shortfalls in the Department of Insurance Operating Reserve with funds from the Association's Reserve for Replacements, which had a balance of \$2,436,932 at December 31, 2019. During the year ended December 31, 2017, the Association utilized \$2,000,000 from the Reserve for Replacement account to fund a construction project. The Association members have guaranteed annual contributions to the Reserve for Replacement account over a ten-year period to replenish the reserve. The construction project was completed in 2018 and the Association members began making contributions to the Reserve for Replacement account. At December 31, 2019, the remaining amount due to the Association from the members is \$1,653,879, which will offset any shortfalls in the Department of Insurance Operating Reserve.

### **11. Future Repairs and Replacement**

As of December 31, 2019, there were no statutory requirements that the Association accumulate funds for future repairs and replacements and land acquisitions. Management of the Association conducted a study in 2018 to estimate the remaining useful lives of the components of common properties and to estimate the costs of future major repairs and replacements. The current policy is that these expenses will be paid from current amounts on hand in designated and undesignated accounts; special assessments may be levied, as required, after utilizing these designated funds or funds may be borrowed.

The Board has designated amounts for the Reserve for Replacement fund based on actual or budgeted surpluses occurring annually. Estimated future replacement costs and actual expenditures may vary materially from amounts set aside in the Reserve for Replacement assets. There were no special assessments in 2019 and 2018 for major repairs and replacements.

### **12. Fair Value of Financial Instruments**

GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under GAAP are described below:

- Level 1:** Unadjusted quoted prices in active markets for identical assets or liabilities that the Association has the ability to access at the measurement date. The quoted price for these investments is not adjusted, even in situations where the Association holds a large position and a sale could reasonably be expected to impact the quoted price.
- Level 2:** Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly, and the fair value is determined through the use of models or other valuation methodologies. Investments that are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities, certain over-the-counter derivatives and certain general and limited partnership and membership interests in funds that calculate net asset value per share, or its equivalent. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.
- Level 3:** Inputs that are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

**The Cypress of Charlotte Club, Inc. and  
The Cypress of Charlotte Owners' Association, Inc.  
Notes to Combined Financial Statements**

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The Association has various processes and controls in place to ensure that fair value is reasonably estimated.

Following is a description of the valuation methodologies used for assets measured at fair value subsequent to initial recognition. These methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

During the years ended December 31, 2019 and 2018, there were no changes to the Association's valuation techniques that had, or are expected to have, a material impact on its balance sheets or results of operations.

***Mutual funds***

Securities traded on a national securities exchange are stated at the last reported sales price on the day of valuation. To the extent these securities are actively traded and valuation adjustments are not applied, they are categorized in Level 1 of the fair value hierarchy.

***Corporate debt securities***

The fair value of corporate debt securities is estimated using various techniques, which may consider recently executed transactions in securities of the issuer or comparable issuers, market price quotations (where observable), bond spreads and fundamental data relating to the issuer. Corporate debt securities are categorized in Level 2 of the fair value hierarchy when these securities are not actively traded on the valuation date and valuation adjustments are applied.

The tables below present the balances of financial instruments measured at fair value on a recurring basis by level within the hierarchy at December 31, 2019 and 2018:

	<b>Fair Value Measurements as of December 31, 2019</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Assets limited as to use,				
Reserve for replacements:				
Corporate debt securities	\$ 207,704	\$ -	\$ -	\$ 207,704
Mutual funds	<u>1,542,726</u>	<u>-</u>	<u>-</u>	<u>1,542,726</u>
	<u>\$ 1,750,430</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,750,430</u>
	<b>Fair Value Measurements as of December 31, 2018</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Assets limited as to use,				
Reserve for replacements:				
Corporate debt securities	\$ 207,953	\$ -	\$ -	\$ 207,953
Mutual funds	<u>1,327,371</u>	<u>-</u>	<u>-</u>	<u>1,327,371</u>
	<u>\$ 1,535,324</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,535,324</u>

The Association has \$686,502 and \$351,085 of cash and cash equivalents as of December 31, 2019 and 2018, respectively, which were not classified as a level.

**The Cypress of Charlotte Club, Inc. and  
The Cypress of Charlotte Owners' Association, Inc.  
Notes to Combined Financial Statements**

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**13. Concentrations of Credit Risk**

The Club grants credit without collateral to its residents, some of whom are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at December 31 2019 and 2018, was as follows:

	<u>2019</u>	<u>2018</u>
Self-pay	54%	78%
Medicare	37%	18%
Other third-party payors	<u>9%</u>	<u>4%</u>
Totals	<u><u>100%</u></u>	<u><u>100%</u></u>

**14. Contingencies**

***Medical malpractice***

The Club's malpractice insurance coverage is on a claims-made basis with limits of \$1,000,000 for each claim and \$3,000,000 in the aggregate. The Club's commercial general liability coverage also has limits of \$1,000,000 for each claim and \$3,000,000 in the aggregate. In addition, the Club has an umbrella liability policy with excess coverage limits of \$10,000,000 per incident and \$50,000,000 in the aggregate. Should the Club not renew its claims-made policy, or replace it with equivalent insurance, claims incurred during its term but asserted after its expiration would be uninsured, unless the Club obtains tail coverage. Management anticipates that such coverage will be renewed or replaced with equivalent insurance as these policies expire.

No claims were outstanding during the year. The Club did not have an accrual at December 31, 2019 or 2018, for pending claims.

**15. Subsequent events**

In March 2020, the World Health Organization declared the outbreak of COVID-19, a novel strain of Coronavirus, a pandemic. The coronavirus outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of the outbreak on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers, employees and vendors, and governmental, regulatory and private sector responses. The combined financial statements do not reflect any adjustments as a result of the subsequent increase in economic uncertainty.

In May 2020, the North Carolina Department of Revenue completed an examination of the Club's sales and use tax for the period October 1, 2015 to September 30, 2018. The examining agent proposed adjustments related to additional sales tax of approximately \$3,000,000 plus penalties and interest of approximately \$761,000 and \$481,000, respectively. The Club did not agree with the adjustments, nor the Department's statutory authority proposed by the examining agent in the agent's November 2019 draft, and requested the Department to respond to the Club's questions and objections. The Department was silent on the matter until it went forward with the final notice of assessment six months later. The Club has filed a formal "Objection and Request for Departmental Review" (under NC-242) with the Department of Revenue. The Club intends to pursue additional legal avenues if unsuccessful with this Review. No provision has been made in the accompanying combined financial statements for the proposed additional sales tax, penalties, and interest since the ultimate liability, if any, cannot be reasonably estimated.

***Supplementary Information***



**The Cypress of Charlotte Club, Inc. and  
The Cypress of Charlotte Owners' Association, Inc.  
Future Major Repairs and Replacements (Unaudited)  
December 31, 2019**

Management engaged a consultant to perform a study in 2018 to estimate the remaining useful lives and the replacement costs of the components of common property over a 20-year period. The estimates were based on estimated current replacement costs. Funding requirements do not consider an annual rate of inflation or interest on amounts funded for future major repairs and replacements.

The following table is based on the study and presents significant information about the components of common property.

Component	Estimated Remaining Useful Life (Years)	Estimated Current Replacement Costs	2020 Funding Requirements
Total site development	2-34	\$ 2,330,507	\$ 163,800
Building structures and systems	2-36	6,391,685	673,894
Building mechanical equipment	2-36	1,322,981	50,310
Common area interior and finishes	2-34	2,247,348	8,470
Unit improvements	2-19	14,484,339	763,690
Furniture, fixtures and equipment	2-18	<u>3,847,443</u>	<u>622,147</u>
Total		<u>\$ 30,624,303</u>	<u>\$ 2,282,311</u>
Members' equity, designated asset replacement and repair			<u>\$ 2,436,932</u>

**The Cypress of Charlotte Club, Inc. and  
The Cypress of Charlotte Owners' Association, Inc.  
Combining Balance Sheets  
December 31, 2019**

	The Cypress of Charlotte Club, Inc.	The Cypress of Charlotte Owners' Association, Inc.	Eliminations	Total
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 610,361	\$ 14,095	\$ -	\$ 624,456
Accounts receivable, net	1,037,986	-	-	1,037,986
Due from affiliates	61,650	-	-	61,650
Inventory	115,613	-	-	115,613
Prepaid expenses	293,371	-	-	293,371
Total current assets	<u>2,118,981</u>	<u>14,095</u>	<u>-</u>	<u>2,133,076</u>
Assets limited as to use:				
Internally designated for Department of Insurance operating reserve	2,368,867	-	-	2,368,867
Reserve for replacements	-	2,436,932	-	2,436,932
	<u>2,368,867</u>	<u>2,436,932</u>	<u>-</u>	<u>4,805,799</u>
Other investments	25,000	-	-	25,000
Due from the Association	468,139	-	(468,139)	-
Property and equipment, net	646,668	12,538,538	-	13,185,206
Refundable deposits	62,035	-	-	62,035
Total assets	<u>\$ 5,689,690</u>	<u>\$ 14,989,565</u>	<u>\$ (468,139)</u>	<u>\$ 20,211,116</u>
<b>LIABILITIES AND NET ASSETS AND MEMBERS' EQUITY</b>				
Current liabilities:				
Accounts payable	\$ 675,685	\$ -	\$ -	\$ 675,685
Due to affiliate	9,105	-	-	9,105
Accrued expenses	1,041,947	-	-	1,041,947
Due to homeowners	42,937	-	-	42,937
Current portion of capital lease obligations	73,633	-	-	73,633
Current portion of notes payable	3,887	-	-	3,887
Total current liabilities	<u>1,847,194</u>	<u>-</u>	<u>-</u>	<u>1,847,194</u>
Due to the Club	-	468,139	(468,139)	-
Capital lease obligations, less current portion	61,073	-	-	61,073
Notes payable - long term	21,548	-	-	21,548
Total liabilities	<u>1,929,815</u>	<u>468,139</u>	<u>(468,139)</u>	<u>1,929,815</u>
Net assets:				
Without member restrictions	3,759,875	-	(94,037)	3,665,838
Total net assets	<u>3,759,875</u>	<u>-</u>	<u>(94,037)</u>	<u>3,665,838</u>
Members' equity:				
Members' equity, undesignated	-	12,084,494	94,037	12,178,531
Members' equity, designated asset replacement and repair	-	2,436,932	-	2,436,932
Total members' equity	<u>-</u>	<u>14,521,426</u>	<u>94,037</u>	<u>14,615,463</u>
	<u>\$ 5,689,690</u>	<u>\$ 14,989,565</u>	<u>\$ (468,139)</u>	<u>\$ 20,211,116</u>

See independent auditors' report.

**The Cypress of Charlotte Club, Inc. and  
The Cypress of Charlotte Owners' Association, Inc.  
Combining Statements of Operations  
Year Ended December 31, 2019**

	The Cypress of Charlotte Club, Inc.	The Cypress of Charlotte Owners' Association, Inc.	Eliminations	Total
Revenues and gains:				
Member fees and assessments	\$ 10,523,502	\$ 5,322,552	\$ -	\$ 15,846,054
Health Center	4,479,247	-	-	4,479,247
Home Health	4,303,631	-	-	4,303,631
Investment (loss) income, net	6,443	283,391	-	289,834
Other gain (loss)	(38,293)	(18,809)	-	(57,102)
Total revenues and gains	<u>19,274,530</u>	<u>5,587,134</u>	<u>-</u>	<u>24,861,664</u>
Expenses:				
Food and beverage	5,159,938	-	-	5,159,938
Health Center	3,874,454	-	-	3,874,454
Home Health	3,419,601	-	-	3,419,601
Plant	932,146	2,988,217	-	3,920,363
Resident services	291,152	-	-	291,152
Housekeeping	919,706	551,855	-	1,471,561
General and administrative	2,271,640	916,032	-	3,187,672
Management fee	1,628,740	432,956	-	2,061,696
Depreciation	217,638	638,736	-	856,374
Income taxes	-	37,764	-	37,764
Total expenses	<u>18,715,015</u>	<u>5,565,560</u>	<u>-</u>	<u>24,280,575</u>
Change in net assets and members' equity	<u>\$ 559,515</u>	<u>\$ 21,574</u>	<u>\$ -</u>	<u>\$ 581,089</u>

# **The Cypress of Charlotte Owners' Association, Inc.**

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**Financial Statements**

**Years Ended December 31, 2019 and 2018**

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## **Independent Auditors' Report**

To the Board of Directors  
The Cypress of Charlotte Owners' Association, Inc.

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of The Cypress of Charlotte Owners' Association, Inc. (the "Association"), which comprise the balance sheets as of December 31, 2019 and 2018, the related statements of revenues and expenses, changes in members' equity and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



***Other Matter***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on reserve for replacement reconciliation and the supplementary information on future major repairs and replacements, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information, except for that portion marked "unaudited," was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, that information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Dixon Hughes Goodman LLP*

**Charlotte, North Carolina  
July 10, 2020**

**The Cypress of Charlotte Owners' Association, Inc.**  
**Balance Sheets**  
**December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 14,095	\$ 51,056
Total current assets	<u>14,095</u>	<u>51,056</u>
Assets limited as to use:		
Reserve for replacements	2,436,932	1,886,409
Property and equipment, net	<u>12,538,538</u>	<u>12,325,441</u>
Total assets	<u>\$ 14,989,565</u>	<u>\$ 14,262,906</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
Due to the Club	\$ 468,139	\$ 64,156
Members' equity:		
Members equity, undesignated	12,084,494	12,312,341
Members' equity, designated asset replacement and repair	<u>2,436,932</u>	<u>1,886,409</u>
Total liabilities and members' equity	<u>\$ 14,989,565</u>	<u>\$ 14,262,906</u>



**The Cypress of Charlotte Owners' Association, Inc.**  
**Statements of Revenues and Expenses**  
**Years Ended December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Revenues and gains:		
Member assessments:		
Operations	\$ 5,272,617	\$ 5,430,907
New member fees	49,935	88,510
Investment income (loss), net	283,391	(34,348)
Other income (loss)	(18,809)	-
Total revenues and gains	<u>5,587,134</u>	<u>5,485,069</u>
Expenses:		
Plant	2,988,217	3,242,239
Housekeeping	551,855	476,598
General and administrative	916,032	878,052
Management fee	432,956	259,036
Depreciation	638,736	590,873
Income taxes	37,764	28,140
Total expenses	<u>5,565,560</u>	<u>5,474,938</u>
Excess of revenues over expenses	<u>\$ 21,574</u>	<u>\$ 10,131</u>

See accompanying notes.

**The Cypress of Charlotte Owners' Association, Inc.**  
**Statements of Changes in Members' Equity**  
**Years Ended December 31, 2019 and 2018**

	<u>Undesignated</u>	<u>Designated Asset Replacement and Repair</u>	<u>Total Members' Equity</u>
Balance, December 31, 2017	\$ 12,338,202	\$ 2,245,556	\$ 14,583,758
Excess of revenues over expenses	10,131	-	10,131
Equity transfer to the Club	(395,139)		(395,139)
Amounts distributed from designated asset replacement and repair	<u>359,147</u>	<u>(359,147)</u>	<u>-</u>
Balance, December 31, 2018	<b>12,312,341</b>	<b>1,886,409</b>	<b>14,198,750</b>
Excess of revenues over expenses	21,574	-	21,574
Equity transfer from the Club	301,102	-	301,102
Amounts contributed to designated asset replacement and repair	<u>(550,523)</u>	<u>550,523</u>	<u>-</u>
Balance, December 31, 2019	<u><b>\$ 12,084,494</b></u>	<u><b>\$ 2,436,932</b></u>	<u><b>\$ 14,521,426</b></u>
			-

**The Cypress of Charlotte Owners' Association, Inc.**  
**Statements of Cash Flows**  
**Years Ended December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Excess of revenues over expenses	\$ 21,574	\$ 10,131
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Depreciation	638,736	590,873
Loss (gain) on assets limited as to use	(218,394)	94,010
Changes in assets and liabilities:		
Decrease in receivables	-	89,929
Net cash provided by operating activities	<u>461,439</u>	<u>784,943</u>
Cash flows from investing activities:		
Purchase of assets limited as to use	(332,129)	(349,467)
Net proceeds from sale of assets limited as to use	-	199,613
Net proceeds from the Club	327,302	12,748
Purchase of property and equipment	(794,675)	(292,060)
Net cash used by investing activities	<u>(799,502)</u>	<u>(429,166)</u>
Cash flows from financing activities:		
Transfers from (to) the Club	<u>301,102</u>	<u>(395,139)</u>
Net cash provided by (used by) financing activities	<u>301,102</u>	<u>(395,139)</u>
Net decrease in cash	<u>(36,961)</u>	<u>(39,362)</u>
Cash, beginning of year	<u>51,056</u>	<u>90,418</u>
Cash, end of year	<u>\$ 14,095</u>	<u>\$ 51,056</u>
Supplemental disclosure of cash flow information:		
Income taxes paid	<u>\$ 37,764</u>	<u>\$ 28,140</u>
Supplemental disclosure of noncash investing activities:		
Property and equipment included in accounts payable	<u>\$ 76,681</u>	<u>\$ -</u>
Transfer from reserve and replacements for equipment and repairs	<u>\$ -</u>	<u>\$ 414,991</u>

## Notes to Financial Statements

### 1. Nature of Business and Significant Accounting Policies

#### *Nature of business*

The Cypress of Charlotte Owners' Association, Inc. (the "Association") and The Cypress of Charlotte Club, Inc. (the "Club") are collectively referred to as The Cypress of Charlotte (the "Cypress"). The Association was created in accordance with the North Carolina Condominium Act to maintain and preserve the common property of The Cypress. The Association's revenue is generated primarily through member assessments from condominium owners in the retirement community. The Club provides the Association with all services related to the Association's stewardship over the common property of the Association.

The Cypress is a continuing care retirement community with 310 dwelling units located in Charlotte, North Carolina. The Club was organized as a nonprofit corporation under the laws of the State of North Carolina to manage operations of The Cypress. The Club and the Association engage in various transactions with an affiliate, The Cypress of Charlotte, LLC (the "Company") and with each other. The Company is the entity that originally planned, designed and built The Cypress.

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

#### *Cash and cash equivalents*

For the purpose of reporting cash flows, the Association considers all highly-liquid investments with an original maturity of three months or less from the date of acquisition that are not included in assets whose use is limited to be cash equivalents.

#### *Assets limited as to use*

Assets limited as to use include assets set aside by the Board of Directors for future replacements of common property over which the Board retains control and may, at their discretion, subsequently use for other purposes.

Assets limited as to use include investments in debt and equity securities that have readily determinable fair values. Changes in the fair value of investments, including both realized and unrealized gains and losses, are included in the accompanying statements of revenues and expenses. In determining realized gains and losses, the cost of investments is determined using the specific-identification method.

The Association's investments potentially subject it to market risks and concentrations of credit risk. The Association maintains various types of investments that encompass many different companies with varied industry and geographical characteristics designed to limit exposure to any one industry, company or geographical location. The Association retains investment managers who actively buy and sell securities within the Association's guidelines and who perform periodic evaluations of the relative credit standing of the companies and financial institutions in which the Association invests.

#### *Property and equipment*

Furniture, fixtures and equipment are depreciated using the straight-line method over estimated useful lives of five to seven years. Buildings and improvements are depreciated over estimated useful lives of 7 to 39 years.

The Association, in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 972-360, Common Interest Realty Associations - Property, Plant and- Equipment, does not recognize as assets real property directly associated with the members' units. The Clubhouse and Health Center are recognized as assets because they generate significant cash flows.

The Association does not recognize as assets any other common property regardless of title or other forms of ownership. The Association capitalizes furnishings, vehicles and equipment to which it has title or other evidence

**The Cypress of Charlotte Owners' Association, Inc.**  
**Notes to Financial Statements**

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of ownership. Capitalized assets are recorded at cost, while assets contributed by the developer are recorded at estimated fair value at the date of the contribution.

The Association periodically assesses the realizability of its long-lived assets and evaluates such assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. For assets to be held and used, impairment is determined to exist if estimated future cash flows, undiscounted and without interest charges, are less than the carrying amount. For assets to be disposed of, impairment is determined to exist if the estimated net realizable value is less than the carrying amount. During the years ended December 31, 2019 and 2018, no impairment indicators were identified.

***Revenue recognition***

Activities are accounted for using the accrual basis of accounting, whereby revenue is recognized when earned. Therefore, member assessments are recognized as revenue in the period covered by the billing. First time fees are a one-time/nonrefundable fee for services related to preparing the unit for the new resident, recognized when the resident contracts to acquire the unit and services to prepare the unit are performed.

***Income tax status***

Homeowners associations may be taxed either as membership organizations or as regular corporations. For the years ended December 31, 2019 and 2018, the Association was taxed as a membership organization. As a membership organization, membership income is exempt from taxation if certain elections are made, and the Association is taxed only on its non-membership income, such as interest earnings, at regular federal and state corporate rates.

The Association follows the provisions of ASC 740-10 and has determined that there were no uncertain tax positions requiring recognition as of December 31, 2019 and 2018. At December 31, 2019, the Association has a federal and state tax refund of \$16,486 and \$2,265, respectively.

***Use of Estimates***

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

***Recently issued accounting pronouncements***

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This standard outlines a single comprehensive model for companies to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that revenue is recognized when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. Transfer of control is not the same as transfer of risks and rewards, as it is considered in current guidance. The Association will also need to apply new guidance to determine whether revenue should be recognized over time or at a point in time. The FASB issued several related ASUs which defers the effective date of ASU 2014-09. ASU 2014-09 will be effective for annual reporting periods ending December 31, 2020, using either of two methods: (a) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU 2014-09; or (b) retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined in ASU 2014-09. The Association has not yet selected a transition method and is currently evaluating the effect of the pending adoption of ASU 2014-09 on its financial statements.

In February 2016, the FASS issued ASU 2016-02, *Leases (Topic 842)*, which supersedes Topic 840, *Leases*. ASU 2016-02 requires a lessee to recognize in the statement of financial position a liability to make lease payments (the

**The Cypress of Charlotte Owners' Association, Inc.**  
**Notes to Financial Statements**

lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less for which there is not an option to purchase the underlying asset that the lessee is reasonably certain to exercise, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities and should recognize lease expense for such leases generally on a straight- line basis over the lease term. Certain qualitative disclosures along with specific quantitative disclosures will be required, so that users are able to understand more about the nature of an entity's leasing activities. ASU 2016-02 is effective for the Association's December 31, 2022 year-end. At transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients related to the identification and classification of leases that commenced before the effective date of ASU 2016-02. An entity that elects to use the practical expedients will, in effect, continue to account for leases that commenced before the effective date in accordance with previous GAAP unless the lease is modified, except that lessees are required to recognize a right-of-use asset and a lease liability for all operating leases at each reporting date based on the present value of the remaining minimum rental payments that were tracked and disclosed under previous GAAP. The Association is currently evaluating the effect the adoption of this standard will have on its financial statements.

***Subsequent Events***

The Association has evaluated its subsequent events through July 10, 2020, the date the financial statements were available to be issued.

**2. Assets Limited As To Use**

Assets limited as to use at December 31, 2019 and 2018, are set forth in the following table:

	<u>2019</u>	<u>2018</u>
Internally designated for reserve for replacement:		
Money market funds	\$ 686,502	\$ 351,085
Corporate debt securities	207,704	207,953
Mutual funds	<u>1,542,726</u>	<u>1,327,371</u>
	<u>\$ 2,436,932</u>	<u>\$ 1,886,409</u>

The following schedule summarizes the investment income for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 64,997	\$ 59,662
Unrealized investment gains (losses)	<u>218,394</u>	<u>(94,010)</u>
Total investment income (loss)	<u>\$ 283,391</u>	<u>\$ (34,348)</u>

### **3. Property and Equipment**

At December 31, 2019 and 2018, the components of the Association's property and equipment are as follows:

	<u>2019</u>	<u>2018</u>
Land	\$ 740,887	\$ 740,887
Construction in progress	382,245	123,200
Building and improvements	17,759,184	17,527,252
Furniture, fixtures and equipment	<u>321,729</u>	<u>1,622,069</u>
	19,204,045	20,013,408
Less accumulated depreciation	<u>6,665,507</u>	<u>7,687,967</u>
	<u>\$ 12,538,538</u>	<u>\$ 12,325,441</u>

### **4. Transactions With Affiliates and Management Company and Loan Guaranty**

The Association engages in various transactions with affiliates, the Company and the Club. Pursuant to the agreement between the Association and the Club, as well as the Membership Agreement between each member, the Club and the Company, the Company receives a management fee (overhead payment) based on operating costs of the Association. For the years ended December 31, 2019 and 2018, the management fees were \$432,956 and \$259,036, respectively. There were no management fees payable to the Company at December 31, 2019 and 2018.

The Club manages commonly owned property of the Association. The Club also retains Life Care Services, LLC (Life Care) for their expertise in continuing care retirement communities to assist in managing the Club and the Association. The agreement dated March 26, 2014 expired on March 26, 2019 and was subsequently renewed for 60 months expiring March 27, 2024, unless sooner terminated in accordance with the agreement. For the years ended December 31, 2019 and 2018, the Club allocated expenses of \$178,269 and \$168,869 respectively, representing the Association's share of costs related to the contract with Life Care.

The Club provides the Association with all services related to the Association's stewardship over the common property of the Association. Accordingly, the Club allocates income and expenses incurred to perform these functions to the Association. The allocation is based on management's estimate of the percentage of each income and expense category incurred on behalf of the Association. These estimates are adjusted annually based on historical data. For the years ended December 31, 2019 and 2018, member fee income and all of the Association's housekeeping, plant and general and administrative expenses were allocated from the Club. The Club also transferred \$267,717 and \$290,531 to the Association's Reserve for Replacements for the years ended December 31, 2019 and 2018, respectively. A receivable or liability is then recorded for the net amount allocated to the Club. The amount due to the Club after the allocation of income and expenses was \$468,139 and \$64,156 at December 31, 2019 and 2018, respectively. For the year ended December 31, 2019, the Club contributed \$209,757 to the Association to reimburse for expenses paid on the Club's behalf. This transaction is recorded as an equity transfer in the financial statements. For the year ended December 31, 2018, the Association contributed \$395,139 to the Club to reimburse for expenses paid on the Association's behalf. This transaction is recorded as an equity transfer in the financial statements.

During the year ended December 31, 2017, the Association entered into a construction contract with an unrelated party, in the amount of \$3,300,000 (including change orders) for the reconstruction of the indoor pool facility. The Company contributed \$1,500,000 in 2017 towards the funding of the construction project. Additionally, the Association utilized \$2,000,000 from the reserve for replacement account to fund the construction project. The project was completed in 2018 and the Association members began making contributions to the reserve for replacement account. The Association members contributed \$237,324 and \$262,013 during 2019 and 2018, respectively, including interest, and anticipate making monthly payments of \$19,777 over a ten year period to replenish the reserve.

## 5. Future Repairs and Replacements

As of December 31, 2019, there were no statutory requirements that the Association accumulate funds for future repairs and replacements and land acquisitions. Management of the Association conducted a study in 2018 to estimate the remaining useful lives of the components of common properties and to estimate the costs of future major repairs and replacements. The current policy is that these expenses will be paid from current amounts on hand in designated and undesignated accounts; special assessments may be levied, as required, after utilizing these designated funds or funds may be borrowed.

The Board has designated amounts for the Reserve for Replacement fund based on actual or budgeted surpluses occurring annually. Estimated future replacement costs and actual expenditures may vary materially from amounts set aside in the Reserve for Replacement assets. There were no special assessments in 2019 and 2018 for major repairs and replacements.

## 6. Fair Value of Financial Instruments

GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under GAAP are described below:

- Level 1:** Unadjusted quoted prices in active markets for identical assets or liabilities that the Association has the ability to access at the measurement date. The quoted price for these investments is not adjusted, even in situations where the Association holds a large position and a sale could reasonably be expected to impact the quoted price.
- Level 2:** Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly, and the fair value is determined through the use of models or other valuation methodologies. Investments that are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities, certain over-the-counter derivatives and certain general and limited partnership and membership interests in funds that calculate net asset value per share, or its equivalent. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.
- Level 3:** Inputs that are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The Association has various processes and controls in place to ensure that fair value is reasonably estimated.

Following is a description of the valuation methodologies used for assets measured at fair value subsequent to initial recognition. These methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

During the years ended December 31, 2019 and 2018, there were no changes to the Association's valuation techniques that had, or are expected to have, a material impact on its balance sheets or results of operations.



**The Cypress of Charlotte Owners' Association, Inc.**  
**Notes to Financial Statements**

***Mutual funds***

Securities traded on a national securities exchange are stated at the last reported sales price on the day of valuation. To the extent these securities are actively traded and valuation adjustments are not applied, they are categorized in Level 1 of the fair value hierarchy.

***Corporate debt securities***

The fair value of corporate debt securities is estimated using various techniques, which may consider recently executed transactions in securities of the issuer or comparable issuers, market price quotations (where observable), bond spreads and fundamental data relating to the issuer. Corporate debt securities are categorized in Level 2 of the fair value hierarchy when these securities are not actively traded on the valuation date and valuation adjustments are applied.

The tables below present the balances of financial instruments measured at fair value on a recurring basis by level within the hierarchy at December 31, 2019 and 2018:

	<b>Fair Value Measurements as of December 31, 2019</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Assets limited as to use, Reserve for replacements:				
Corporate debt securities	\$ 207,704	\$ -	\$ -	\$ 207,704
Mutual funds	<u>1,542,726</u>	<u>-</u>	<u>-</u>	<u>1,542,726</u>
	<u>\$ 1,750,430</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,750,430</u>
	<b>Fair Value Measurements as of December 31, 2018</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Assets limited as to use, Reserve for replacements:				
Corporate debt securities	\$ 207,953	\$ -	\$ -	\$ 207,953
Mutual funds	<u>1,327,371</u>	<u>-</u>	<u>-</u>	<u>1,327,371</u>
	<u>\$ 1,535,324</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,535,324</u>

The Association has \$686,502 and \$351,085 of cash and cash equivalents as of December 31, 2019 and 2018, respectively, which were not classified as a level.

**7. Subsequent events**

In March 2020, the World Health Organization declared the outbreak of COVID-19, a novel strain of Coronavirus, a pandemic. The coronavirus outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of the outbreak on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers, employees and vendors, and governmental, regulatory and private sector responses. The financial statements do not reflect any adjustments as a result of the subsequent increase in economic uncertainty.

***Supplementary Information***

**The Cypress of Charlotte Owners' Association, Inc.**  
**Future Major Repairs and Replacements (Unaudited)**  
**December 31, 2019**

Management engaged a consultant to perform a study in 2018 to estimate the remaining useful lives and the replacement costs of the components of common property over a 20-year period. The estimates were based on estimated current replacement costs. Funding requirements do not consider an annual rate of inflation or interest on amounts funded for future major repairs and replacements.

The following table is based on the study and presents significant information about the components of common property.

<u>Component</u>	<u>Estimated Remaining Useful Life (Years)</u>	<u>Estimated Current Replacement Costs</u>	<u>2020 Funding Requirements</u>
Total site development	2-34	\$ 2,330,507	\$ 163,800
Building structures and systems	2-36	6,391,685	673,894
Building mechanical equipment	2-36	1,322,981	50,310
Common area interior and finishes	2-34	2,247,348	8,470
Unit improvements	2-19	14,484,339	763,690
Furniture, fixtures and equipment	2-18	<u>3,847,443</u>	<u>622,147</u>
Total		<u>\$ 30,624,303</u>	<u>\$ 2,282,311</u>
Members' equity, designated asset replacement and repair			<u>\$ 2,436,932</u>

**The Cypress of Charlotte Owners' Association, Inc.**  
**Reserve for Replacement Reconciliation**  
**December 31, 2019**

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Beginning of year per audited financial statements:	\$	1,886,409
Interest and dividends earned		64,712
Transfer to the reserve for replacement fund from the Club		267,717
Investment fees paid during the year		(300)
Change in fair market value of assets limited as to use		<u>218,394</u>
End of year per audited financial statements	\$	<u>2,436,932</u>
Other investment account activities:		
Investments purchased	\$	332,129
Investment income reinvested		64,712

# **The Cypress of Charlotte Club, Inc.**

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## **Financial Statements**

**Years Ended December 31, 2019 and 2018**

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## Independent Auditors' Report

To the Board of Directors  
The Cypress of Charlotte Club, Inc.

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of The Cypress of Charlotte Club, Inc. (a nonprofit organization), which are comprised of the balance sheet as of December 31, 2019 and 2018, the related statements of operations and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Cypress of Charlotte Club, Inc. as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Dixon Hughes Goodman LLP*

Charlotte, North Carolina  
July 10, 2020

**The Cypress of Charlotte Club, Inc.**  
**Balance Sheets**  
**December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 610,361	\$ 698,142
Accounts receivable, net	1,037,986	1,022,348
Due from affiliates	61,650	-
Inventory	115,613	95,012
Prepaid expenses	293,371	236,684
Total current assets	<u>2,118,981</u>	<u>2,052,186</u>
Assets limited as to use:		
Internally designated for Department of Insurance operating reserve	2,368,867	2,358,283
Other investments	25,000	-
Property and equipment, net	646,668	779,434
Refundable deposits	62,035	62,035
Due from the Association	468,139	64,156
	<u>3,570,709</u>	<u>3,263,908</u>
 Total assets	 <u>\$ 5,689,690</u>	 <u>\$ 5,316,094</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 675,685	\$ 807,078
Due to affiliate	9,105	1,063,663
Accrued expenses	1,041,947	738,780
Due to homeowners	42,937	36,455
Current portion of capital lease obligations	73,633	70,485
Current portion of notes payable	3,887	3,635
Total current liabilities	<u>1,847,194</u>	<u>2,720,096</u>
Capital lease obligations, less current portion	61,073	134,706
Notes payable - long term	21,548	25,493
Total non current liabilities	<u>82,621</u>	<u>160,199</u>
 Total liabilities	 <u>1,929,815</u>	 <u>2,880,295</u>
Net assets:		
Without member restrictions	<u>3,759,875</u>	<u>2,435,799</u>
 Total liabilities and net assets	 <u>\$ 5,689,690</u>	 <u>\$ 5,316,094</u>

See accompanying notes.



**The Cypress of Charlotte Club, Inc.**  
**Statements of Operations and Changes in Net Assets (Without Member Restrictions)**  
**Years Ended December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Revenues and gains:		
Member fees	\$ 10,523,502	\$ 9,435,086
Health Center	4,479,247	4,228,700
Home Health	4,303,631	4,372,686
Investment income, net	6,443	5,026
Other	(38,293)	29,841
Total revenues and gains	<u>19,274,530</u>	<u>18,071,339</u>
Expenses:		
Food and beverage	5,159,938	5,048,441
Health Center	3,874,454	3,796,632
Home Health	3,419,601	3,559,593
Plant	932,146	814,762
Resident services	291,152	320,516
Housekeeping	919,706	886,152
General and administrative	2,271,640	2,321,165
Management fee	1,628,740	1,036,145
Depreciation	217,638	257,192
Total expenses	<u>18,715,015</u>	<u>18,040,598</u>
Change in net assets	559,515	30,741
Net assets:		
Beginning	2,435,799	2,009,919
Equity transfer from the Cypress of Charlotte LLC	1,065,663	-
Equity transfer (to) from the Association	(301,102)	395,139
Ending	<u>\$ 3,759,875</u>	<u>\$ 2,435,799</u>

**The Cypress of Charlotte Club, Inc.**  
**Statements of Functional Expenses**  
**Years Ended December 31, 2019 and 2018**

	2019		
	Program Services	Management and General	Total
Salaries and benefits	\$ 9,735,112	\$ 1,240,328	\$ 10,975,440
Payroll taxes	710,774	50,786	761,560
Fees for services	899,305	1,678,727	2,578,032
Office expenses	468,183	227,978	696,161
Information technology	-	191,491	191,491
Occupancy	383,573	35,193	418,766
Travel	8,990	18,726	27,716
Conferences, conventions, and meetings	17,786	5,306	23,092
Interest	61,242	9,589	70,831
Depreciation	217,638	-	217,638
Insurance	-	289,067	289,067
Food	1,649,131	-	1,649,131
Supplies	486,670	17,860	504,530
Activities	128,972	-	128,972
Medical supplies	96,300	-	96,300
Other expenses	-	86,288	86,288
	<u>\$ 14,863,676</u>	<u>\$ 3,851,339</u>	<u>\$ 18,715,015</u>

	2018		
	Program Services	Management and General	Total
Salaries and benefits	\$ 9,565,458	\$ 1,275,569	\$ 10,841,027
Payroll taxes	702,865	49,762	752,627
Fees for services	787,660	1,182,093	1,969,753
Office expenses	546,596	214,512	761,108
Information technology	-	121,354	121,354
Occupancy	363,860	23,687	387,547
Travel	12,333	22,695	35,028
Conferences, conventions, and meetings	19,124	16,686	35,810
Interest	67,289	12,022	79,311
Depreciation	257,192	-	257,192
Insurance	-	275,516	275,516
Food	1,714,030	-	1,714,030
Supplies	416,972	25,525	442,497
Activities	200,229	-	200,229
Medical supplies	88,295	-	88,295
Other expenses	15,272	64,002	79,274
	<u>\$ 14,757,175</u>	<u>\$ 3,283,423</u>	<u>\$ 18,040,598</u>

See accompanying notes.

**The Cypress of Charlotte Club, Inc.**  
**Statements of Cash Flows**  
**Years Ended December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 559,515	\$ 30,741
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	217,638	257,192
Loss on sale of property and equipment	38,348	-
Bad debt expense	86,288	1,064
Change in operating assets and liabilities:		
Accounts receivable	(101,926)	147,563
Due from and to affiliates	(1,116,208)	277,588
Inventories	(20,601)	(22,699)
Prepaid expenses	(56,687)	35,513
Refundable deposits	-	(37,035)
Accounts payable	(231,065)	(836,374)
Due to homeowners	6,482	13,462
Accrued expenses	303,167	119,509
Net cash used by operating activities	<u>(315,049)</u>	<u>(13,476)</u>
Cash flows from investing activities:		
Purchase of assets limited as to use	(222,887)	(303,442)
Proceeds from sale of assets limited as to use	187,303	257,783
Purchase of property and equipment	<u>(100,229)</u>	<u>(188,727)</u>
Net cash used by investing activities	<u>(135,813)</u>	<u>(234,386)</u>
Cash flow from financing activities:		
Transfers from (repayments) to the Association	(628,404)	382,391
Net payments of principal on capital lease obligations	(70,485)	(67,736)
Net payments on long-term debt	(3,693)	(2,452)
Equity transfer from the Cypress of Charlotte LLC	1,065,663	-
Net cash provided by financing activities	<u>363,081</u>	<u>312,203</u>
Net change in cash and cash equivalents	<u>(87,781)</u>	<u>64,341</u>
Cash and cash equivalents, beginning of year	<u>698,142</u>	<u>633,801</u>
Cash and cash equivalents, end of year	<u>\$ 610,361</u>	<u>\$ 698,142</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 9,589</u>	<u>\$ 12,022</u>
Supplemental disclosure of noncash investing activities:		
Property and equipment included in accounts payable	<u>\$ 22,991</u>	<u>\$ 15,099</u>
Supplemental disclosure of noncash financing activities:		
Capital lease obligations incurred for use of equipment	<u>\$ -</u>	<u>\$ 12,063</u>
Acquisition of equipment through notes payable	<u>\$ -</u>	<u>\$ 31,580</u>

See accompanying notes.

## Notes to Financial Statements

### 1. Nature of Business and Significant Accounting Policies

#### *Nature of business*

The Cypress of Charlotte Club, Inc. (the "Club") and The Cypress of Charlotte Owners' Association, Inc. (the "Association") are collectively referred to as The Cypress of Charlotte (the "Cypress"). The Club was organized as a nonprofit corporation under the laws of the state of North Carolina to manage the various membership functions of The Cypress that are included in each owner's Membership Agreement. The Club provides the Association with all services related to the Association's stewardship over the common property of the Association. The Club manages the commonly owned property of The Cypress as well as the services provided by the clubhouse and health center.

The Cypress is a continuing care retirement community with 310 dwelling units located in Charlotte, North Carolina. The Association was created in accordance with the North Carolina Condominium Act to maintain and preserve the common property of The Cypress. The Club and the Association engage in various transactions with an affiliate, The Cypress of Charlotte, LLC (the "Company") and with each other. The Company is the entity that originally planned, designed and built The Cypress.

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

#### *Basis of presentation*

The accompanying financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Net assets, revenues and expenses are classified based on the existence or absence of member-imposed restrictions. Net assets and changes therein are classified and reported as follows:

*Net assets without member restrictions* – Net assets that are not subject to member-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Club's management and the board of directors.

*Net assets with member restrictions* – Net assets subject to stipulations imposed by members and grantors. Some member restrictions are temporary in nature; those restrictions will be met by actions of the Club or by the passage of time. Other member restrictions are perpetual in nature, whereby the member has stipulated the funds be maintained in perpetuity. The Club did not have any net assets with member restrictions in 2019 or 2018.

Member restricted contributions are reported as increases in net assets with member restrictions. When a restriction expires, net assets are reclassified from net assets with member restrictions to net assets without member restrictions in the statements of activities.

#### *Cash and cash equivalents*

For the purpose of reporting cash flows, the Club considers all highly-liquid investments with an original maturity of three months or less from the date of acquisition that are not included in assets whose use is limited to be cash equivalents. The Club maintains its cash and cash equivalents in bank deposit accounts which may, at times, exceed federally insured limits. The Club has not experienced any financial loss related to such deposits and does not believe it is exposed to any significant credit risk on its cash and cash equivalents.

#### *Accounts receivable*

The Club records accounts receivable at total unpaid balance. The Club determines past-due status of individual accounts receivable based on the terms of the original contract (or based on how recently payments have been made, for example). The Club estimates an allowance for doubtful accounts based on a combination of factors,

**The Cypress of Charlotte Club, Inc.**  
**Notes to Financial Statements**

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including the Club's historical loss experience and any anticipated effects related to current economic conditions, as well as management knowledge of the current composition of accounts receivable. Delinquent accounts are written off when deemed uncollectible. The Club's allowance for doubtful accounts at December 31, 2019 and 2018 was \$19,544 and \$18,576, respectively.

***Inventory***

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

***Prepaid expenses***

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

***Assets limited as to use***

Assets limited as to use include assets set aside by the Board of Directors for North Carolina General Statute reserve requirements, over which the Board retains control.

Assets limited as to use include investments in debt and equity securities that have readily determinable fair values. Changes in the fair value of investments, including both realized and unrealized gains and losses, are included in the accompanying statements of operations and changes in net assets. In determining realized gains and losses, the cost of investments is determined using the specific-identification method.

The Club's investments potentially subject it to market risks and concentrations of credit risk. The Club maintains various types of investments that encompass many different companies with varied industry and geographical characteristics designed to limit exposure to any one industry, company or geographical location. The Club retains investment managers who actively buy and sell securities within the Club's guidelines and who perform periodic evaluations of the relative credit standing of the companies and financial institutions in which the Club invests.

***Property and equipment***

Depreciation is provided over the estimated useful life, ranging from three to ten years, of each class of depreciable assets and is computed using the straight-line method. The Club capitalizes furnishings, vehicles and equipment to which it has title or other evidence of ownership. Capitalized assets are recorded at cost, while assets contributed by the developer are recorded at estimated fair value at the date of the contribution.

The Club periodically assesses the realizability of its long-lived assets and evaluates such assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. For assets to be held and used, impairment is determined to exist if estimated future cash flows, undiscounted and without interest charges, are less than the carrying amount. For assets to be disposed of, impairment is determined to exist if the estimated net realizable value is less than the carrying amount. During the years ended December 31, 2019 and 2018, no impairment indicators were identified.

***Revenue recognition***

Member fees are recorded on the accrual basis of accounting and represent amounts charged to residents under the terms of the Membership Agreement. Health Center and Home Health revenue is reported at the estimated net realizable amounts from residents, third-party payors and others for services rendered. Revenues under third-party payor agreements are subject to audit and retroactive adjustment. Provisions for estimated third-party payor settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement.

***Income tax status***

The Club is a nonprofit organization exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code. Management has evaluated the Club's tax positions and concluded that the Club has taken no uncertain tax positions that require adjustment to the financial statements.

## **The Cypress of Charlotte Club, Inc.**

### **Notes to Financial Statements**

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The Club files as a tax-exempt organization. Because management has not identified unrelated business income in past years, the Club has not filed Form 990-T, *Exempt Organization Business Income Tax Returns*. Management is not aware of any activities that would jeopardize the tax-exempt status of the Club. Management is not aware of any significant activities that are subject to tax on unrelated business income or excise or other taxes for the Club.

#### ***Use of estimates***

The preparation of financial statements in conformity with GAAP requires the Club's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### ***Recently issued accounting pronouncements***

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This standard outlines a single comprehensive model for companies to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that revenue is recognized when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. Transfer of control is not the same as transfer of risks and rewards, as it is considered in current guidance. The Club will also need to apply new guidance to determine whether revenue should be recognized over time or at a point in time. The FASB issued several related ASUs which defers the effective date of ASU 2014-09. ASU 2014-09 will be effective for annual reporting periods ending December 31, 2020, using either of two methods: (a) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU 2014-09; or (b) retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined in ASU 2014-09. The Club has not yet selected a transition method and is currently evaluating the effect of the pending adoption of ASU 2014-09 on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes Topic 840, *Leases*. ASU 2016-02 requires a lessee to recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less for which there is not an option to purchase the underlying asset that the lessee is reasonably certain to exercise, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities and should recognize lease expense for such leases generally on a straight-line basis over the lease term. Certain qualitative disclosures along with specific quantitative disclosures will be required, so that users are able to understand more about the nature of an entity's leasing activities. ASU 2016-02 is effective for the Club's December 31, 2021 year end. At transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients related to the identification and classification of leases that commenced before the effective date of ASU 2016-02. An entity that elects to use the practical expedients will, in effect, continue to account for leases that commenced before the effective date in accordance with previous GAAP unless the lease is modified, except that lessees are required to recognize a right-of-use asset and a lease liability for all operating leases at each reporting date based on the present value of the remaining minimum rental payments that were tracked and disclosed under previous GAAP. The Club is currently evaluating the effect the adoption of this standard will have on its financial statements.

#### ***Subsequent Events***

The Club has evaluated its subsequent events through July 10, 2020, the date the financial statements were available to be issued.

**The Cypress of Charlotte Club, Inc.**  
**Notes to Financial Statements**

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**2. Availability and Liquidity**

The following represents the Club's financial assets at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 610,361	\$ 698,142
Accounts receivable, net	1,037,986	1,022,348
Due from affiliates	<u>61,650</u>	<u>-</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,709,997</u>	<u>\$ 1,720,490</u>

The Club's goal is generally to maintain financial assets to meet 90 days of operating expenses.

**3. Assets Limited As To Use**

Assets limited as to use at December 31, 2019 and 2018, are set forth in the following table.

	<u>2019</u>	<u>2018</u>
Internally designated for Department of Insurance operating reserve:		
Money market funds	<u>\$ 2,368,867</u>	<u>\$ 2,358,283</u>

**4. Inventory**

Inventory at December 31, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Food and beverage	\$ 60,374	\$ 47,575
Housekeeping supplies	3,200	3,471
Nursing supplies	15,326	21,114
Plant supplies	<u>36,713</u>	<u>22,852</u>
	<u>\$ 115,613</u>	<u>\$ 95,012</u>

**5. Property and Equipment**

The components of the Club's property and equipment at December 31, 2019 and 2018, are as follows:

	<u>2019</u>	<u>2018</u>
Furniture, fixtures and equipment	\$ 1,811,007	\$ 2,716,475
Vehicles	<u>720,274</u>	<u>772,141</u>
	2,531,281	3,488,616
Less accumulated depreciation, including amortization	<u>1,884,613</u>	<u>2,709,182</u>
	<u>\$ 646,668</u>	<u>\$ 779,434</u>

## 6. Long-Term Debt

The Club entered into a variable promissory note agreement in 2018 for laundry equipment. The note agreement has a remaining term of 76 months at an implied annual interest rate of 6.5%, with monthly payments of \$469.

Annual future minimum lease obligations under the notes payable obligation as of December 31, 2019, are as follows:

### Years ending December 31:

2020	\$	3,887
2021		4,142
2022		4,464
2023		4,810
2024		5,184
Thereafter		<u>2,948</u>
	\$	<u>25,435</u>

## 7. Leases

### *Operating leases*

The Club leases certain equipment from third parties which require minimum monthly rental payments. Total minimum lease commitments under operating leases at December 31, 2019, are as follows:

### Years ending December 31:

2020	\$	86,608
2021		56,569
2022		48,443
2023		48,443
2024		<u>16,148</u>
	\$	<u>256,211</u>

Rent expense for the years ended December 31, 2019 and 2018, was \$73,201 and \$68,107, respectively.

### *Capital leases*

The Club has four lease obligations at December 31, 2019 which have been classified as capital leases. Three of these lease arrangements are for vehicles, having remaining terms of 22 months at an implied annual interest rate of 4.375%, while the fourth lease arrangement is for wheelchair washers with remaining terms of 35 months at an implied annual interest rate of 4.5%. Monthly payments on these lease obligations range from \$223 to \$4,924. The leases are collateralized by the related assets with a carrying value of approximately \$152,000 and \$225,000 as of December 31, 2019 and 2018, respectively.



**The Cypress of Charlotte Club, Inc.**  
**Notes to Financial Statements**

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Annual future minimum lease obligations under capital leases as of December 31, 2019, are as follows:

**Years ending December 31:**

2020	78,070
2021	59,905
2022	<u>2,455</u>
Total minimum lease payments	140,430
Less amount representing interest	<u>5,724</u>
Present value of minimum lease obligations	134,706
Less current portion	<u>73,633</u>
Long-term portion of capital lease obligations	<u>\$ 61,073</u>

## **8. Transactions With Affiliates and Management Company**

Pursuant to the Management Agreement entered into between the Club and the Company, as well as the Membership Agreement between each member, the Club and the Company, the Company receives a management fee (overhead payment) from the Club based on the total operating costs of the Club. For the years ended December 31, 2019 and 2018, the management fees (overhead payment) totaled \$1,628,740 and \$1,036,145, respectively. During the year ended December 31, 2019, the Company forgave the amount due from the Club for 2017 and 2018 management fees of \$1,065,663. The transaction is recorded as an equity transfer in the financial statements. Management fees payable totaled \$0 and \$1,065,663 at December 31, 2019 and 2018, respectively. Separately, the Company reimburses the Club when the Club processes operating transactions on the Company's behalf. The amount due from the Company for reimbursable transactions was \$61,650 and \$2,000 at December 31, 2019 and 2018, respectively. The Club has reported a due to affiliate of \$0 and \$1,063,663 for the net amount owed to the Company for management fees and operating transactions at December 31, 2019 and 2018, respectively.

The Club provides the Association with all services related to the Association's stewardship over the common property of the Association. Accordingly, the Club allocates income and expenses incurred in performance of these functions to the Association. The allocation is based on management's estimate of the percentage of each income and expense category incurred on behalf of the Association. These estimates are adjusted annually based on historical data. For the years ended December 31, 2019 and 2018, fee income and all the Association's housekeeping, plant and general and administrative expenses were allocated from the Club. The Club also transferred approximately \$267,717 and \$290,531 to the Association's Reserve for Replacements for the years ended December 31, 2019 and 2018, respectively. A receivable or liability is then recorded for the net amount allocated to the Association. The amount due from the Association after the allocation of income and expenses was \$468,139 and \$64,156 at December 31, 2019 and 2018, respectively. For the year ended December 31, 2019 the Club contributed \$209,757 to the Association to reimburse for expenses paid on the Club's behalf. For the year ended December 31, 2018 the Association contributed \$395,139 to the Club to reimburse for expenses paid on the Association's behalf. These transactions are recorded as an equity transfer in the financial statements.

The Club retains Life Care Services, LLC (Life Care) for their expertise in continuing care retirement communities to assist in managing the Club. The agreement dated March 26, 2014 expired on March 26, 2019 and was subsequently renewed for 60 months expiring March 27, 2024, unless sooner terminated in accordance with the agreement. For the years ended December 31, 2019 and 2018, amounts due to Life Care totaled \$996,102 and \$988,564, respectively. For the years ended December 31, 2019 and 2018, the Club allocated expenses of \$178,269 and \$168,869 respectively, representing the Association's share of costs related to the contract with Life Care. The Club owed \$9,105 and \$330,454 to Life Care at December 31, 2019 and 2018, respectively.

## **9. Retirement Plan**

The Club sponsors a 401(k) retirement savings plan for all eligible employees. Employees are eligible to participate in the plan upon attaining the age of 21 years, completing one year of active service, and having worked at least 1,000 hours in a given year. Employees may invest up to 20% of regular, non-overtime income into the plan. The Club will match 50% of the first 4% of an employee's savings. Employees are 100% vested in the portion they contribute to the plan. The Club matching funds are vested over a five-year period.

Retirement expense for the plan was approximately \$88,000 and \$84,000 for the years ended December 31, 2019 and 2018, respectively.

## **10. Regulatory Matters**

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

North Carolina General Statute 58-64-33 requires that continuing care retirement communities with occupancy levels in excess of 90% maintain an operating reserve equal to 25% of total operating costs projected for the 12-month period following the most recent annual statement filed with the Department of Insurance, upon approval of the Commissioner. These reserves are to be used for the benefit of the Club in the event of emergencies or unexpected shortfalls. The facility had occupancy greater than 90% at December 31, 2019.

To meet this obligation, at closing, the Club requires that each purchaser shall be responsible for paying a reserve deposit of \$7,500 to the Club. So long as it is not necessary for the Club to use proceeds or assets from the reserve account, interest and/or dividends shall be paid to each purchaser on a pro rata basis in February of each year. For the years ended December 31, 2019 and 2018, the Club did not use proceeds or assets from the reserve account and the balance of interest and dividends is shown as due to homeowners.

Each subsequent purchaser shall be obligated to pay \$7,500 into the reserve account, so that upon resale of the unit, any unused portion of the \$7,500 deposit shall be returned to the original purchaser plus accrued but unpaid interest on the related deposit through the date of closing.

Based on the Club's 2020 forecasted statements, the required operating reserve is \$4,723,713 at December 31, 2019. The balance held in the restricted investment account was \$2,368,867 at December 31, 2019. The North Carolina Department of Insurance had no objection to the proposal that The Cypress be permitted to fund any shortfalls in the Department of Insurance Operating Reserve with funds from the Association's Reserve for Replacements, which had a balance of \$2,436,932 at December 31, 2019. During the year ended December 31, 2017, the Association utilized \$2,000,000 from the Reserve for Replacement account to fund a construction project. The Association members have guaranteed annual contributions to the Reserve for Replacement account over a ten-year period to replenish the reserve. The construction project was completed in 2018 and the Association members began making contributions to the Reserve for Replacement account. At December 31, 2019, the remaining amount due to the Association from the members is \$1,653,879, which will offset any shortfalls in the Department of Insurance Operating Reserve.

### 11. Concentration of Credit Risk

The Club grants credit without collateral to its residents, some of whom are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at December 31, 2019 and 2018, was as follows:

	<u>2019</u>	<u>2018</u>
Self-pay	54%	78%
Medicare	37%	18%
Other third-party payors	<u>9%</u>	<u>4%</u>
Totals	<u>100%</u>	<u>100%</u>

### 12. Contingencies

#### *Medical malpractice*

The Club's malpractice insurance coverage is on a claims-made basis with limits of \$1,000,000 for each claim and \$3,000,000 in the aggregate. The Club's commercial general liability coverage also has limits of \$1,000,000 for each claim and \$3,000,000 in the aggregate. In addition, the Club has an umbrella liability policy with excess coverage limits of \$10,000,000 per incident and \$50,000,000 in the aggregate. Should the Club not renew its claims-made policy, or replace it with equivalent insurance, claims incurred during its term but asserted after its expiration would be uninsured, unless the Club obtains tail coverage. Management anticipates that such coverage will be renewed or replaced with equivalent insurance as these policies expire.

No claims were outstanding during the year. The Club did not have an accrual at December 31, 2019 or 2018, for pending claims.

### 13. Subsequent events

In March 2020, the World Health Organization declared the outbreak of COVID-19, a novel strain of Coronavirus, a pandemic. The coronavirus outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of the outbreak on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers, employees and vendors, and governmental, regulatory and private sector responses. The financial statements do not reflect any adjustments as a result of the subsequent increase in economic uncertainty.

In May 2020, the North Carolina Department of Revenue completed an examination of the Club's sales and use tax for the period October 1, 2015 to September 30, 2018. The examining agent proposed adjustments related to additional sales tax of approximately \$3,000,000 plus penalties and interest of approximately \$761,000 and \$481,000, respectively. The Club did not agree with the adjustments, nor the Department's statutory authority proposed by the examining agent in the agent's November 2019 draft, and requested the Department to respond to the Club's questions and objections. The Department was silent on the matter until it went forward with the final notice of assessment six months later. The Club has filed a formal "Objection and Request for Departmental Review" (under NC-242) with the Department of Revenue. The Club intends to pursue additional legal avenues if unsuccessful with this Review. No provision has been made in the accompanying financial statements for the proposed additional sales tax, penalties, and interest since the ultimate liability, if any, cannot be reasonably estimated.

# **The Cypress of Charlotte Club, Inc. and The Cypress of Charlotte Owners' Association, Inc.**

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**Forecasted Combined Financial Report (Compiled)**

**Each of the Five Years Ending December 31, 2024**

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## **Accountants' Compilation Report**

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

Management is responsible for the accompanying forecasted combined financial statements of The Cypress of Charlotte Club, Inc. and The Cypress of Charlotte Owners' Association, Inc. (collectively, the "Cypress") which comprise the combined forecasted balance sheets as of each of the five years ending December 31, 2024, and the related combined statements of operations and revenues and expenses, changes in net assets and members' equity and cash flows for the years then ending, and the related significant accounting policies and forecast assumptions in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants.

The accompanying forecast and this report were prepared to comply with the requirements of North Carolina General Statutes, Chapter 58, Article 64. They should not be used for any other purpose. A compilation is limited to presenting, in the form of a forecast, information that is the representation of management and does not include evaluation of the support for the assumptions underlying the forecast.

We did not audit or review the forecasted combined financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the accompanying prospective combined financial statements or assumptions. Furthermore, there will usually be differences between the prospective and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

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

*Dixon Hughes Goodman LLP*

**Charlotte, North Carolina  
July 10, 2020**

The Cypress of Charlotte Club, Inc. and  
The Cypress of Charlotte Owners' Association, Inc.  
Forecasted Combined Balance Sheets  
For the Years Ending December 31, 2020 through 2024

	2020	2021	2022	2023	2024
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 660,830	\$ 792,726	\$ 816,249	\$ 820,572	\$ 870,317
Accounts receivable, net	1,079,505	1,122,685	1,167,592	1,214,296	1,262,868
Due from affiliates	64,116	66,681	69,348	72,122	75,007
Inventory	120,238	125,048	130,050	135,252	140,662
Other current assets	305,106	317,310	330,002	343,202	356,930
Total current assets	2,229,795	2,424,450	2,513,241	2,585,444	2,705,784
Assets limited as to use:					
Internally designated for department of insurance operating reserve	2,398,867	2,398,867	2,398,867	2,398,867	2,398,867
Reserve for replacements	2,782,656	3,138,752	3,505,531	3,883,313	4,272,428
	5,181,523	5,537,619	5,904,398	6,282,180	6,671,295
Property and equipment, net	12,911,952	22,491,952	21,938,952	21,355,952	20,772,952
	<u>\$ 20,323,270</u>	<u>\$ 30,454,021</u>	<u>\$ 30,356,591</u>	<u>\$ 30,223,576</u>	<u>\$ 30,150,031</u>
<b>Liabilities and Net Assets and Members' Equity</b>					
Current liabilities:					
Accounts payable and accrued expenses	\$ 1,786,337	\$ 1,857,790	\$ 1,932,102	\$ 2,009,386	\$ 2,089,761
Due to affiliate	9,105	9,105	9,105	9,105	9,105
Current portion of long-term debt	120,457	253,201	458,998	482,022	504,130
Total current liabilities	1,915,899	2,120,096	2,400,205	2,500,513	2,602,996
Deferred revenue, refundable	-	-	-	-	-
Deferred revenue, nonrefundable	-	-	-	-	-
Long-term debt, less current portion	82,621	9,911,110	9,387,205	8,902,726	8,393,786
Total liabilities	1,998,520	12,031,206	11,787,410	11,403,239	10,996,782
Net assets:					
Without member restrictions	3,697,917	3,768,155	3,875,467	4,064,102	4,309,845
Total net assets	3,697,917	3,768,155	3,875,467	4,064,102	4,309,845
Members' equity:					
Members' equity, undesignated	11,844,177	11,515,908	11,188,183	10,872,922	10,570,976
Members' equity, designated asset replacement and repair	2,782,656	3,138,752	3,505,531	3,883,313	4,272,428
Total members' equity	14,626,833	14,654,660	14,693,714	14,756,235	14,843,404
	<u>\$ 20,323,270</u>	<u>\$ 30,454,021</u>	<u>\$ 30,356,591</u>	<u>\$ 30,223,576</u>	<u>\$ 30,150,031</u>

See independent accountants' compilation report and  
summary of significant forecast assumptions and accounting policies.

**The Cypress of Charlotte Club, Inc. and  
The Cypress of Charlotte Owners' Association, Inc.  
Forecasted Combined Statements of Operations and Revenues and Expenses  
For the Years Ending December 31, 2020 through 2024**

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
<b>Revenues and gains</b>					
Member fees and assessments	\$ 16,573,149	\$ 17,236,075	\$ 17,925,518	\$ 18,642,539	\$ 19,388,241
Health Center	4,478,058	4,793,110	6,817,147	7,259,769	7,550,160
Home Health	4,344,593	4,453,208	3,929,136	4,027,364	4,148,185
Provider relief funds	271,859	-	-	-	-
Investment income, net	71,000	71,000	71,000	71,000	71,000
Total revenues and gains	<u>25,738,659</u>	<u>26,553,393</u>	<u>28,742,801</u>	<u>30,000,672</u>	<u>31,157,586</u>
<b>Expenses</b>					
Food and beverage	5,305,401	5,508,386	6,010,416	6,250,833	6,500,866
Health Center	4,025,240	4,186,250	4,785,646	4,977,072	5,176,155
Home Health	3,476,381	3,563,291	3,083,752	3,160,846	3,239,867
Plant	4,304,943	4,477,141	4,656,227	4,842,476	5,036,175
Resident services	402,255	418,345	435,079	452,482	470,581
Housekeeping	1,539,301	1,600,873	1,664,908	1,731,504	1,800,764
General and administrative	5,513,296	5,733,828	6,401,609	6,779,747	7,050,937
Depreciation	890,629	928,442	980,011	999,611	1,019,603
Amortization of entrance fees	-	-	-	-	-
Extraordinary events	200,000	-	-	-	-
Debt Service - interest only	-	-	538,980	514,075	487,765
Contributions and gifts	-	-	-	-	-
Income taxes	37,764	38,772	39,807	40,870	41,961
Total expenses	<u>25,695,210</u>	<u>26,455,328</u>	<u>28,596,435</u>	<u>29,749,516</u>	<u>30,824,674</u>
Change in net assets and members' equity	<u>\$ 43,449</u>	<u>\$ 98,065</u>	<u>\$ 146,366</u>	<u>\$ 251,156</u>	<u>\$ 332,912</u>

See independent accountants' compilation report and  
summary of significant forecast assumptions and accounting policies.



**The Cypress of Charlotte Club, Inc. and  
The Cypress of Charlotte Owners' Association, Inc.  
Forecasted Combined Statements of Changes in Net Assets and Members' Equity  
For the Years Ending December 31, 2020 through 2024**

<u>Net Assets</u>	<u>Total Net Assets</u>
Net Assets, January 1, 2020	\$ 3,665,838
Change in net assets	32,079
Net Assets, December 31, 2020	3,697,917
Change in net assets	70,238
Net Assets, December 31, 2021	3,768,155
Change in net assets	107,312
Net Assets, December 31, 2022	3,875,467
Change in net assets	188,635
Net Assets, December 31, 2023	4,064,102
Change in net assets	245,743
Net Assets, December 31, 2024	<u>\$ 4,309,845</u>

<u>Members Equity</u>	<u>Undesignated</u>	<u>Designated Asset Replacement and Repair</u>	<u>Equity</u>
Members' Equity, January 1, 2020	\$ 12,178,531	\$ 2,436,932	\$ 14,615,463
Excess of expenses over revenues	11,370	-	11,370
Amounts allocated to designated asset replacement and repair	(345,724)	345,724	-
Members' Equity, December 31, 2020	11,844,177	2,782,656	14,626,833
Excess of revenues over expenses	27,827	-	27,827
Amounts allocated to designated asset replacement and repair	(356,096)	356,096	-
Members' Equity, December 31, 2021	11,515,908	3,138,752	14,654,660
Excess of revenues over expenses	39,054	-	39,054
Amounts allocated to designated asset replacement and repair	(366,779)	366,779	-
Members' Equity, December 31, 2022	11,188,183	3,505,531	14,693,714
Excess of revenues over expenses	62,521	-	62,521
Amounts allocated to designated asset replacement and repair	(377,782)	377,782	-
Members' Equity, December 31, 2023	10,872,922	3,883,313	14,756,235
Excess of revenues over expenses	87,169	-	87,169
Amounts allocated to designated asset replacement and repair	(389,115)	389,115	-
Members' Equity, December 31, 2024	<u>\$ 10,570,976</u>	<u>\$ 4,272,428</u>	<u>\$ 14,843,404</u>

See independent accountants' compilation report and  
summary of significant forecast assumptions and accounting policies.

**The Cypress of Charlotte Club, Inc. and  
The Cypress of Charlotte Owners' Association, Inc.  
Forecasted Combined Statements of Cash Flows  
For the Years Ending December 31, 2020 through 2024**

	2020	2021	2022	2023	2024
Cash flows from operating activities					
Change in net assets and members' equity	\$ 43,449	\$ 98,065	\$ 146,366	\$ 251,156	\$ 332,912
Adjustments to reconcile change in net assets and members' equity to net cash provided by operating activities					
Depreciation	890,629	928,442	980,011	999,611	1,019,603
Change in operating assets and liabilities:					
Accounts receivable	(15,638)	(43,180)	(44,907)	(46,704)	(48,572)
Due from affiliate	(2,565)	(2,565)	(2,667)	(2,774)	(2,885)
Inventory	(20,601)	(4,810)	(5,002)	(5,202)	(5,410)
Other current assets	(11,735)	(12,204)	(12,692)	(13,200)	(13,728)
Accounts payable and accrued expenses	85,432	71,453	74,312	77,284	80,375
Net cash provided by operating activities	<u>968,971</u>	<u>1,035,201</u>	<u>1,135,421</u>	<u>1,260,171</u>	<u>1,362,295</u>
Cash flows from investing activities					
Purchase of property and equipment	(499,853)	(10,426,752)	(491,918)	(419,068)	(441,413)
Purchase of assets whose use is limited	(358,566)	(356,096)	(366,779)	(377,782)	(389,115)
Net cash used in investing activities	<u>(858,419)</u>	<u>(10,782,848)</u>	<u>(858,697)</u>	<u>(796,850)</u>	<u>(830,528)</u>
Cash flows from financing activities:					
Principal from Health Center Loan	-	10,000,000	-	-	-
Payment of principal on long-term debt	(74,178)	(120,457)	(253,201)	(458,998)	(482,022)
Net cash used in financing activities	<u>(74,178)</u>	<u>9,879,543</u>	<u>(253,201)</u>	<u>(458,998)</u>	<u>(482,022)</u>
Net increase in cash and cash equivalents	36,374	131,896	23,523	4,323	49,745
Cash and cash equivalents					
Beginning	624,456	660,830	792,726	816,249	820,572
Ending	<u>\$ 660,830</u>	<u>\$ 792,726</u>	<u>\$ 816,249</u>	<u>\$ 820,572</u>	<u>\$ 870,317</u>
Supplemental disclosures of cash flow information:					
Cash payments for					
Income Taxes	<u>\$ 37,764</u>	<u>\$ 38,772</u>	<u>\$ 39,807</u>	<u>\$ 40,870</u>	<u>\$ 41,961</u>

See independent accountants' compilation report and summary of significant forecast assumptions and accounting policies.

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

### **1. General**

The Cypress of Charlotte Club, Inc. (the "Club") and The Cypress of Charlotte Owners' Association, Inc. (the "Association") are collectively referred to as The Cypress of Charlotte (The "Cypress"). This financial forecast presents, to the best of management's knowledge and belief, the Cypress' expected combined balance sheets, operations and revenues and expenses, changes in net assets and members' equity and cash flows for the forecast period. Accordingly, the forecast reflects management's judgment of the expected conditions and their expected course of action as of the date of this forecast. The financial forecast is based on management's assumptions concerning future events and circumstances. The assumptions disclosed herein are those that management believes are significant to the forecasts or key factors upon which the financial results depend.

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

#### ***Nature of Business***

The Cypress is a continuing care retirement community with 310 dwelling units located in Charlotte, North Carolina. The Club was organized as a not-for-profit corporation under the laws of the state of North Carolina to manage operations of The Cypress. The Association was created in accordance with the North Carolina Condominium Act to maintain and preserve the common property of the Cypress. The Club and the Association engage in various transactions with an affiliate, The Cypress of Charlotte, LLC (the "Company") and with each other. The Company is the entity that originally planned, designed and built The Cypress.

The Club was organized to manage the various membership functions of The Cypress that are included in each owner's membership agreement. The Club provides the Association with all services related to the Association's stewardship over the common property of the Association. The Club manages the commonly owned property of The Cypress as well as the services provided by the clubhouse and health center.

The Association's revenue is generated primarily through member assessments from condominium owners in the retirement community.

#### ***Principles of combination***

The accompanying forecasted combined financial statements include the accounts of the Club and the Association. All material related-party balances and transactions have been eliminated in combination.

### **2. Significant Accounting Policies**

#### ***Basis of presentation***

The accompanying financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The Club's net assets, revenues and expenses are classified based on the existence or absence of member-imposed restrictions. Net assets and changes therein are classified and reported as follows:

*Net assets without member restrictions* – Net assets that are not subject to member-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Club's management and the board of directors.

**The Cypress of Charlotte Club, Inc. and  
The Cypress of Charlotte Owners' Association, Inc.  
Summary of Significant Accounting Policies and Forecast Assumptions**

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*Net assets with member restrictions* – Net assets subject to stipulations imposed by members and grantors. Some member restrictions are temporary in nature; those restrictions will be met by actions of the Club or by the passage of time. Other member restrictions are perpetual in nature, whereby the member has stipulated the funds be maintained in perpetuity. The Club did not have any net assets with member restrictions in 2019 and does not anticipate having any during the forecast period.

***Cash and cash equivalents***

For the purpose of reporting cash flows, the Club and the Association consider all highly liquid investments with an original maturity of three months or less at the time of purchase that are not included in assets whose use is limited to be cash equivalents. The Club and the Association maintain their cash and cash equivalents in bank deposit accounts which may, at times, exceed federally insured limits. Neither the Club nor the Association has experienced any financial loss related to such deposits and do not believe they are exposed to any significant credit risk on their cash and cash equivalents.

***Accounts receivable***

The Club records accounts receivable at total unpaid balance. The Club determines past-due status of individual accounts receivable based on the terms of the original contract (or based on how recently payments have been made, for example). The Club estimates an allowance for doubtful accounts based on a combination of factors, including the Club's historical loss experience and any anticipated effects related to current economic conditions, as well as management knowledge of the current composition of accounts receivable. Accounts receivable that management believes to be ultimately not collectible are written off upon such determination.

***Inventory***

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

***Prepaid expenses***

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

***Assets limited as to use***

Assets limited as to use include assets set aside by the Board of Directors for North Carolina General Statute reserve requirements, over which the Board retains control and may, at their discretion, subsequently use for other purposes, other than those funds in the operating reserve which shall be used to satisfy the North Carolina General Statute reserve requirements.

Assets limited as to use include investments in debt and equity securities that have readily determinable fair values. Changes in the fair value of investments, including both realized and unrealized gains and losses, are included in the accompanying forecasted combined statements of operations and revenues and expenses. In determining realized gains and losses, the cost of investments is determined using the specific identification method.

The Club's and Association's investments potentially subject them to market risks and concentrations of credit risk. The Club and the Association maintain various types of investments that encompass many different companies with varied industry and geographical characteristics designed to limit exposure to any one industry, company or geographical location. The Club and the Association retain investment managers who actively buy and sell securities within their respective guidelines and who perform periodic evaluations of the relative credit standing of the companies and financial institutions in which the Club and the Association invest.

***Property and equipment***

The Association, in accordance with ASC 972-360, *Common Interest Realty Associations - Property, Plant and Equipment*, does not recognize as assets real property directly associated with the members' units. The Clubhouse and Health Center are recognized as assets because they generate significant cash flows. The Association does

**The Cypress of Charlotte Club, Inc. and  
The Cypress of Charlotte Owners' Association, Inc.  
Summary of Significant Accounting Policies and Forecast Assumptions**

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not recognize as assets any other common property regardless of title or other forms of ownership. The Association and Club capitalize furnishings, vehicles and equipment to which it has title or other evidence of ownership. Capitalized assets are recorded at cost, while assets contributed by the developer are recorded at estimated fair value at the date of the contribution.

Property and equipment are carried at cost. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Property and equipment are depreciated over estimated useful lives of 3 to 39 years.

The Club and Association periodically assess the realizability of their long-lived assets and evaluate such assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. For assets to be held and used, impairment is determined to exist if estimated future cash flows, undiscounted and without interest charges, are less than the carrying amount. For assets to be disposed of, impairment is determined to exist if the estimated net realizable value is less than the carrying amount.

***Revenue recognition***

Member fees are recorded on the accrual basis of accounting and represent amounts charged to residents under the terms of the Membership Agreement. Health Center and Home Health revenue is reported at the estimated net realizable amounts from residents, third-party payers, and others for services rendered. Revenues under third-party payor agreements are subject to audit and retroactive adjustment. Provisions for estimated third-party payor settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement.

Association activities are accounted for using the accrual basis of accounting, whereby revenues are recognized when earned and expenses when incurred. Therefore, member fees are recognized as revenue in the period covered by the billing. First time fees are a one-time/nonrefundable fee for services related to preparing the unit for the new resident, recognized when the resident contracts to acquire the unit and services to prepare the unit are performed.

***Income tax status***

The Club is a nonprofit organization exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code (IRC).

Homeowners associations may be taxed either as membership organizations or as regular corporations. For the forecast period, the Association assumes it will be taxed as a membership organization. As a membership organization, membership income is exempt from taxation if certain elections are made, and the Association is taxed only on its non-membership income, such as interest earnings, at regular federal and state corporate rates.

***Use of estimates***

The preparation of combined forecasted financial statements in conformity with accounting principles generally accepted in the United States of America requires the Club's and Association's managements to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined forecasted financial statements and the reported amounts of revenues and expenses during the forecasted reporting period. Actual results usually differ from those forecasts.

***Recently issued accounting pronouncements***

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This standard outlines a single comprehensive model for companies to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that revenue is recognized when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of

**The Cypress of Charlotte Club, Inc. and  
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Summary of Significant Accounting Policies and Forecast Assumptions**

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and obtain the benefits from the good or service. Transfer of control is not the same as transfer of risks and rewards, as it is considered in current guidance. The Cypress will also need to apply new guidance to determine whether revenue should be recognized over time or at a point in time. The FASB issued several related ASUs which defers the effective date of ASU 2014-09. ASU 2014-09 will be effective for annual reporting periods ending December 31, 2020, using either of two methods: (a) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU 2014-09; or (b) retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined in ASU 2014-09. The Cypress has not yet selected a transition method and is currently evaluating the effect of the pending adoption of ASU 2014-09 on its combined financial statements. The combined forecasted financial statements do not include the effect of the pending adoption of ASU 2014-09.

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which supersedes Topic 840, *Leases*. ASU 2016-02 requires a lessee to recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less for which there is not an option to purchase the underlying asset that the lessee is reasonably certain to exercise, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities and should recognize lease expense for such leases generally on a straight-line basis over the lease term. Certain qualitative disclosures along with specific quantitative disclosures will be required, so that users are able to understand more about the nature of an entity's leasing activities. ASU 2016-02 is effective for the Cypress' December 31, 2022 year end. At transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients related to the identification and classification of leases that commenced before the effective date of ASU 2016-02. An entity that elects to use the practical expedients will, in effect, continue to account for leases that commenced before the effective date in accordance with previous GAAP unless the lease is modified, except that lessees are required to recognize a right-of-use asset and a lease liability for all operating leases at each reporting date based on the present value of the remaining minimum rental payments that were tracked and disclosed under previous GAAP. The Cypress is currently evaluating the effect the adoption of this standard will have on its combined financial statements. The combined forecasted financial statements do not include the effect of the pending adoption of ASU 2016-02.

In March 2020, the World Health Organization declared the outbreak of COVID-19, a novel strain of Coronavirus, a pandemic. The coronavirus outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of the outbreak on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers, employees and vendors, and governmental, regulatory and private sector responses. The forecasted combined financial statements do not reflect any change in assumptions as a result of the subsequent increase in economic uncertainty.

### **3. Significant Forecast Assumptions**

#### ***Assets and liabilities***

Assets and liabilities (excluding cash and cash equivalents, investments and property and equipment) have been calculated based on historical data adjusted for estimated inflation of 4% over the term of the forecast.

#### ***Cash and cash equivalents***

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

**The Cypress of Charlotte Club, Inc. and  
The Cypress of Charlotte Owners' Association, Inc.  
Summary of Significant Accounting Policies and Forecast Assumptions**

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***Property and equipment***

Property and equipment has been calculated based on historical data adjusted for estimated capital expenditures of 4% over the term of the forecast, except for 2021 which includes \$10,000,000 of capital expenditures related to the expansion (see Note 5).

***Asset limited at to use:***

North Carolina General Statutes Section 58-64-33 - *Internally Designated for Statutory Operating Reserve*, as amended, requires that all continuing care facilities maintain operating reserves equal to 50% of the total operating costs (as defined in Section 58-64-33) (or 25% of the total operating costs if such facilities maintain an occupancy level in excess of 90% and the North Carolina Commissioner of Insurance so approves) forecasted for the 12-month period following the period covered by the most recent annual statement filed with the North Carolina Department of Insurance. Such operating reserves may only be released upon approval of the North Carolina Commissioner of Insurance.

***Revenues***

The revenues and expenses estimates have been calculated based upon full occupancy, which was achieved at the beginning of 2001. Management does not anticipate being below full occupancy for the periods presented.

Member fees, a portion of the monthly fees, are the weighted-average service fees and condominium fees for the villas and cottages. Member fees and Health Center fees are based upon expected budget. Revenue for member fees are calculated based upon the occupancy numbers and adjusted for an average fee increase of 4% for 2020 through 2024. Health Center revenues are based on historical occupancy rates with prices for services adjusted for an average inflation rate of 4%. Home Health revenues are projected to increase annually by 2.5% in 2020 through 2023 and 3% in 2024.

***Operating expenses***

Expenses for program services are based on the Cypress' 2020 projections adjusted annually for estimated inflation of 4% over the term of the forecast except for Home Health for all years, which are adjusted at a rate of 2.5% to match the increase in revenues above.

***Investment income***

Investment income has been forecasted based on the value of investments and an average rate of return of 2% according to investment allocation strategies.

***Depreciation***

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

***Income taxes***

For forecasted purposes, management has accrued income taxes on the investment and other non-exempt income of the Association using 6% and 30% rates for State and Federal tax expenses, respectively. The Club files as a nonprofit organization under Section 501(c)(4) of the IRC and, accordingly, no provision for income taxes is recorded.

**The Cypress of Charlotte Club, Inc. and  
The Cypress of Charlotte Owners' Association, Inc.  
Summary of Significant Accounting Policies and Forecast Assumptions**

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**4. Department of Insurance Operating Reserve**

Based on the Club's 2020 forecasted statements, the required operating reserve is \$4,723,713 at December 31, 2019. The balance held in the restricted investment account was \$2,398,867 at December 31, 2019. The North Carolina Department of Insurance had no objection to the proposal that The Cypress be permitted to fund any shortfalls in the Department of Insurance Operating Reserve with funds from the Association's Reserve for Replacements, which had a balance of \$2,436,932 at December 31, 2019. During the year ended December 31, 2017, the Association utilized \$2,000,000 from the Reserve for Replacement account to fund a construction project. The Association members have guaranteed annual contributions to the Reserve for Replacement account over a ten-year period to replenish the reserve. The construction project was completed in 2018 and the Association members began making contributions to the Reserve for Replacement account. At December 31, 2019, the remaining amount due to the Association from the members is \$1,653,879, which will offset any shortfalls in the Department of Insurance Operating Reserve.

**5. Proposed Health Center Expansion**

After two years of planning and analysis, The Cypress intends to expand the Stewart Health Center, including a dedicated Assisted Living neighborhood and Clinic. With a projected start date in the summer of 2020, and a completion date in late 2021, or early 2022. The project will increase the number of beds from the current 60 to 79, 65 of which will be licensed as skilled beds (including up to 20 of which that may be used for Memory Care), and 14 of which will be licensed as assisted living beds. The project will also include a Clinic, a new physical, occupational and speech therapies wing, and expansion/renovation of the main kitchen, dining rooms, and other common activities and support areas.

As a new element to The Cypress of Charlotte Owners Association Condominium (the "Condominium"), the resident-owners of the Condominium were asked to vote on the project's approval, including the financing terms detailed below. On December 3, 2019, the vote was successful, with 99.2% of the Condominium interests, based upon statutory values, voting to approve.

The project will be financed by a \$10 Million loan from Towne Bank, at 4% (or less) interest, interest only during construction (as part of the capital budget), and amortized thereafter over 15 years, secured not by the real estate, but by a pledge of the operating cash flows of The Club and Condominium. It is projected that such cash flows, increased by the additional number of health center beds and increased daily rates from the state-of-the-art facility, agreed-to and voted-on by The Cypress Members, will cover such debt service. In the unlikely event that such cash flows do not materialize, the Condominium owners, by vote, have agreed to the Condominium's assessment mechanism in the Declaration of Condominium to fund debt service. The Cypress of Charlotte, LLC has also contributed over \$1 Million in the form of forgiveness of accrued- Overhead Payments in anticipation of the project going forward.

A Certificate of Need for the additional 19 beds was received from the North Carolina Department of Health and Human Services in October of 2019. Perkins Eastman Architects has led the design team, with Choate Construction Company providing pre-construction services as the selected General Contractor.



**The Cypress of Charlotte Club, Inc. and  
The Cypress of Charlotte Owners' Association, Inc.  
Forecasted Combining Balance Sheets  
For the Years Ending December 31, 2020 through 2024**

	2020				2021				2022				2023				2024			
	Club	HOA	Eliminations	Total	Club	HOA	Eliminations	Total	Club	HOA	Eliminations	Total	Club	HOA	Eliminations	Total	Club	HOA	Eliminations	Total
<b>Assets</b>																				
Current assets:																				
Cash and cash equivalents	\$ 647,613	\$ 13,217	\$ -	\$ 660,830	\$ 753,090	\$ 39,636	\$ -	\$ 792,726	\$ 783,599	\$ 32,650	\$ -	\$ 816,249	\$ 787,749	\$ 32,823	\$ -	\$ 820,572	\$ 835,504	\$ 34,813	\$ -	\$ 870,317
Accounts receivable, net	1,079,505	-	-	1,079,505	1,122,685	-	-	1,122,685	1,167,592	-	-	1,167,592	1,214,296	-	-	1,214,296	1,262,868	-	-	1,262,868
Due from affiliates	64,116	-	-	64,116	66,681	-	-	66,681	69,348	-	-	69,348	72,122	-	-	72,122	75,007	-	-	75,007
Inventory	120,238	-	-	120,238	125,048	-	-	125,048	130,050	-	-	130,050	135,252	-	-	135,252	140,662	-	-	140,662
Other current assets	305,106	-	-	305,106	317,310	-	-	317,310	330,002	-	-	330,002	343,202	-	-	343,202	356,930	-	-	356,930
Total current assets	2,216,578	13,217	-	2,229,795	2,384,814	39,636	-	2,424,450	2,480,591	32,650	-	2,513,241	2,552,621	32,823	-	2,585,444	2,670,971	34,813	-	2,705,784
Assets limited as to use:																				
Internally designated for department of insurance operating reserve	2,398,867	-	-	2,398,867	2,398,867	-	-	2,398,867	2,398,867	-	-	2,398,867	2,398,867	-	-	2,398,867	2,398,867	-	-	2,398,867
Reserve for replacements	-	2,782,656	-	2,782,656	-	3,138,752	-	3,138,752	-	3,505,531	-	3,505,531	-	3,883,313	-	3,883,313	-	4,272,428	-	4,272,428
	2,398,867	2,782,656	-	5,181,523	2,398,867	3,138,752	-	5,537,619	2,398,867	3,505,531	-	5,904,398	2,398,867	3,883,313	-	6,282,180	2,398,867	4,272,428	-	6,671,295
Property and equipment, net	555,692	12,356,260	-	12,911,952	11,015,680	11,476,272	-	22,491,952	10,783,419	11,155,533	-	21,938,952	10,515,853	10,840,099	-	21,355,952	10,236,789	10,536,163	-	20,772,952
Due from the Association	525,300	-	(525,300)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	\$ 5,696,437	\$ 15,152,133	\$ (525,300)	\$ 20,323,270	\$ 15,799,361	\$ 14,654,660	\$ -	\$ 30,454,021	\$ 15,662,877	\$ 14,693,714	\$ -	\$ 30,356,591	\$ 15,467,341	\$ 14,756,235	\$ -	\$ 30,223,576	\$ 15,306,627	\$ 14,843,404	\$ -	\$ 30,150,031
<b>Liabilities and Net Assets and Members' Equity</b>																				
Current liabilities:																				
Accounts payable and accrued expenses	\$ 1,786,337	\$ -	\$ -	\$ 1,786,337	\$ 1,857,790	\$ -	\$ -	\$ 1,857,790	\$ 1,932,102	\$ -	\$ -	\$ 1,932,102	\$ 2,009,386	\$ -	\$ -	\$ 2,009,386	\$ 2,089,761	\$ -	\$ -	\$ 2,089,761
Due to affiliate	9,105	-	-	9,105	9,105	-	-	9,105	9,105	-	-	9,105	9,105	-	-	9,105	9,105	-	-	9,105
Current portion of long-term debt	120,457	-	-	120,457	253,201	-	-	253,201	458,998	-	-	458,998	482,022	-	-	482,022	504,130	-	-	504,130
Total current liabilities	1,915,899	-	-	1,915,899	2,120,096	-	-	2,120,096	2,400,205	-	-	2,400,205	2,500,513	-	-	2,500,513	2,602,996	-	-	2,602,996
Deferred revenue, refundable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue, nonrefundable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Long-term debt, less current portion	82,621	-	-	82,621	9,911,110	-	-	9,911,110	9,387,205	-	-	9,387,205	8,902,726	-	-	8,902,726	8,393,786	-	-	8,393,786
Due to the Club	-	525,300	(525,300)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	1,998,520	525,300	(525,300)	1,998,520	12,031,206	-	-	12,031,206	11,787,410	-	-	11,787,410	11,403,239	-	-	11,403,239	10,996,782	-	-	10,996,782
Net assets:																				
Without member restrictions	3,697,917	-	-	3,697,917	3,768,155	-	-	3,768,155	3,875,467	-	-	3,875,467	4,064,102	-	-	4,064,102	4,309,845	-	-	4,309,845
Total net assets	3,697,917	-	-	3,697,917	3,768,155	-	-	3,768,155	3,875,467	-	-	3,875,467	4,064,102	-	-	4,064,102	4,309,845	-	-	4,309,845
Members' equity:																				
Members' equity, undesignated	-	11,844,177	-	11,844,177	-	11,515,908	-	11,515,908	-	11,188,183	-	11,188,183	-	10,872,922	-	10,872,922	-	10,570,976	-	10,570,976
Members' equity, designated asset replacement and repair	-	2,782,656	-	2,782,656	-	3,138,752	-	3,138,752	-	3,505,531	-	3,505,531	-	3,883,313	-	3,883,313	-	4,272,428	-	4,272,428
Total members' equity	-	14,626,833	-	14,626,833	-	14,654,660	-	14,654,660	-	14,693,714	-	14,693,714	-	14,756,235	-	14,756,235	-	14,843,404	-	14,843,404
	\$ 5,696,437	\$ 15,152,133	\$ (525,300)	\$ 20,323,270	\$ 15,799,361	\$ 14,654,660	\$ -	\$ 30,454,021	\$ 15,662,877	\$ 14,693,714	\$ -	\$ 30,356,591	\$ 15,467,341	\$ 14,756,235	\$ -	\$ 30,223,576	\$ 15,306,627	\$ 14,843,404	\$ -	\$ 30,150,031

See independent accountants' compilation report and  
summary of significant forecast assumptions and accounting policies.

**The Cypress of Charlotte Club, Inc. and  
The Cypress of Charlotte Owners' Association, Inc.  
Forecasted Combining Statements of Operations and Revenues and Expenses  
For the Years Ending December 31, 2020 through 2024**

	2020				2021				2022				2023				2024				
	Club	HOA	Eliminations	Total	Club	HOA	Eliminations	Total	Club	HOA	Eliminations	Total	Club	HOA	Eliminations	Total	Club	HOA	Eliminations	Total	
<b>Revenues and gains</b>																					
Member fees and assessments	62%	\$ 10,328,386	\$ 6,244,763	\$ -	\$ 16,573,149	\$ 10,715,668	\$ 6,520,407	\$ -	\$ 17,236,075	\$ 10,991,928	\$ 6,933,590	\$ -	\$ 17,925,518	\$ 11,375,677	\$ 7,266,862	\$ -	\$ 18,642,539	\$ 11,811,316	\$ 7,576,925	\$ -	\$ 19,388,241
Health Center	100%	4,478,058	-	-	4,478,058	4,793,110	-	-	4,793,110	6,817,147	-	-	6,817,147	7,259,769	-	-	7,259,769	7,550,160	-	-	7,550,160
Home Health	100%	4,344,593	-	-	4,344,593	4,453,208	-	-	4,453,208	3,929,136	-	-	3,929,136	4,027,364	-	-	4,027,364	4,148,185	-	-	4,148,185
Provider relief funds	100%	271,859	-	-	271,859	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment income, net	8%	5,538	65,462	-	71,000	5,538	65,462	-	71,000	5,538	65,462	-	71,000	5,538	65,462	-	71,000	5,538	65,462	-	71,000
<b>Total revenues and gains</b>		<b>19,428,434</b>	<b>6,310,225</b>	<b>-</b>	<b>25,738,659</b>	<b>19,967,524</b>	<b>6,585,869</b>	<b>-</b>	<b>26,553,393</b>	<b>21,743,749</b>	<b>6,999,052</b>	<b>-</b>	<b>28,742,801</b>	<b>22,668,348</b>	<b>7,332,324</b>	<b>-</b>	<b>30,000,672</b>	<b>23,515,199</b>	<b>7,642,387</b>	<b>-</b>	<b>31,157,586</b>
<b>Expenses</b>																					
Food and beverage	100%	5,305,401	-	-	5,305,401	5,508,386	-	-	5,508,386	6,010,416	-	-	6,010,416	6,250,833	-	-	6,250,833	6,500,866	-	-	6,500,866
Health Center	100%	4,025,240	-	-	4,025,240	4,186,250	-	-	4,186,250	4,785,646	-	-	4,785,646	4,977,072	-	-	4,977,072	5,176,155	-	-	5,176,155
Home Health	100%	3,476,381	-	-	3,476,381	3,563,291	-	-	3,563,291	3,083,752	-	-	3,083,752	3,160,846	-	-	3,160,846	3,239,867	-	-	3,239,867
Plant	15%	637,132	3,667,811	-	4,304,943	656,349	3,820,792	-	4,477,141	670,497	3,985,730	-	4,656,227	685,210	4,157,266	-	4,842,476	704,057	4,332,118	-	5,036,175
Resident services	100%	402,255	-	-	402,255	418,345	-	-	418,345	435,079	-	-	435,079	452,482	-	-	452,482	470,581	-	-	470,581
Housekeeping	67%	1,031,332	507,969	-	1,539,301	1,072,585	528,288	-	1,600,873	1,115,488	549,420	-	1,664,908	1,160,108	571,396	-	1,731,504	1,206,512	594,252	-	1,800,764
General and administrative	73%	4,024,706	1,488,590	-	5,513,296	4,185,694	1,548,134	-	5,733,828	4,673,175	1,728,434	-	6,401,609	4,949,215	1,830,532	-	6,779,747	5,147,184	1,903,753	-	7,050,937
Depreciation	33%	293,908	596,721	-	890,629	306,386	622,056	-	928,442	323,404	656,607	-	980,011	329,872	669,739	-	999,611	336,469	683,134	-	1,019,603
Amortization of entrance fees	0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Extraordinary events	100%	200,000	-	-	200,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service - interest only	100%	-	-	-	-	-	-	-	-	538,980	-	-	538,980	514,075	-	-	514,075	487,765	-	-	487,765
Contributions and gifts	0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Income taxes	0%	-	37,764	-	37,764	-	38,772	-	38,772	-	39,807	-	39,807	-	40,870	-	40,870	-	41,961	-	41,961
<b>Total expenses</b>		<b>19,396,355</b>	<b>6,298,855</b>	<b>-</b>	<b>25,695,210</b>	<b>19,897,286</b>	<b>6,558,042</b>	<b>-</b>	<b>26,455,328</b>	<b>21,636,437</b>	<b>6,959,998</b>	<b>-</b>	<b>28,596,435</b>	<b>22,479,713</b>	<b>7,269,803</b>	<b>-</b>	<b>29,749,516</b>	<b>23,269,456</b>	<b>7,555,218</b>	<b>-</b>	<b>30,824,674</b>
<b>Change in net assets and members' equity</b>		<b>\$ 32,079</b>	<b>\$ 11,370</b>	<b>\$ -</b>	<b>\$ 43,449</b>	<b>\$ 70,238</b>	<b>\$ 27,827</b>	<b>\$ -</b>	<b>\$ 98,065</b>	<b>\$ 107,312</b>	<b>\$ 39,054</b>	<b>\$ -</b>	<b>\$ 146,366</b>	<b>\$ 188,635</b>	<b>\$ 62,521</b>	<b>\$ -</b>	<b>\$ 251,156</b>	<b>\$ 245,743</b>	<b>\$ 87,169</b>	<b>\$ -</b>	<b>\$ 332,912</b>

See independent accountants' compilation report and summary of significant forecast assumptions and accounting policies.

Cypress of Charlotte Consolidated  
Balance Sheet  
Five Months Ended 05/31/2020

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**ASSETS:**
**Current Assets**

Cash and cash equivalents	1,130,774
Accounts Receivable resident services - net	851,662
Accounts Receivable - Owner & other	78,828
Accounts Receivable - Intercompany	2,072,346
Prepaid expenses and inventories	<u>279,193</u>

Total current assets 4,412,802

**Assets limited as to use (DOI, ARA, Condo Ins.)**

DOI Reserve	2,347,705
Asset Replacement Reserve	2,350,816
Condo Insurance fund	19,898
Property and equipment, net	14,662,956
Other assets - deposits	<u>87,035</u>

**TOTAL ASSETS** 23,881,211

**LIABILITIES AND NET ASSETS****Current Liabilities**

Capital leases	73,633
Notes payable	12,963
Accounts payable & accruals - Trade	1,629,767
Accounts payable - Intercompany	2,072,346
Deposits and DOI Operating Reserve	2,355,819
Accrued liabilities	
Salaries & wages	494,715
Benefits	465,678
Payroll and other taxes	59,752
Other (professional fees, Pers Prop Tax)	<u>28,223</u>

Total Current Liabilities 7,192,897

Abandoned Property 0

Capital leases - long term 30,783

Note payable - long term 55,991

Total liabilities 7,279,670

**Net assets (deficit)**

Additional Paid in Capital	1,500,000
Unrestricted	11,751,633
Temporarily restricted	0
Permanently restricted	<u>3,349,908</u>

Total net assets 16,601,541

**TOTAL LIABILITIES AND EQUITY** 23,881,211

## Operating Statement

MAY-20

	MAY-20 Budget	MAY-20 Actual	MAY-20 Variance	YTD Budget	YTD Actual	YTD Variance
Operating Revenue						
Independent Living Revenue						
Total Independent Living Revenue	1,392,988	1,333,442	(59,546)	6,957,944	6,748,705	(209,239)
Health Center						
Total Health Center Revenue	383,471	378,887	(4,584)	1,891,257	1,890,337	(920)
Home Health						
Total Home Health Revenue	373,990	359,872	(14,117)	1,869,949	1,827,446	(42,502)
Other Operating Revenue						
Total Other Operating Revenue	914	190,124	189,209	4,572	274,561	269,989
Total Operating Revenue	2,151,363	2,262,325	110,962	10,723,722	10,741,050	17,328
Operating Expenses						
General & Administrative						
Total G&A Wages	57,717	68,252	(10,535)	283,315	295,562	(12,246)
Total Benefits and Taxes	14,315	11,703	2,611	71,771	66,084	5,687
Total Other Expenses	389,660	425,611	(35,951)	1,950,206	1,948,001	2,205
Total General and Administrative Expense	461,692	505,566	(43,874)	2,305,293	2,309,646	(4,353)
Plant						
Total Plant Wages	74,678	77,288	(2,610)	363,986	368,804	(4,818)
Total Labor O/S:	4,833	4,000	833	24,167	20,000	4,167
Total Benefits and Taxes	19,868	19,914	(46)	99,253	98,946	307
Total Non-Utility Other Expenses	123,094	132,273	(9,178)	615,498	664,128	(48,630)
Total Utilities	63,650	53,757	9,893	318,250	299,879	18,371
Total Other Expenses	186,744	186,030	715	933,748	964,007	(30,259)
Total Plant Expenses	286,123	287,231	(1,108)	1,421,154	1,451,757	(30,603)
Environmental Services						
Total EVS Wages	83,508	72,208	11,299	409,504	379,111	30,392
Total Labor O/S:	5,667	11,468	(5,801)	28,333	40,938	(12,604)
Total Benefits and Taxes	33,058	28,107	4,951	165,889	141,872	24,018
Total Other Expenses:	12,765	13,608	(844)	64,051	89,831	(25,779)
Total Environmental Service Expense	134,997	125,392	9,605	667,778	651,751	16,027
Food Service						
Total Food Service Wages	215,203	186,203	29,001	1,055,170	942,763	112,406
Total Labor O/S	167	(1,500)	1,667	833	42,403	(41,570)
Total Benefits and Taxes	57,519	48,963	8,556	288,380	251,800	36,580
Total Other Expenses	185,551	146,614	38,937	922,296	798,464	123,831

**Operating Statement**  
**MAY-20**

	MAY-20 Budget	MAY-20 Actual	MAY-20 Variance	YTD Budget	YTD Actual	YTD Variance
Total Food & Beverage Service Expense	458,440	380,279	78,161	2,266,679	2,035,431	231,248
Resident Services						
Total Resident Services Wages	20,215	20,105	110	99,180	96,688	2,492
Total Labor O/S:	-	-	-	2,500	1,533	967
Total Benefits and Taxes	5,200	5,707	(506)	26,052	28,955	(2,903)
Total Other Expenses	6,268	8,684	(2,416)	41,516	35,752	5,764
Total Resident Services Expense	31,684	34,496	(2,812)	169,248	162,929	6,319
Health Center						
Total Health Center Wages	210,415	222,404	(11,989)	1,031,395	1,064,522	(33,127)
Total Benefits and Taxes	48,030	51,876	(3,847)	240,577	258,616	(18,039)
Total HC Administrative Expense	21,697	25,013	(3,316)	108,312	108,991	(679)
Total Ancillary Expense	52,949	41,572	11,377	262,944	246,795	16,149
Total Health Center Expense	333,091	340,866	(7,775)	1,643,228	1,678,924	(35,696)
Community Home Health						
Total Home Health Wages	237,954	230,684	7,271	1,167,034	1,137,851	29,184
Total Benefits and Taxes	53,796	51,531	2,265	269,759	258,797	10,963
Total Other Expenses	4,556	1,590	3,438	22,781	12,259	12,675
Total Community Home Health	296,306	283,805	12,973	1,459,575	1,408,907	52,821
Total Operating Expense	2,002,332	1,957,635	45,170	9,932,955	9,699,345	235,763
Net Operating Income	149,030	304,690	155,660	790,767	1,041,705	250,938
Other Income						
8100001 Income/Loss in Equity Investment	-	40,845	40,845	-	(222,104)	(222,104)
8150200 Working Capital	820	3,061	2,241	5,740	5,785	45
8150300 Assessment/Reserve Income Other	2,420	9,012	6,592	16,940	17,034	94
8201000 Interest Income - Intercompany	4,648	4,648	-	23,680	23,680	-
8205000 Interest Income - Non Operating	569	221	(347)	19,824	21,994	2,170
8401000 Gain/Loss on sale of assets	-	-	-	-	-	-
Total Other Income	8,457	57,787	49,331	66,184	(153,611)	(219,796)
Other Expenses						
9201000 Interest Expense - Intercompany	4,648	4,648	-	23,680	23,680	-
9205000 Interest Expense - Non-Operating	553	621	(68)	2,765	3,210	(444)
9801000 Misc. Expense	-	-	-	-	300	(300)
9881000 Income Tax	-	-	-	-	6,472	(6,472)
Total Other Expenses	5,201	5,269	(68)	26,445	33,662	(7,216)
Net Income/(Loss)	152,286	357,208	204,923	830,506	854,432	23,926

## Operating Statement

MAY-20

	MAY-20 Budget	MAY-20 Actual	MAY-20 Variance	YTD Budget	YTD Actual	YTD Variance
SUMMARY						
Operating Revenue						
Total Independent Living Revenue	1,392,988	1,333,442	(59,546)	6,957,944	6,748,705	(209,239)
Total Health Center Revenue	383,471	378,887	(4,584)	1,891,257	1,890,337	(920)
Total Home Health Revenue	373,990	359,872	(14,117)	1,869,949	1,827,446	(42,502)
Total Other Operating Revenue	914	190,124	189,209	4,572	274,561	269,989
Total Operating Revenue	2,151,363	2,262,325	110,962	10,723,722	10,741,050	17,328
Operating Expense						
Total General and Administrative Expense	461,692	505,566	(43,874)	2,305,293	2,309,646	(4,353)
Total Plant Expenses	286,123	287,231	(1,108)	1,421,154	1,451,757	(30,603)
Total Environmental Service Expense	134,997	125,392	9,605	667,778	651,751	16,027
Total Food & Beverage Service Expense	458,440	380,279	78,161	2,266,679	2,035,431	231,248
Total Resident Services Expense	31,684	34,496	(2,812)	169,248	162,929	6,319
Total Health Center Expense	333,091	340,866	(7,775)	1,643,228	1,678,924	(35,696)
Total Community Home Health Expense	296,306	283,805	12,501	1,459,575	1,408,907	50,668
Total Operating Expense	2,002,332	1,957,635	44,698	9,932,955	9,699,345	233,610
Net Operating Income	149,030	304,690	155,660	790,767	1,041,705	250,938
Total Other Income	8,457	57,787	49,331	66,184	(153,611)	(219,796)
Total Other Expenses	5,201	5,269	(68)	26,445	33,662	(7,216)
Net Income/(Loss)	152,286	357,208	204,923	830,506	854,432	23,926





The Cypress of Charlotte Club, Inc and The Cypress of Charlotte Owners' Association, Inc.  
 Combined 2019 Forecast to Actual - Balance Sheet  
 Material Variance Analysis

	Forecast	Actual	Over / (Under) Variance	Over / (Under) Variance
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$731,615	\$624,456	(\$107,159)	-15%
Accounts receivable, net	\$1,063,242	\$1,037,986	(\$25,256)	-2%
Due from affiliate	\$2,080	\$61,650	\$59,570	2864%
Inventory	\$98,812	\$115,613	\$16,801	17%
Other current assets	\$246,151	\$293,371	\$47,220	19%
	<u>\$2,141,900</u>	<u>\$2,133,076</u>	<u>(\$8,824)</u>	
<b>Assets Limited to Use</b>				
Internally designated for DOI operating reserve	\$2,388,283	\$2,368,867	(\$19,416)	-1%
Reserve for Replacements	\$2,232,133	\$2,436,932	\$204,799	9%
	<u>\$4,620,416</u>	<u>\$4,805,799</u>	<u>\$185,383</u>	
<b>Other Investments</b>				
Other Investments	\$0	\$25,000	\$25,000	
Property and Equipment, Net	\$12,959,829	\$13,185,206	\$225,377	2%
Refundable deposits	\$0	\$62,035	\$62,035	NMR
	<u>\$19,722,145</u>	<u>\$20,211,116</u>	<u>\$488,971</u>	
<b>Liabilities and Net Assets and Members' Equity</b>				
<b>Current Liabilities</b>				
Accounts Payable and accrued expenses	\$1,607,693	\$1,717,632	\$109,939	7%
Due to Affiliate	\$1,063,663	\$9,105	(\$1,054,558)	-99% <sup>1</sup>
Due to homeowners		\$42,937	\$42,937	NMR
Current portion of long-term debt	\$128,532	\$77,520	(\$51,012)	-40%
Total current liabilities	<u>\$2,799,888</u>	<u>\$1,847,194</u>	<u>(\$952,694)</u>	
Long-Term Debt, less current portion	\$212,216	\$82,621	(\$129,595)	-61%
Total Liabilities	<u>\$3,012,104</u>	<u>\$1,929,815</u>	<u>(\$1,082,289)</u>	
<b>Net Assets</b>				
Unrestricted	\$2,098,214	\$2,600,175	\$501,961	24% <sup>2</sup>
Total net assets	<u>\$2,098,214</u>	<u>\$2,600,175</u>	<u>\$501,961</u>	
<b>Members' Equity</b>				
Members' equity, undesignated	\$12,379,694	\$13,244,194	\$864,500	7%
Members' equity, designated asset replacement and repair	\$2,232,133	\$2,436,932	\$204,799	9%
Total Members' Equity	<u>\$14,611,827</u>	<u>\$15,681,126</u>	<u>\$1,069,299</u>	
	<u>\$19,722,145</u>	<u>\$20,211,116</u>	<u>\$488,971</u>	

Scope for variance explanation - for the balance sheet management considers combined variances in excess of 10% of forecast and \$200,000 to be significant to the financial statement.

- 1 Overhead fees payable of \$1,063,663 from 2017 and 2018 were forgiven by the Cypress of Charlotte, LLC
- 2 Lower operating expenses than forecasted



The Cypress of Charlotte Club, Inc and The Cypress of Charlotte Owners' Association, Inc.  
 Combined 2019 Forecast to Actual - Operations  
 Material Variance Analysis

	Forecast	Actual	Over / (Under) Variance	Over / (Under) Variance
<b>Revenues</b>				
Member fees and assessments	\$15,817,049	\$15,846,054	\$29,005	0%
Health Center	\$4,553,500	\$4,479,247	(\$74,253)	-2%
Home Health	\$4,506,956	\$4,303,631	(\$203,325)	-5%
Other	\$0	(\$57,102)	(\$57,102)	NMR
Investment Income	\$65,000	\$289,834	\$224,834	346% <sup>1</sup>
<b>Total Revenues</b>	<b>\$24,942,505</b>	<b>\$24,861,664</b>	<b>(\$80,841)</b>	
<b>Expenses</b>				
Food and beverage	\$5,206,066	\$5,159,938	(\$46,128)	-1%
Health Center	\$3,924,064	\$3,874,454	(\$49,610)	-1%
Home Health	\$3,457,701	\$3,419,601	(\$38,100)	-1%
Plant	\$4,178,708	\$3,920,363	(\$258,345)	-6%
Resident Services	\$291,465	\$291,152	(\$313)	0%
Housekeeping	\$1,492,136	\$1,471,561	(\$20,575)	-1%
General and administrative	\$5,406,746	\$5,249,368	(\$157,378)	-3%
Depreciation and amortization	\$881,987	\$856,374	(\$25,613)	-3%
Income taxes	\$28,140	\$37,764	\$9,624	34%
<b>Total Expenses</b>	<b>\$24,867,013</b>	<b>\$24,280,575</b>	<b>(\$586,438)</b>	
<b>Change in net assets and members' equity</b>	<b>\$75,492</b>	<b>\$581,089</b>	<b>\$505,597</b>	

Scope for variance explanation - for the statement of operations management considers combined variances in excess of 10% of forecast and \$200,000 to be significant to the financial statement.

- 1 Investment income fluctuates due to market conditions

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The Cypress of Charlotte Club, Inc and The Cypress of Charlotte Owners' Association, Inc.  
 Combined 2019 Forecast to Actual - Cash Flows  
 Material Variance Analysis

	Forecast	Actual	Over / (Under) Variance	Over / (Under) Variance	
<b>Cash Flows From Operating Activities</b>					
Change in net assets and excess of revenues over expenses	\$75,492	\$581,089	\$505,597	670%	1
Adjustments to reconcile changes in net assets and excess of revenues over expenses to net cash provided by operating activities					
Loss on disposal of property and equipment	\$0	\$57,871			
Depreciation	\$881,987	\$856,374	(\$25,613)	-3%	
(Gain) Loss on assets limited as to use	\$0	(\$218,394)	(\$218,394)	NMR	2
Bad debt expense	\$0	\$86,288	\$86,288	NMR	
Increase (decrease) in:					
Accounts receivables, net	\$238,556	(\$101,926)	(\$340,482)	-143%	3
Due from and to affiliate	\$45,188	(\$1,116,208)	(\$1,161,396)	-2570%	4
Inventories	(\$22,699)	(\$20,601)	\$2,098	-9%	
Prepaid expenses	\$35,513	(\$56,687)	(\$92,200)	-260%	
Refundable deposits	\$62,035	\$0	(\$62,035)	NMR	
Increase (decrease) in:					
Accounts payable and accrued expenses	(\$80,490)	\$78,584	\$159,074	-198%	
<b>Net Cash provided by operating activities</b>	<b>\$1,235,582</b>	<b>\$146,390</b>	<b>(\$1,147,063)</b>		
<b>Cash Flows From Investing Activities</b>					
Purchase of property and equipment	(\$500,020)	(\$894,904)	(\$394,884)	79%	5
Purchase of assets whose use is limited	(\$679,025)	(\$367,713)	\$311,312	-46%	6
<b>Net Cash used in investing activities</b>	<b>(\$1,179,045)</b>	<b>(\$1,262,617)</b>	<b>(\$83,572)</b>		
<b>Cash Flows From Financing Activities</b>					
Payments of principal on capital lease obligations	\$0	(\$70,485)	(\$70,485)	NMR	
Payments of principal on long-term debt	(\$74,120)	(\$3,693)	\$70,427	-95%	
Equity transfer	\$0	\$1,065,663	\$1,065,663	NMR	7
<b>Net Cash used in financing activities</b>	<b>(\$74,120)</b>	<b>\$991,485</b>	<b>(\$58)</b>		
<b>Net Cash increase in cash and cash equivalents</b>	<b>(\$17,583)</b>	<b>(\$124,742)</b>	<b>(\$1,230,693)</b>		
<b>Cash and cash equivalents</b>					
Beginning	\$749,198	\$749,198	\$0		
Ending	\$731,615	\$624,456	(\$1,230,693)		

Scope for variance explanation - for the statement of cash flows management considers combined variances in excess of 10% of forecast and \$200,000 to be significant to the financial statement.

- 1 See operating statement for details of revenue and expense changes
- 2 Investment income fluctuates due to market conditions
- 3 Change in resident receivables due to improved collections
- 4 Overhead fees payable of \$1,063,663 from 2017 and 2018 were forgiven by the Cypress of Charlotte, LLC
- 5 More capital asset purchases than forecasted based on the needs of the organization
- 6 Purchase and sale of assets fluctuates depending on community requirements
- 7 Overhead fees payable of \$1,063,663 from 2017 and 2018 were forgiven by the Cypress of Charlotte, LLC

**THE CYPRESS OF CHARLOTTE, LLC**  
HILTON HEAD ISLAND, SOUTH CAROLINA

AUDITORS' REPORT  
AND  
FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

**THE CYPRESS OF CHARLOTTE, LLC**

HILTON HEAD ISLAND, SOUTH CAROLINA

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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**OFFICERS**

James P. Coleman	-	President
Marc A. Puntereri	-	Vice President



# Robinson Grant & Co., P.A.

CERTIFIED PUBLIC ACCOUNTANTS  
MEMBERS OF THE AMERICAN INSTITUTE OF CPAS & S.C. ASSOCIATION OF CPAs

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## Independent Auditors' Report

June 5, 2020

Managing Members  
The Cypress of Charlotte, LLC  
Charlotte, North Carolina

We have audited the accompanying financial statements of The Cypress of Charlotte, LLC (the Company), which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of income and members' equity (deficit) and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of

significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Cypress of Charlotte, LLC as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Robinson Hunt & Co., P.A.*

**THE CYPRESS OF CHARLOTTE, LLC**

BALANCE SHEETS

AS OF DECEMBER 31, 2019 AND 2018

ASSETS	<u>2019</u>	<u>2018</u>
<b>Current assets</b>		
Cash and cash equivalents - operating	\$ 411,730	\$ 271,250
Accounts receivable	-	246,035
Due from related parties	<u>3,957</u>	<u>1,065,664</u>
<b>Total current assets</b>	415,687	1,582,949
 <b>Restricted assets</b>		
Cash and cash equivalents - wait list deposits	332,000	316,000
Cash and cash equivalents - real estate trust	<u>10,098</u>	<u>208,110</u>
<b>Total restricted assets</b>	342,098	524,110
 <b>Property and equipment</b>		
Furniture, fixtures and equipment	14,800	14,800
Less accumulated depreciation	<u>(14,357)</u>	<u>(13,764)</u>
<b>Total property and equipment, net</b>	<u>443</u>	<u>1,036</u>
 <b>Total assets</b>	<u>\$ 758,228</u>	<u>\$ 2,108,095</u>

The accompanying notes are an integral part of these financial statements.

**THE CYPRESS OF CHARLOTTE, LLC**  
**BALANCE SHEETS**  
**AS OF DECEMBER 31, 2019 AND 2018**

**LIABILITIES AND MEMBERS' EQUITY**

	<b>2019</b>	<b>2018</b>
<b>Current liabilities</b>		
Accounts payable	\$ 16,130	\$ 7,049
Due to related parties	37,100	1,750
North Carolina income tax withheld	20,007	38,779
Due to members	13,431	149
Distributions payable	-	8,333
Deposits - real estate trust	10,000	211,000
Current portion of note payable	100,088	93,066
<b>Total current liabilities</b>	<b>196,756</b>	<b>360,126</b>
<b>Noncurrent liabilities</b>		
Note payable	843,054	935,499
Less debt issuance costs, net	(10,238)	(11,649)
Less current portion of note payable	(100,088)	(93,066)
Long term note payable, net	732,728	830,784
Deposits - wait list	332,000	316,000
<b>Total noncurrent liabilities</b>	<b>1,064,728</b>	<b>1,146,784</b>
<b>Total liabilities</b>	<b>1,261,484</b>	<b>1,506,910</b>
<b>Members' equity (deficit)</b>		
Members' equity (deficit)	(477,006)	627,435
Syndication costs	(26,250)	(26,250)
<b>Net members' equity (deficit)</b>	<b>(503,256)</b>	<b>601,185</b>
<b>Total liabilities and members' equity</b>	<b>\$ 758,228</b>	<b>\$ 2,108,095</b>

The accompanying notes are an integral part of these financial statements.



**THE CYPRESS OF CHARLOTTE, LLC**  
**STATEMENTS OF INCOME AND MEMBERS' EQUITY (DEFICIT)**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>Revenues</b>		
Membership fees	\$ 1,362,900	\$ 2,504,050
Management fees	2,055,115	1,257,603
Commission revenues	539,158	964,397
Investment revenue - operating & escrow funds	8,952	4,864
Miscellaneous revenue	<u>14,272</u>	<u>13,550</u>
<b>Total revenues</b>	<b>3,980,397</b>	<b>4,744,464</b>
<b>Expenses</b>		
Uncollectible receivable - related party	1,065,664	-
Charitable contributions	-	12,500
Depreciation	593	1,167
Equipment lease	4,072	4,043
Insurance	38,291	44,325
Interest	49,640	47,668
Management fees - Cypress Group	168,000	168,000
Marketing/advertising	143,771	134,066
Miscellaneous expenses	4,279	1,015
Office expenses	44,666	40,061
Professional fees	18,732	17,580
Salaries, wages and payroll taxes	258,989	264,618
Sales incentives	16,678	36,644
Travel and entertainment	25,186	20,349
Website costs	<u>46,296</u>	<u>41,075</u>
<b>Total expenses</b>	<b><u>1,884,857</u></b>	<b><u>833,111</u></b>
<b>Net income</b>	<b>2,095,540</b>	<b>3,911,353</b>
<b>Beginning members' equity (deficit)</b>	<b>601,185</b>	<b>(110,187)</b>
Members' distributions	<u>(3,199,981)</u>	<u>(3,199,981)</u>
<b>Ending members' equity (deficit)</b>	<b><u>\$ (503,256)</u></b>	<b><u>\$ 601,185</u></b>

The accompanying notes are an integral part of these financial statements.

**THE CYPRESS OF CHARLOTTE, LLC**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities:</b>		
Net income	\$ 2,095,540	\$ 3,911,353
Adjustments to reconcile net income to net cash provided by operating activities:		
Debt issuance amortization included in interest expense	1,411	1,411
Depreciation	593	1,167
(Increase) decrease in:		
Accounts receivable	246,035	(246,035)
Due from related parties	1,061,707	(167,773)
Increase (decrease) in:		
Accounts payable - trade	9,081	(2,292)
Due to related parties	35,350	(64,354)
North Carolina income tax withheld	(18,772)	12,955
Due to members	13,282	(7,654)
Distributions payable	(8,333)	8,333
Deposits - real estate trust and wait list	(185,000)	(301,900)
Net cash provided by operating activities	<u>3,250,894</u>	<u>3,145,211</u>
<b>Cash flows from financing activities:</b>		
Note payable principal repayments	(92,445)	(64,501)
Member distributions	(3,199,981)	(3,199,981)
Net cash used in financing activities	<u>(3,292,426)</u>	<u>(3,264,482)</u>
Net increase (decrease) in cash and cash equivalents	(41,532)	(119,271)
Cash and cash equivalents, beginning of year	795,360	914,631
Cash and cash equivalents, end of year	<u>\$ 753,828</u>	<u>\$ 795,360</u>
<b><u>Summary of cash accounts per balance sheets:</u></b>		
Cash and cash equivalents - operating	\$ 411,730	\$ 271,250
Cash and cash equivalents - real estate trust	10,098	208,110
Cash and cash equivalents - wait list	332,000	316,000
Total cash per balance sheets	<u>\$ 753,828</u>	<u>\$ 795,360</u>
<b><u>Supplemental Disclosures</u></b>		
Cash paid during the year for interest	<u>\$ 48,229</u>	<u>\$ 46,257</u>

The accompanying notes are an integral part of these financial statements.

**THE CYPRESS OF CHARLOTTE, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 1 – NATURE OF ORGANIZATION**

The Cypress of Charlotte, LLC (the Company), was organized on April 16, 1996 as a Limited Liability Company (LLC) in compliance with laws of the State of South Carolina. Its general purpose is to engage in the business of purchasing, developing and managing real property and related facilities specifically for a continuing care retirement community geographically located in Charlotte, North Carolina (Cypress of Charlotte). The term of the Company, by agreement, is approximately thirty years terminating on December 31, 2025, unless terminated beforehand. The thirty five-year term may be extended by amendment of the operating agreement.

The Company also has overall management responsibility for The Cypress of Charlotte Club, Inc. (the Club), a North Carolina not-for-profit corporation created to manage the commonly-owned property of The Cypress of Charlotte and which provides certain services to its members including, but not limited to, dining and medical, social activities, repair and maintenance services, security and recreational facilities.

At completion of the development of the residential units of The Cypress of Charlotte as well as the removal of all associated mortgage encumbrances, all commonly owned property was transferred to The Cypress of Charlotte Owners' Association, Inc. (the Association), a corporation organized in the state of North Carolina. The Association provides for the maintenance, repair and replacement, administration and operation of Cypress' property. Certain owners within the association volunteer to serve as members of the board of directors for matters related to governance of the association. The Club serves as the administrative vehicle for the Association.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Revenue and Cost Recognition**

The Company's primary sources of revenues include the following:

**Management fees** – received from the Club and equates to 10% of the annual budgeted operating costs of both the Club and Association.

**Membership fees** – received as a result of the resale of a residential unit and equates to 10% of the unit's gross sales price.

**Commissions** – received as a result of the resale of a residential unit and generally equates to 5% of the unit's gross sales price.

**Accounting Method**

The Company uses the accrual method of accounting whereby revenues are recognized when earned and expenses are recognized when the related obligation is incurred.

**THE CYPRESS OF CHARLOTTE, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand and money market and depository accounts.

**Accounts Receivable**

Accounts receivable represents membership fee and real estate sales commission revenues earned during the year and for which payments from customers will be collected in the following year.

**Property and Equipment**

Property and equipment are recorded at cost when constructed or purchased and are being depreciated over a 5 - 7 year estimated useful life using the straight-line method of calculation. For the years ended December 31, 2019 and 2018, depreciation expense totaled \$593 and \$1,167, respectively.

**Debt Issuance Costs**

At the time of the finalization of the note payable in 2017 (see Note 7), the Company incurred a total of \$14,110 of related debt-issuance costs which are being amortized over the ten-year term of the note. For the years ended December 31, 2019 and 2018, amortization expense totaled \$1,411 and is included as a component of interest expense on the Statements of Income and Members' Equity. As of December 31, 2019, accumulated amortization was \$3,872.

The loan costs are being amortized using the straight-line method of calculation which does not vary materially from the generally accepted effective interest method.

**Limited Liability Company and Income Taxes**

The Company is structured as a Limited Liability Company thereby resulting in each members' respective liability being limited to amounts reflected in their individual member equity accounts.

The Company is being treated as a partnership for federal and state income tax purposes. As a result, members (Class A investor members) report their proportionate share of the Company's taxable income, losses and other pass-through items on their personal income tax returns. Accordingly, no provisions for income taxes have been included in these financial statements. In addition, the state of North Carolina requires partnerships to withhold state income tax from those members who are not North Carolina residents and who also are not organized as one of the following structures: a corporation, partnership, trust, estate or vehicle for investing in IRAs or other qualified retirement plans. Total state withholdings for the years ended December 31, 2019 and 2018 totaled \$20,007 and \$38,779, respectively.

**Use of Estimates**

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

**THE CYPRESS OF CHARLOTTE, LLC**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Uncertain Tax Positions**

Management has determined that the Company does not have any uncertain tax positions and associated unrecognized benefits which materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Company's tax returns will not be challenged by the taxing authorities and that the Company nor its members will not be subject to tax, penalties, and interest as a result of such challenge. Generally, the Company's tax returns remain open for a period of three years for examination by government authorities.

**Distributions Payable**

Distributions payable represent distributions declared and payable to members but unpaid as of year end.

**Restricted assets - Deposits**

The Company receives deposits from both (1) buyers towards the direct purchase of residential units and (2) potential buyers who have expressed interest in purchasing a residential unit. Deposits collected from interested purchasers total \$1,000 each, are kept in bank accounts separate from other funds and are either subsequently applied toward the eventual purchase of a unit or refunded at the request of the depositor. In addition, application and renewal fees of \$100 per person are charged on deposits collected; these fees are non-refundable and are included in miscellaneous revenues within the Statements of Income and Members' Equity (Deficit).

**Advertising Costs**

The Company expenses advertising costs as incurred. These costs for the years ended December 31, 2019 and 2018 were \$143,771 and \$134,066, respectively.

**Date of Management's Review**

In preparing the financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through June 5, 2020, the date the financial statements were available to be issued.

**Reclassifications**

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

**NOTE 3 – RELATED PARTY TRANSACTIONS**

As managing member, The Cypress Group, LLC (the Group) receives compensation and reimbursements for daily management services provided. For the years ended December 31, 2019 and 2018, the management fee received totaled \$168,000. The managing members of The Cypress Group, LLC are James P. Coleman and Marc A. Puntereri.

**THE CYPRESS OF CHARLOTTE, LLC**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018

**NOTE 3 – RELATED PARTY TRANSACTIONS (CONTINUED):**

Pursuant to the management agreement between the Company and the Cypress of Charlotte Club, as well as the membership agreement between each member and the Company, the Company receives an annual management fee from the Club and the Association. The amount received by the Company is based on the total budgeted operating costs of both the Club and the Association. For the years ended December 31, 2019 and 2018, the amount received by the Company totaled \$2,055,115 and \$1,257,603, respectively. As of December 31, 2019 and 2018, \$-0- and \$1,065,664 of these management fees were receivable from the Club. During the year ended December 31, 2019 the \$1,065,664 due as of December 31, 2018 was forgiven and is accounted for as an uncollectible receivable within the Statements of Income and Members' Equity (Deficit).

Also, pursuant to the management agreement between the Company and the Club, the Company shall reimburse the Club for certain expenses incurred on their behalf. As of December 31, 2019, and 2018, the Company owed the Club \$18,934 and \$0, respectively, for these costs which include payroll and other expenses.

The Cypress of Hilton Head Associates, LP, which is managed by the officers of the Company, pays certain payroll expenses on behalf of the Company. Additionally, the Company pays certain administrative expenses on behalf of the Cypress of Hilton Head Associates, LP. All expenses paid on behalf of each related party are reimbursed on a recurring basis. As of December 31, 2019 and 2018, the amount due from the Company to the Cypress of Hilton Head Associates, LP totaled \$18,166 and \$1,750, respectively.

**NOTE 4 – MEMBERS' EQUITY**

Members' equity balances consist of cash capital contributions from Class A-type investor members. At the occurrence of either of the two following events, governing documents require each Class A investor member to contribute additional capital, at an amount not to exceed twenty percent (20%) of the investor's initial capital contribution:

- (a) to satisfy requirements imposed by any third-party lenders, or
- (b) for additional working capital needs or reserves based entirely upon the sole discretion of the managing member.

In the event a Class A investor member fails to contribute the required additional capital the managing member may either (1) permit the current non-defaulting members to contribute the additional capital contribution on behalf of the defaulting member or (2) in effort to collect any portion of the necessary contribution plus the costs of such proceedings, commence legal action upon the defaulting member.

**THE CYPRESS OF CHARLOTTE, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 5 – CONCENTRATION OF CREDIT RISK**

The Organization maintains its cash funds at several financial institutions all of which are insured by the Federal Deposit Insurance Corporation (FDIC) for a maximum of \$250,000 per customer. As of December 31, 2019, a total of \$765,958 of the Organization’s fund were uninsured. At various other times during the year, the Organization’s bank balances may have also exceeded the federally insured limits. This risk is managed by maintaining all deposits in creditworthy and reputable financial institutions.

**NOTE 6 – COMMITMENTS AND CONTINGENCIES**

The Company has entered into operating lease agreements for office equipment. A summary of minimum annual lease payments are as follows:

<u>Year Ending December 31,</u>		
2020	\$	4,098
2021		2,755
2022		2,755
2023		2,755
2024		1,837
Total	\$	<u>14,200</u>

For the years ended December 31, 2019 and 2018, lease payments totaled \$4,072 and \$4,043, respectively.

**NOTE 7 – NOTE PAYABLE**

During 2017, the Company committed to provide the Association a \$1,000,000 contribution towards the construction of an updated aquatic and fitness center through a note payable with Coastal States Bank. Both the Company and the Association are listed as co-debtors on the note agreement. Terms of the note specify a total amount available of \$3,000,000 with an interest rate of 3.75% through April 13, 2018, at which point the rate adjusts to a variable floating prime interest rate through March 13, 2027, the loan termination date when all unpaid amounts are due. Further information regarding the note payable as of December 31, is summarized as follows:

	<u>2019</u>	<u>2018</u>
Principal balance due	\$ 843,054	\$ 935,498
Interest rate	4.75%	3.75%
Interest paid	\$ 48,229	\$ 46,257

**THE CYPRESS OF CHARLOTTE, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 7 – NOTE PAYABLE (CONTINUED)**

The Company and the Association have agreed that the Association will repay the note in relation to their \$2,000,000 commitment of the total \$3,000,000 borrowed and the Company will repay their commitment towards the additional \$1,000,000 of borrowings. Revenues of the Company serve as collateral on the loan.

A summary of minimum principal and interest payments for the note payable are as follows. The actual interest paid throughout the life of the loan may vary and the variations may be material. The following data accounts for a 4.75% interest rate during the period of variable interest.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 100,088	\$ 37,885	\$ 137,973
2021	104,947	33,026	137,973
2022	110,042	27,931	137,973
2023	115,384	22,588	137,972
2024	120,986	16,987	137,973
2025-2027	<u>291,608</u>	<u>16,309</u>	<u>307,917</u>
Total	<u>\$ 843,055</u>	<u>\$ 154,726</u>	<u>\$ 997,781</u>



**The Cypress of Charlotte, LLC**  
**Balance Sheet**  
As of June 30, 2020

	Jun 30, 20
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Checking/Savings</b>	
1000-00 · LLC - OPERATING	1,184,306.77
1050-00 · LLC - MMA/OPR	155,227.82
1098-00 · LLC - WAIT LIST (Paragon)	122,374.79
1097-00 · LLC TRUST - (Paragon Bank)	90,097.90
1090-00 · LLC - WAIT LIST (CoastalStates)	192,149.49
<b>Total Checking/Savings</b>	1,744,156.77
<b>Total Current Assets</b>	1,744,156.77
<b>Fixed Assets</b>	
1600-00 · FURNITURE, FIXTURES & EQUIPMENT	14,800.26
1650-00 · A/D - FF&E	-4,146.63
<b>Total Fixed Assets</b>	10,653.63
<b>Other Assets</b>	
1800-00 · LOAN CLOSING COSTS	14,110.00
1815-00 · LOAN CLS CSTS - AMORT PHASE II	-3,872.00
1830-00 · SYNDICATION COST	26,250.00
<b>Total Other Assets</b>	36,488.00
<b>TOTAL ASSETS</b>	<b>1,791,298.40</b>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
<b>Other Current Liabilities</b>	
2156-00 · DUE TO PARTNERS	461.44
2255-00 · NOTES PAYABLE - COASTALSTATES	792,503.69
2165-00 · DUE TO CYPRESS CHARLOTTE CLUB	53,098.88
2885-00 · DEPOSIT - CYP OF CHAR TRUST	90,000.00
2890-00 · DEPOSITS - WAIT LIST	312,350.00
<b>Total Other Current Liabilities</b>	1,248,414.01
<b>Total Current Liabilities</b>	1,248,414.01
<b>Total Liabilities</b>	1,248,414.01
<b>Equity</b>	
3010-00 · DISTRIBUTIONS	-4,392,473.76
3040-00 · PARTNER EQUITY	627,463.20
3900 · Retained Earnings	2,095,100.51
Net Income	2,212,794.44
<b>Total Equity</b>	542,884.39
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>1,791,298.40</b>

**The Cypress of Charlotte, LLC**  
**Profit & Loss**  
 January through June 2020

	<u>Jan - Jun 20</u>
<b>Income</b>	
4015-00 · SALES - MEMBERSHIPS	1,082,500.00
4025-00 · COMM - REALES	381,075.00
9010-00 · INTEREST INCOME	1,255.91
9015-00 · MANAGEMENT FEES - CYPRESS	1,078,955.00
<b>Total Income</b>	2,543,785.91
<b>Expense</b>	
6666-00 · REALES	3,634.13
6010-00 · ACCOUNTING & DATA PROCESSING	220.00
6050-00 · BANK CHARGES	214.72
6430-00 · INSURANCE GENERAL	7,290.50
6545-00 · LEASE EQUIPMENT	1,049.06
6560-00 · LICENSES & PERMITS	202.00
6575-00 · MANAGEMENT FEES - CYP GROUP	84,000.00
6600-00 · MKT - BROCHURES	15,581.04
6605-00 · MKTG - DIRECT MAIL & EMAIL	312.53
6620-00 · MKTG - MAGAZINE	1,620.00
6633-00 · MKTG - NEW MEMBER& REFERRAL	1,164.83
6646-00 · MKTG - PLANT MAINTENANCE	2,208.98
6650-00 · MKTG - PRINTING	3,711.41
6655-00 · MKTG - PROMOTIONS	13,299.58
6675-00 · MKTG - SALES DISPLAYS/SIGNAGE	1,200.00
6676-00 · MKTG - WEBSITE	23,250.00
6720-00 · MISCELLANEOUS	5,023.20
7020-00 · OFFICE SUPPLIES	2,509.13
7050-00 · POSTAGE & FREIGHT	4,555.95
8915-00 · SALARIES/PAYROLL	107,770.21
8940-00 · PAYROLL TAXES	6,277.34
7275-00 · TELEPHONE	11,420.00
7280-00 · TRAVEL	2,950.21
8950-00 · GROUP INSURANCE	14,807.32
9060-00 · INTEREST EXPENSE - COASTALSTATE	16,719.33
<b>Total Expense</b>	330,991.47
<b>Net Income</b>	<b>2,212,794.44</b>

**The Cypress of Charlotte, LLC**  
**Statement of Cash Flows**  
 January through June 2020

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	<u>Jan - Jun 20</u>
<b>OPERATING ACTIVITIES</b>	
Net Income	2,212,794.44
Adjustments to reconcile Net Income to net cash provided by operations:	
1223-00 · DUE FROM CYPRESS GROUP	3,957.37
2156-00 · DUE TO PARTNERS	-12,969.96
2155-00 · N/C TAX WITHHELD	-20,007.00
2255-00 · NOTES PAYABLE - COASTALSTATES	-50,550.33
2000-00 · ACCOUNTS PAYABLE	-16,130.08
2160-00 · DUE TO CYPRESS OF HILTON HEAD	-18,577.00
2165-00 · DUE TO CYPRESS CHARLOTTE CLUB	34,165.32
2885-00 · DEPOSIT - CYP OF CHAR TRUST	80,000.00
2890-00 · DEPOSITS - WAIT LIST	-20,650.00
Net cash provided by Operating Activities	2,192,032.76
<b>INVESTING ACTIVITIES</b>	
1650-00 · A/D - FF&E	-10,210.40
Net cash provided by Investing Activities	-10,210.40
<b>FINANCING ACTIVITIES</b>	
3010-00 · DISTRIBUTIONS	-1,192,492.96
Net cash provided by Financing Activities	-1,192,492.96
Net cash increase for period	989,329.40
Cash at beginning of period	754,827.37
Cash at end of period	<b>1,744,156.77</b>

**THE CYPRESS OF CHARLOTTE, LLC**

FORECASTED FINANCIAL STATEMENTS

FOR THE YEARS ENDING  
DECEMBER 31, 2020  
THROUGH  
DECEMBER 31, 2024

**THE CYPRESS OF CHARLOTTE, LLC**

CHARLOTTE, NORTH CAROLINA

FORECASTED FINANCIAL STATEMENTS

FOR THE YEARS ENDING  
DECEMBER 31, 2020  
THROUGH  
DECEMBER 31, 2024

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## Accountants' Compilation Report

June 5, 2020

To The Members  
The Cypress of Charlotte, LLC

Management is responsible for the accompanying forecast of The Cypress of Charlotte, LLC, which comprises the forecasted balance sheets as of December 31, 2020 through 2024, and the related forecasted statements of income and members' equity and cash flows for the years then ending, and the related summaries of significant assumptions and accounting policies in accordance with guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants (AICPA). We have performed 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 forecast nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on this forecast.

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

The accompanying supplementary information, the Schedules of 2019 Forecast Versus Historical Comparison, is presented for purposes of additional analysis and is not a required part of the forecast. 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.

*Robinson Grant & Co., P.A.*

**THE CYPRESS OF CHARLOTTE, LLC**  
**FORECASTED BALANCE SHEETS**  
**FOR THE YEARS ENDING DECEMBER 31, 2020 THROUGH 2024**

**ASSETS**

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
<b>Current assets</b>					
Cash	\$ 427,700	\$ 429,100	\$ 430,500	\$ 431,900	\$ 433,300
Total current assets	427,700	429,100	430,500	431,900	433,300
<b>Restricted assets - cash deposits</b>	332,000	332,000	332,000	332,000	332,000
<b>Property and equipment</b>					
Furniture, fixtures & equipment	14,800	14,800	14,800	14,800	14,800
Less: accumulated depreciation	<u>(14,800)</u>	<u>(14,800)</u>	<u>(14,800)</u>	<u>(14,800)</u>	<u>(14,800)</u>
Total Property and equipment, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>	<u>\$ 759,700</u>	<u>\$ 761,100</u>	<u>\$ 762,500</u>	<u>\$ 763,900</u>	<u>\$ 765,300</u>

**LIABILITIES AND MEMBERS' EQUITY**

<b>Current liabilities</b>					
Payables and deposits	\$ 96,700	\$ 96,700	\$ 96,700	\$ 96,700	\$ 96,700
Current portion of note payable	<u>104,900</u>	<u>110,000</u>	<u>115,400</u>	<u>121,000</u>	<u>126,900</u>
Total current liabilities	201,600	206,700	212,100	217,700	223,600
<b>Noncurrent liabilities</b>					
Note payable	743,000	638,100	528,100	412,700	291,700
Less debt issuance costs, net	(8,800)	(7,400)	(6,000)	(4,600)	(3,200)
Less current portion of note payable	<u>(104,900)</u>	<u>(110,000)</u>	<u>(115,400)</u>	<u>(121,000)</u>	<u>(126,900)</u>
Long term note payable, net	629,300	520,700	406,700	287,100	161,600
Deposits - wait list	<u>332,000</u>	<u>332,000</u>	<u>332,000</u>	<u>332,000</u>	<u>332,000</u>
Total noncurrent liabilities	<u>961,300</u>	<u>852,700</u>	<u>738,700</u>	<u>619,100</u>	<u>493,600</u>
<b>Total liabilities</b>	1,162,900	1,059,400	950,800	836,800	717,200
<b>Members' equity (deficit)</b>	<u>(403,200)</u>	<u>(298,300)</u>	<u>(188,300)</u>	<u>(72,900)</u>	<u>48,100</u>
<b>Total liabilities and members' equity</b>	<u>\$ 759,700</u>	<u>\$ 761,100</u>	<u>\$ 762,500</u>	<u>\$ 763,900</u>	<u>\$ 765,300</u>

See accompanying summary of significant accounting policies and forecast assumptions and accountants' compilation report.

**THE CYPRESS OF CHARLOTTE, LLC**  
**FORECASTED STATEMENTS OF INCOME AND MEMBERS' EQUITY (DEFICIT)**  
**FOR THE YEARS ENDING DECEMBER 31, 2020 THROUGH 2024**

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
<b>Revenues</b>					
Management fees	\$ 1,797,000	\$ 1,797,000	\$ 1,797,000	\$ 1,797,000	\$ 1,797,000
Membership fees	1,687,500	1,687,500	1,687,500	1,687,500	1,687,500
Resale commissions	721,400	721,400	721,400	721,400	721,400
Interest and other income	<u>3,500</u>	<u>3,500</u>	<u>3,500</u>	<u>3,500</u>	<u>3,500</u>
<b>Total revenue</b>	4,209,400	4,209,400	4,209,400	4,209,400	4,209,400
<b>Expenses</b>					
Developer costs	450,000	100,000	100,000	100,000	100,000
Interest expense	40,200	36,000	31,500	23,900	31,500
Operating expenses	<u>1,200,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
<b>Total expenses</b>	<u>1,690,200</u>	<u>1,136,000</u>	<u>1,131,500</u>	<u>1,123,900</u>	<u>1,131,500</u>
<b>Net income</b>	2,519,200	3,073,400	3,077,900	3,085,500	3,077,900
<b>Members' equity (deficit), beginning of year</b>	(503,300)	(403,200)	(298,300)	(188,300)	(72,900)
<b>Distributions</b>	<u>(2,419,100)</u>	<u>(2,968,500)</u>	<u>(2,967,900)</u>	<u>(2,970,100)</u>	<u>(2,956,900)</u>
<b>Members' equity (deficit), ending of year</b>	<u>\$ (403,200)</u>	<u>\$ (298,300)</u>	<u>\$ (188,300)</u>	<u>\$ (72,900)</u>	<u>\$ 48,100</u>

See accompanying summary of significant accounting policies and forecast assumptions and accountants' compilation report.



**THE CYPRESS OF CHARLOTTE, LLC**  
**FORECASTED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDING DECEMBER 31, 2020 THROUGH 2024**

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
<b>Cash provided by operating activities:</b>					
Net income	\$ 2,519,200	\$ 3,073,400	\$ 3,077,900	\$ 3,085,500	\$ 3,077,900
Adjustments to reconcile net income to net cash provided by operating activities					
Debt issuance amortization included in interest expense	1,400	1,400	1,400	1,400	1,400
Depreciation	500	-	-	-	-
Increase in Due from Cypress Group	4,000	-	-	-	-
<b>Net cash provided by operating activities</b>	<u>\$ 2,525,100</u>	<u>\$ 3,074,800</u>	<u>\$ 3,079,300</u>	<u>\$ 3,086,900</u>	<u>\$ 3,079,300</u>
<b>Cash used in financing activities:</b>					
Principal repayment of note payable	(100,100)	(104,900)	(110,000)	(115,400)	(121,000)
Member distributions	(2,419,100)	(2,968,500)	(2,967,900)	(2,970,100)	(2,956,900)
<b>Net cash used in financing activities</b>	<u>(2,519,200)</u>	<u>(3,073,400)</u>	<u>(3,077,900)</u>	<u>(3,085,500)</u>	<u>(3,077,900)</u>
<b>Net increase in cash</b>	5,900	1,400	1,400	1,400	1,400
<b>Beginning cash</b>	<u>753,800</u>	<u>759,700</u>	<u>761,100</u>	<u>762,500</u>	<u>763,900</u>
<b>Ending cash</b>	<u>\$ 759,700</u>	<u>\$ 761,100</u>	<u>\$ 762,500</u>	<u>\$ 763,900</u>	<u>\$ 765,300</u>
<b><u>Summary of cash accounts per balance sheets:</u></b>					
Cash	\$ 427,700	\$ 429,100	\$ 430,500	\$ 431,900	\$ 433,300
Restricted assets - cash deposits	<u>332,000</u>	<u>332,000</u>	<u>332,000</u>	<u>332,000</u>	<u>332,000</u>
<b>Total Cash</b>	<u>\$ 759,700</u>	<u>\$ 761,100</u>	<u>\$ 762,500</u>	<u>\$ 763,900</u>	<u>\$ 765,300</u>

See accompanying summary of significant accounting policies and forecast assumptions and accountants' compilation report.

**THE CYPRESS OF CHARLOTTE, LLC**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**AND FORECAST ASSUMPTIONS**  
**FOR THE YEARS ENDING DECEMBER 31, 2020 THROUGH 2024**

These financial forecasts present, to the best of management's knowledge and belief, the expected financial position, results of operations, and cash flows for the forecast periods. Accordingly, the forecasts reflect management's judgment as of June 5, 2020, the date of these forecasts, of the expected conditions and management's expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecast. Generally, because events and circumstances frequently do not occur as expected, there will be differences between forecasted and actual results and those differences may be material.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ASSUMPTIONS**

**Nature of Organization**

The accompanying forecasted financial statements include the accounts of The Cypress of Charlotte, LLC (the Company), a Limited Liability Company organized on April 16, 1996 under the laws of the State of South Carolina. The Company is engaged in the business of purchasing, developing, and managing real property and related facilities, more specifically a residential and health care center in Charlotte, North Carolina comprised of both the Cypress of Charlotte Club, Inc (the Club) and the Cypress of Charlotte Owners' Association, Inc. (the Association). Development of the property is substantially complete and the managing member is The Cypress Group, LLC. The term of the Company is approximately thirty years by agreement, terminating on December 31, 2025, unless terminated earlier. The term may be extended by amendment of the operating agreement.

**Nature of Operations**

By agreement with the members, the Company receives a fee at the time a unit is resold. This new purchasers' membership fee equates to 10% of the unit's gross resale price. In addition, the Company may also earn a commission on resales in an amount equal to 5% of the sales price, net of the new purchase membership fee. Estimated membership and commission revenues are based on actual revenues adjusted for expected changes in prices and volume.

Additionally, the Company receives an overhead payment from the Club equal to ten (10%) of the operating costs of both the Club and Association. Estimated overhead revenues are based on actual revenues adjusted for expected changes in the operating costs of the Club and Association.

Developer costs consist of repairs and maintenance expenses to be paid on behalf of the Club for which the Company does not expect reimbursement. Estimated developer costs are based on anticipated projects which the Company plans to fund. Operating expenses consist of administrative salaries and expenses and ongoing marketing costs. Estimated operating and development costs are based on actual operating results adjusted for expected changes in prices and volume.

**Accounting Method**

Activities are accounted for using the accrual basis of accounting whereby revenues are recognized when earned and expenses when the related obligation is incurred.

**THE CYPRESS OF CHARLOTTE, LLC**  
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
AND FORECAST ASSUMPTIONS  
FOR THE YEARS ENDING DECEMBER 31, 2020 THROUGH 2024

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ASSUMPTIONS**  
**(CONTINUED)**

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand and money market and depository accounts.

**Due from Cypress of Charlotte Club**

Amounts due from Cypress of Charlotte Club represent estimated receivables of the ten (10%) of operating costs of the Club and the Association overhead payment and are based on management's estimate of repayment.

**Property and Equipment**

Property and equipment are stated at their original purchase cost. Depreciation expense is calculated using the straight-line method over the estimated useful lives of the respective assets. Estimated property and equipment is based on actual property and equipment adjusted for anticipated depreciation, additions, and dispositions.

**Deposits**

The Company receives deposits from both (1) buyers towards the direct purchase of residential units and (2) potential buyers who have expressed interest in purchasing a residential unit. Deposits collected from interested purchasers total \$1,000 each, are kept in bank accounts separate from other funds and are either subsequently applied toward the eventual purchase of a unit or are refunded at the request of the depositor. In addition, application and renewal fees of \$100 per person are charged on deposits collected; these fees are non-refundable and are included in miscellaneous revenues within the Statements of Income and Members' Equity (Deficit).

**Advertising Costs**

The Company expenses advertising costs as incurred. These costs are included in the forecasted operating expenses.

**Distributions**

Distributions will be based upon the available cash of the Company.

**Income Taxes**

Since limited liability companies have the tax attributes of a partnership, the entity does not incur federal and state income taxes; instead, its taxable income and losses are included in the tax returns of its members and taxed on their tax returns. Each member's liability is limited to amounts reflected in their respective members' accounts.

**THE CYPRESS OF CHARLOTTE, LLC**  
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
AND FORECAST ASSUMPTIONS  
FOR THE YEARS ENDING DECEMBER 31, 2020 THROUGH 2024

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ASSUMPTIONS**  
**(CONTINUED)**

**Note Payable**

During 2017, The Company committed to provide the Association a \$1,000,000 contribution towards the construction of an updated aquatic and fitness center through a note payable with Coastal States Bank. Both the Company and the Association are listed as co-debtors on the note agreement. Terms of the note specify a total amount available of \$3,000,000 with an interest rate of 3.75% through April 13, 2018, at which point the rate adjusts to a variable floating prime interest rate through March 13, 2027, the loan termination date when all unpaid amounts are due. The Company and the Association have agreed that the Association will repay the note in relation to their \$2,000,000 commitment of the total \$3,000,000 borrowed and the Company will repay their commitment towards the additional \$1,000,000 of borrowings. Revenues of the Company serve as collateral on the loan. Interest expense and repayments are based on an estimated average interest rate of 4.75% and the loan repayment terms.

**Debt Issuance Costs**

At the time of the finalization of the note payable in 2017, the Company incurred debt-issuance costs which are being amortized over the ten-year term of the note. The loan costs are being amortized using the straight-line method of calculation which does not vary materially from the generally accepted effective interest method. Estimated debt issuance costs and related amortization, which is included as a component of interest expense, is based on actual debt issuance costs and repayment terms.

**Members' Equity**

Paid in capital sources consist of cash contributions from Class A investor members in the amount of the purchase price for a unit in the Company. Each Class. At the occurrence of either of the two following events, governing documents require each Class A investor member to contribute additional capital, at an amount not to exceed twenty (20%) percent of the investor's initial capital contribution,:

- (a) to satisfy requirements imposed by any third-party lenders, or
- (b) for additional working capital needs or reserves based entirely upon the sole discretion of the managing member.

In the event a Class A investor member fails to contribute the required additional capital the managing member may either (1) permit the current non-defaulting members to contribute the additional capital contribution on behalf of the defaulting member or (2) in effort to collect any portion of the necessary contribution plus the costs of such proceedings, commence legal action upon the defaulting member.

**THE CYPRESS OF CHARLOTTE, LLC**  
**SCHEDULE OF 2019 FORECAST VERSUS HISTORICAL COMPARISON -**  
**BALANCE SHEET**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

<b>ASSETS</b>	<u>Forecast</u>	<u>Historical</u>	<u>Variance</u>
<b>Current assets</b>			
Cash and cash equivalents	\$ 727,700	421,828	\$ (305,872) (1)
Due from Cypress Group	-	3,957	\$ 3,957
Due from Cypress of Charlotte Club	<u>1,065,700</u>	<u>-</u>	<u>(1,065,700) (2)</u>
<b>Total current assets</b>	<u>1,793,400</u>	<u>425,785</u>	<u>(1,367,615)</u>
<b>Restricted assets - cash deposits</b>	316,000	332,000	16,000
<b>Property and equipment</b>			
Furniture, fixtures & equipment	14,800	14,800	-
Less: accumulated depreciation	<u>(14,300)</u>	<u>(14,357)</u>	<u>(57)</u>
<b>Property &amp; equipment</b>	<u>500</u>	<u>443</u>	<u>(57)</u>
<b>Total assets</b>	<u>\$ 2,109,900</u>	<u>\$ 758,228</u>	<u>\$ (1,351,672)</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>			
<b>Current liabilities</b>			
Payables and deposits	\$ 267,400	96,668	\$ (170,732) (3)
Current portion of note payable	<u>98,100</u>	<u>100,088</u>	<u>1,988</u>
<b>Total current liabilities</b>	<u>365,500</u>	<u>196,756</u>	<u>(168,744)</u>
<b>Noncurrent liabilities</b>			
Note payable	842,400	843,054	654
Less debt issuance costs, net	(10,200)	(10,238)	(38)
Less current portion of note payable	<u>(98,100)</u>	<u>(100,088)</u>	<u>(1,988)</u>
Long term notes payable, net	734,100	732,728	(1,372)
Deposits - wait list	<u>316,000</u>	<u>332,000</u>	<u>16,000</u>
<b>Total noncurrent liabilities</b>	<u>1,050,100</u>	<u>1,064,728</u>	<u>14,628</u>
<b>Total liabilities</b>	<u>1,415,600</u>	<u>1,261,484</u>	<u>(154,116)</u>
<b>Members' equity (deficit)</b>	<u>694,300</u>	<u>(503,256)</u>	<u>(1,197,556) (4)</u>
<b>Total liabilities and members' equity</b>	<u>\$ 2,109,900</u>	<u>\$ 758,228</u>	<u>\$ (1,351,672)</u>

See accountants' compilation report.

**THE CYPRESS OF CHARLOTTE, LLC**  
**SCHEDULE OF 2019 FORECAST VERSUS HISTORICAL COMPARISON -**  
**STATEMENT OF INCOME AND MEMBERS' EQUITY (DEFICIT)**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

<b>Revenues</b>	<u>Forecast</u>	<u>Historical</u>	<u>Variance</u>	
Management fees	\$ 2,016,000	\$ 2,055,115	\$ 39,115	(5)
Membership fees	1,606,500	1,362,900	(243,600)	(6)
Commissions - real estate sales	686,800	539,158	(147,642)	(7)
Interest and other income	<u>3,500</u>	<u>23,224</u>	<u>19,724</u>	
<b>Total revenues</b>	4,312,800	3,980,397	(332,403)	
<b>Expenses</b>				
Developer costs	100,000	-	(100,000)	(8)
Interest expense	44,300	49,640	5,340	
Operating expenses	<u>975,000</u>	<u>1,835,217</u>	<u>860,217</u>	(9)
<b>Total expenses</b>	<u>1,119,300</u>	<u>1,884,857</u>	<u>765,557</u>	
<b>Revenues in excess of expenses</b>	3,193,500	2,095,540	(1,097,960)	
<b>Beginning members' equity</b>	601,200	601,185	15	
<b>Distributions</b>	<u>(3,100,400)</u>	<u>(3,199,981)</u>	<u>(99,581)</u>	(10)
<b>Ending members' equity (deficit)</b>	<u>\$ 694,300</u>	<u>\$ (503,256)</u>	<u>\$ 1,197,556</u>	

See accountants' compilation report.

**THE CYPRESS OF CHARLOTTE, LLC**  
**SCHEDULE OF 2019 FORECAST VERSUS HISTORICAL COMPARISON -**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Forecast</u>	<u>Historical</u>	<u>Variance</u>
<b>Cash provided by (used in) operating activities:</b>			
Net income	\$ 3,193,500	\$ 2,095,540	\$ 1,097,960
Adjustments to reconcile net income to net cash provided by operating activities			
Debt issuance amortization	1,400	1,411	(11)
Depreciation	600	593	7
(Increase) decrease in:			
Accounts receivable	246,000	246,035	(35)
Due from Cypress Group	-	(3,957)	3,957
Due from Cypress of Charlotte Club	300	1,065,664	(1,065,364) (2)
Increase (decrease) in:			
Payables and deposits	-	(162,059)	162,059 (3)
Distributions payable	-	(8,333)	8,333
Deposits - wait list	-	16,000	(16,000)
<b>Net cash provided by operating activities</b>	<u>3,441,800</u>	<u>3,250,894</u>	<u>190,906</u>
<b>Cash used in financing activities:</b>			
Principal repayment of note payable	(93,100)	(92,445)	(655)
Members' distributions	(3,100,400)	(3,199,981)	99,581 (10)
<b>Net cash used in financing activities</b>	<u>(3,193,500)</u>	<u>(3,292,426)</u>	<u>98,926</u>
<b>Net increase in cash</b>	248,300	(41,532)	289,832
<b>Beginning cash</b>	<u>795,400</u>	<u>795,360</u>	<u>40</u>
<b>Ending cash</b>	<u>\$ 1,043,700</u>	<u>\$ 753,828</u>	<u>\$ 289,872</u>
<b><u>Summary of cash accounts per balance sheets:</u></b>			
Cash and cash equivalents - operating	\$ 727,700	\$ 411,730	\$ 315,970 (1)
Cash and cash equivalents - real estate trust	-	10,098	(10,098) (1)
Cash and cash equivalents - wait list	316,000	332,000	(16,000)
	<u>\$ 1,043,700</u>	<u>\$ 753,828</u>	<u>\$ 289,872</u>

See accountants' compilation report.

**THE CYPRESS OF CHARLOTTE, LLC**  
SCHEDULE OF 2019 FORECAST VERSUS HISTORICAL COMPARISON -  
DIFFERENCE EXPLANATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2019

For auditing purposes, materiality is calculated to be \$45,000. For financial statement purposes, this provides for a tolerable misstatement allowance of \$33,000. We examined all forecast versus historical differences of \$33,000 or more and noted the following:

- (1) Cash decreased due to the timing of year-end receipts and payments.
- (2) Due from the Cypress of Charlotte Club decreased due to the write-off of management fee payments for capital improvements of the Club.
- (3) Payables and deposits decreased due to fewer deposits than expected in the real estate trust.
- (4) Members' equity decreased due to lower net income and net of higher distributions than anticipated.
- (5) Management fees increased due to higher than expected operating expenses of the Cypress of Charlotte Club and Association.
- (6) Membership fees decreased due to fewer sales than expected.
- (7) Resale commissions decreased due to fewer sales than expected.
- (8) Developer costs were lower than anticipated as the Company elected to pay down the note payable rather than pay for repairs and maintenance expenses.
- (9) Operating expenses increased due to higher than expected expenses and write-off of bad debt expense.
- (10) Distributions increased due to more cash available at distribution dates than expected.

See accountants' compilation report.



**SENIOR LIVING COMMUNITIES MANAGED  
BY LIFE CARE SERVICES  
AS OF 04/06/2020**

Alabama, Birmingham – Galleria Woods  
Alabama, Hoover – Danberry at Inverness  
Arizona, Chandler – Clarendale of Chandler  
Arizona, Peoria – Sierra Winds  
Arizona, Phoenix – Sagewood  
Arizona, Tempe (Phoenix) – Friendship Village of Tempe  
California, Cupertino – Forum at Rancho San Antonio, The  
California, San Diego – Casa de las Campanas  
California, San Luis Obispo – Villaggio at San Luis Obispo  
California, San Rafael – Aldersly  
California, Santa Rosa – Arbol Residences of Santa Rosa  
Connecticut, Essex – Essex Meadows  
Connecticut, Mystic – StoneRidge  
Connecticut, Redding – Meadow Ridge  
Connecticut, Southbury – Pomperaug Woods  
Florida, Boca Raton – Toby & Leon Cooperman Sinai Residences of Boca Raton  
Florida, Bradenton – Freedom Village of Bradenton  
Florida, Celebration – Windsor at Celebration  
Florida, Clearwater – Regency Oaks  
Florida, Jacksonville – Cypress Village  
Florida, Leesburg – Lake Port Square  
Florida, Naples – The Glenview at Pelican Bay  
Florida, Palm City – Sandhill Cove  
Florida, Port Charlotte – South Port Square  
Florida, Seminole – Freedom Square of Seminole  
Florida, Seminole – Lake Seminole Square  
Florida, Sun City Center – Freedom Plaza  
Florida, The Villages – Freedom Point at The Villages  
Georgia, Columbus – Spring Harbor at Green Island  
Georgia, Evans – Brandon Wilde  
Georgia, Savannah – Marshes of Skidaway Island, The  
Georgia, Stone Mountain – Park Springs  
Hawaii, Honolulu – Hale Ola Kino  
Illinois, Addison – Clarendale of Addison  
Illinois, Algonquin – Clarendale of Algonquin  
Illinois, Chicago – Clare, The  
Illinois, Godfrey – Asbury Village  
Illinois, Lincolnshire – Sedgebrook  
Illinois, Long Grove – Arboria of Long Grove  
Illinois, Mokena – Clarendale of Mokena  
Illinois, Naperville – Monarch Landing  
Illinois, St. Charles – River Glen of St. Charles  
Illinois, Wheaton – Wyndemere  
Indiana, Carmel – Magnolia Springs at Bridgewater  
Indiana, Greenwood (Indianapolis) – Greenwood Village South  
Indiana, Indianapolis – Magnolia Springs Southpointe

Indiana, Indianapolis – Marquette  
Indiana, North Manchester – Peabody Retirement Community  
Indiana, Schererville – Clarendale of Schererville  
Indiana, Terre Haute – Westminster Village  
Indiana, West Lafayette – Westminster Village West Lafayette  
Iowa, Ames – Green Hills Retirement Community  
Iowa, Cedar Rapids – Cottage Grove Place  
Kansas, Atchison – Dooley Center  
Kansas, Bel Aire – Catholic Care Center  
Kentucky, Florence – Magnolia Springs Florence  
Kentucky, Lexington – Magnolia Springs Lexington  
Kentucky, Lexington – Richmond Place Senior Living  
Kentucky, Louisville – Magnolia Springs East  
Kentucky, Louisville – Magnolia Springs at Whipps Mill  
Maryland, Annapolis – Baywoods of Annapolis  
Maryland, Columbia – Residences at Vantage Point  
Maryland, Pikesville (Baltimore) – North Oaks  
Maryland, Timonium – Mercy Ridge  
Maryland, Towson (Baltimore) – Blakehurst  
Michigan, Battle Creek – NorthPointe Woods  
Michigan, Dearborn – Henry Ford Village  
Michigan, East Lansing – Burcham Hills  
Michigan, Holland – Freedom Village  
Michigan, Kalamazoo – Friendship Village  
Michigan, Waterford – Canterbury-on-the-Lake  
Minnesota, Champlin – Champlin Shores  
Minnesota, Plymouth – Trillium Woods  
Minnesota, Vadnais Heights – Gable Pines  
Missouri, Higginsville – John Knox Village East  
Missouri, Kansas City – Kingswood Senior Living Community  
Missouri, St. Peters – Clarendale of St. Peters  
Nebraska, Lincoln – Woodlands at Hillcrest, The  
New Hampshire, Keene – Hillside Village  
New Jersey, Bridgewater – Delaney of Bridgewater, The  
New Jersey, Bridgewater – Laurel Circle  
New Jersey, Lakewood – Harrogate  
New York, Levittown – Village Green A Carlisle Assisted Living Community  
New York, Patchogue – Village Walk Patchogue  
New York, Rye Brook – Broadview Senior Living at Purchase College  
North Carolina, Chapel Hill – Cedars of Chapel Hill, The  
North Carolina, Charlotte – Cypress of Charlotte, The  
North Carolina, Durham – Croasdaile Village  
North Carolina, Greensboro – WhiteStone  
North Carolina, Greenville – Cypress Glen Retirement Community  
North Carolina, Lumberton – Wesley Pines Retirement Community  
North Carolina, Raleigh – Cypress of Raleigh, The  
North Carolina, Wilmington – Plantation Village  
Ohio, Dublin – Friendship Village of Dublin  
Ohio, Mason – Magnolia Springs Loveland  
Oklahoma, Bartlesville – Green Country Village  
Oregon, Dallas – Dallas Retirement Village

Oregon, Salem – Capital Manor  
Pennsylvania, Coatesville – Freedom Village at Brandywine  
Pennsylvania, Reading – Heritage of Green Hills, The  
Pennsylvania, Warrington – Solana Doylestown, The  
South Carolina, Greenville – Rolling Green Village  
South Carolina, Hilton Head Island – Bayshore on Hilton Head Island  
South Carolina, Hilton Head Island – Cypress of Hilton Head, The  
South Carolina, Sumter – Covenant Place  
Tennessee, Brentwood – Heritage at Brentwood, The  
Tennessee, Hendersonville – Clarendale at Indian Lake  
Tennessee, Nashville – Clarendale at Bellevue Place  
Texas, Austin – Westminster  
Texas, Bedford – Parkwood Healthcare  
Texas, Bedford – Parkwood Retirement  
Texas, Dallas – Autumn Leaves  
Texas, Dallas – Monticello West  
Texas, Dallas – Signature Pointe  
Texas, Dallas – Walnut Place  
Texas, Georgetown – Delaney at Georgetown Village, The  
Texas, League City – Delaney at South Shore, The  
Texas, Lubbock – Carillon  
Texas, Richmond – Delaney at Parkway Lakes, The  
Texas, Spring – Village at Gleannloch Farms, The  
Texas, Temple – Meridian of Temple  
Texas, The Woodlands – Village at the Woodlands Waterway, The  
Texas, Victoria – Copperfield Village  
Texas, Victoria – Greatwood Homes of Victoria  
Texas, Waco – Delaney at Lake Waco, The  
Utah, Taylorsville – Summit Vista  
Vermont, White River – Village at White River Junction, The  
Virginia, Fairfax – Virginian, The  
Virginia, Gainesville – Heritage Village Assisted Living and Memory Care  
Virginia, Virginia Beach – Atlantic Shores  
Washington, Issaquah – Timber Ridge at Talus  
Wisconsin, Greendale – Harbour Village  
Wisconsin, Mequon – Newcastle Place  
Wisconsin, Milwaukee – Eastcastle Place



## THE CYPRESS OF CHARLOTTE

### MEMBERSHIP AGREEMENT

**THIS AGREEMENT** is executed as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between **THE CYPRESS OF CHARLOTTE, LLC**, a South Carolina limited liability company, whose address is 3442 Cypress Club Drive, Charlotte, North Carolina 28210 (hereinafter referred to as "the Company"), The Cypress of Charlotte Club, Inc., a 501(C)(4) not-for-profit North Carolina corporation (hereinafter referred to as "The Club"), and

whose address is \_\_\_\_\_

(hereinafter referred to as the "Member").

#### **THIS AGREEMENT IS PART OF PURCHASE AND SALE AGREEMENT**

**WHEREAS**, Member has entered into a Purchase and Sale Agreement for the purchase of Unit No. \_\_\_\_\_ (hereinafter referred to as "Unit") located in The Cypress of Charlotte, a Continuing Care Retirement Community located in Charlotte, Mecklenburg County, North Carolina (hereinafter referred to as "The Cypress"); and

#### **THIS AGREEMENT OUTLINES MEMBERSHIP RIGHTS AND SERVICES**

**WHEREAS**, the purchase of this Unit requires that it be coupled with the rights, privileges and responsibilities of membership in The Club at The Cypress as hereinafter more fully described, to be utilized by the Unit Owner or by his designee approved by The Club, and this Agreement outlines the membership rights, obligations and services derived from the membership.

**NOW, THEREFORE**, the parties hereby agree as follows:

#### **DEFINED TERMS**

1. Definitions. The following terms used herein are defined as follows:
  - a. "The Club" shall mean and refer to the North Carolina 501(C)(4) not-for-profit corporation serving as the entity to carry out the plan of membership as hereinafter set forth.



b. "The Club Facilities" shall mean and refer to the Clubhouse, an approximately 50,000 square foot building including but not limited to a community hall, kitchen and dining areas, living, game, craft and reading rooms, exercise areas, pool, limited offices and commercial leasable areas, and the Health Care Facility located on the site of and comprising an integral part of The Cypress.

c. "Company" shall mean and refer to The Cypress of Charlotte, LLC, a South Carolina limited liability company.

d. "Condominium" shall mean and refer to The Cypress of Charlotte as described in the Declaration of Condominium creating same.

e. "The Cypress" shall mean and refer to The Cypress of Charlotte, a Continuing Care Retirement Community consisting of the Club Facility, Health Care Facility and two types of living units which include detached cottages and villa units, all being located upon property in Charlotte, Mecklenburg County, North Carolina.

f. "The Health Care Facility" shall mean and refer to the approximate 38,000 square foot building consisting of approximately 60 beds, and containing nursing care and assisted living facilities located on the site of and comprising an integral part of The Cypress.

g. "Member" shall mean and refer to the third party to this Agreement as hereinabove identified and shall likewise refer, in its generic context, to a person who has acquired a Membership, as hereinafter defined, and is therefore eligible for all rights of access to the Club Facilities.

h. "Membership" shall mean and refer to that certain license or collection of rights, coupled with the corresponding responsibilities and obligations, associated with permanent residency within The Cypress which is available to persons age sixty-two (62) and over (or with couples with one spouse age 62 and over) and who meet the various requirements set forth in this Membership Agreement.

i. "Membership Fee" shall mean and refer to that certain fee charged for a Membership as more particularly described in Paragraph 3.



j. "Monthly Payment" shall mean and refer to the payment which covers the cost of the various services provided to Members by The Club as more particularly described herein (the "Service Fee"), and also includes the monthly contribution to The Cypress of Charlotte Condominium (the "Condominium Fees"). In situations where there is a second occupant of the Unit, the Monthly Payment shall include a "Second Person Fee".

k. "Owner" shall mean and refer to a person, firm, corporation, partnership, association, trust or other legal entity which owns a Unit, as hereinafter defined, within The Cypress of Charlotte Condominium (the "Condominium") which term is likewise more fully defined below.

l. "Qualified Appraisal" shall mean and refer to an appraisal conducted by a qualified appraiser agreed upon by the Company and the Unit Owner. In the event the Company and the Unit Owner cannot agree upon the selection of an appraiser, each party shall designate an appraiser and the appraisers so designated shall select a third appraiser and all three appraisers shall set a value for the Unit in question. In the event there is disagreement as to value among the appraisers, the value shall be set at the greater of (i) the original purchase price of the Unit; or (ii) the average of the three appraisals.

m. "Unit" shall mean and refer to that certain villa or cottage in the Condominium and, when used in its generic sense, denoting any cottage or villa located within The Cypress.

**CYPRESS IS A  
CONTINUING CARE  
RETIREMENT  
COMMUNITY**

2. Statement of Background. The Cypress is a continuing care retirement community located in Mecklenburg County, North Carolina, which offers the opportunity of ownership of real property in a villa or cottage Unit for use by persons age sixty-two (62) and older, accompanied by a Membership which allows the Member access to the Club Facilities located on-site.



**ALL CYPRESS  
RESIDENTS MUST BE  
MEMBERS**

**MEMBERSHIP FEE IS  
INCLUDED IN  
PURCHASE PRICE**

**ADDITIONAL  
MEMBERS**

**MEMBERSHIP IS NON-  
TRANSFERABLE**

**RESALE PRICE OF  
RESIDENCE WILL  
INCLUDE NEXT  
PURCHASER'S  
MEMBERSHIP FEE**

3. Required Membership; Membership Fee. All Owners of Units at The Cypress are required to purchase a nontransferable Membership for their use or for use by their approved designee simultaneously with the purchase of their Unit (herein referred to as the "Membership") and the Unit Owner or his designee, as applicable, shall be the holder of the Membership. The Membership entitles the Member to use the Club Facilities and gives the Member the right to live in the Health Care Facility when he is no longer capable of independent living as hereinafter more fully provided. As of the execution of this Agreement, the cost of Membership (herein referred to as the Membership Fee) is equal to ten percent (10%) of the gross purchase price as stated in the Purchase and Sale Agreement and is payable to the Company at or prior to closing on the purchase of a Unit. The Membership Fee is solely for the Member's personal participation in The Club and does not provide Membership in The Club for any purchaser of Member's Unit or any subsequent user of the Unit. In the event that a second person who is not the designated Member (including any subsequent spouse of the designated Member) resides in the Unit, he or she will be required to apply for Membership in The Club, and an additional Membership Fee may be charged by the Company at the then current rates in accordance with Paragraph 13 (c) below.

4. Membership Non-Transferable. **The Membership Fee is personal to the Unit Owner or his approved designee and is non-refundable and non-transferable.** In those circumstances where a Unit Owner is the occupant of a Unit in The Cypress, that Membership will expire when that person or persons sells or otherwise disposes of the Unit or permanently ceases to occupy the Unit unless he is residing in the Health Care Facility. In the case of a Unit Owner who acquires a Unit to be used by someone other than himself, that circumstance is governed by the provisions of Paragraph 6 hereinafter.

5. Resale of Units. Upon resale of a Unit, the 10% Membership Fee for the next buyer of that Unit will be assessed based on the gross resale purchase price of the Unit. The Membership Fee will be deducted from the gross resale purchase price of the Unit and shall be paid to the Company at closing pursuant to the terms of the purchase agreement. Any real estate commission due in connection with the resale of a Unit shall be based upon the net purchase price resulting after the deduction of the Membership Fee.

In the event the Owner gives or wills his Unit to a family member, or to anyone else, the Membership Fee to be paid to the Company shall be based on the fair market value of the Unit by a Qualified Appraisal when the gift or devise is made and the Unit is transferred, with the cost of the appraisals being borne solely by the transferring Member.

**WHEN MEMBER IS NOT  
THE UNIT OWNER**

6. Provisions Applicable Where Member is Not the Unit Owner.

In those circumstances where a Unit Owner has acquired a Unit to be used by someone other than himself, that Unit Owner must designate the person or persons who shall use the Membership which must be acquired at the time the Unit is purchased. That designated person or persons: (a) must meet the basic eligibility requirements for Membership in The Cypress; (b) must be approved by The Club; and (c) must have complied with the provisions of Paragraph 7 hereof regarding assurances with respect to the Monthly Payment. In this instance, the Membership expires when that designated person or persons ceases to use the Membership by ceasing to occupy the Unit unless residing in the Health Care Facility. Any subsequent users of the Unit, including the Unit Owner, must acquire a Membership for their use prior to occupying such Unit. Since under these circumstances there is no sales price to use in establishing what the cost of the Membership would have been, the value of the Unit shall be established by determining the gross fair market value, including Membership Fee, by a Qualified Appraisal as defined herein, with the cost of any appraisals being borne solely by the transferring Member. The Membership Fee will then be assessed at 10% of the Unit's gross fair market value, and must be paid prior to re-occupancy of the Unit. This procedure regarding change of Member due to circumstances other than a sale of the Unit shall be followed with regard to each subsequent user until there is a resale of the Unit in which event the provisions of Paragraph 5 shall apply.

If the Member is not the Owner of the Unit, the Member shall be considered jointly and severally responsible for the Monthly Payment of the Unit Owner and the Unit Owner shall likewise be jointly and severally responsible for the Monthly Payment and all other expenses with the Member. In such circumstances the Member and the Unit Owner agree, upon request, to execute a guaranty agreement in a form approved by The Club further evidencing this joint and several responsibility. The provisions of this Paragraph 6 also apply to individuals who qualify for membership and move into a Unit with an existing Member, whether through marriage or other arrangements.

The provisions of this Paragraph 6 also apply to individuals who qualify for membership and move into a Unit with an existing Member, whether through marriage or other arrangements.





**MONTHLY PAYMENT  
INCLUDES CYPRESS  
SERVICES AND  
CONDOMINIUM FEE**

7. Monthly Payment. All Members shall be responsible for a Monthly Payment (also known as Monthly Fees) which covers the cost of the various standard services provided to Members by The Club as more particularly described herein, and also includes the monthly contribution to the Cypress of Charlotte Condominium for the Unit owned or occupied by the Member (the "Condominium Fee"). The Monthly Payment will be as set forth on the schedule attached hereto as Schedule A, and/or as amended and published by the Club from time to time.

**MONTHLY PAYMENT  
TO BE ADJUSTED  
ANNUALLY WITHIN  
LIMITS BASED ON  
CONSUMER PRICE  
INDICES**

The Monthly Payment may increase in future years and will be adjusted annually by the Club effective January 1<sup>st</sup> of each year depending upon changes in such factors as operating costs, anticipated inflation during the coming year, the need to maintain working capital, anticipated capital improvements, the funding of reserves for replacement, and debt service, if any, necessary for repair and expansion of the Club.

There will be a cap on future increases in the cost of services and features provided by The Club (i.e. the Service Fee). With respect to services provided by The Club, the formula for determining the maximum increase permitted for that portion of the Monthly Payment will be based on the higher of: (1) the annual percentage increase of the Consumer Price Index, U.S. City Average, All Items (1967-100) (hereinafter "C.P.I.") issued by the U.S. City Average, Labor Statistics in its monthly report entitled "The Consumer Price Index, U.S. City Average and Selected Areas," or (2) the annual percentage increase of the Medical Care Component of the C.P.I. An additional three (3%) percent may be added to the higher of the annual percentages. The Member shall receive sixty (60) days advance notice of any Monthly Payment adjustment.

The annual gross operating costs include a corporate overhead payment to the Company which will be ten percent (10%) of the actual total operating and administrative costs of The Club and the Condominium. This payment is considered a "net" payment, i.e., net of any expenses incurred.



As mentioned above, one component of the Monthly Payment is the Monthly Condominium Fee for the Unit owned or occupied by the Member. The Condominium Fee will be based on actual costs as shown in the annual operating budget of the Condominium formulated and adopted in accordance with the Bylaws of the Condominium. Each Member of The Club resides in a Unit which is a part of the Condominium. The monthly Condominium Fee will be assessed as a cost of operation based on the statutory percentage of interest ownership in the common elements. The Condominium Fee is an additional charge which is a separate cost from the operation of The Club and is made a part of the Monthly Payment as previously indicated as a convenience to the Members so that the Member will only have to make one payment.

**OPTIONAL SERVICES  
AVAILABLE FOR  
ADDITIONAL COST**

The Monthly Payment encompasses payment for the services and features outlined herein which are available to all Members. Members will be required to pay additional charges for any repair and/or maintenance of "custom changes" as set forth in the Declaration of Condominium, and for optional services requested by them, as provided in Sections 8 and 9 herein. The Monthly Payment will be payable on the first day of each month, in advance, and additional charges for optional services will be payable on the first day of each month for the optional services, such as, for example, home health services, obtained during the preceding month. The Member's responsibility for the Monthly Payment shall commence on the earlier of actual occupancy of the Unit or the date of closing of the Unit unless otherwise agreed to by the selling party, the Member, and The Club.

**SERVICES INCLUDED  
IN MONTHLY  
PAYMENT**

The following services and features are included in the Monthly Payment:

**MEALS**

- a. Meals. One (1) meal credit for each day of the month.

**HOUSEKEEPING**

- b. Weekly Housekeeping. Housekeeping services will include cleaning and dusting the interior of the Unit, with vacuuming on a weekly basis.

**LAUNDRY**

- c. Weekly Flat Laundry. The weekly flat laundry service includes sheets, pillow cases, towels, face cloths and dish cloths. The flat laundry will be washed, dried, folded and returned at the next scheduled housekeeping visit.

**GROUNDS CARE**

- d. Grounds Care. The Cypress' lawns, trees and shrubs will be maintained as well as the interior and exterior of the club house, the parking areas, walks and exercise trails.



## CLUB ACTIVITIES

e. Club Activities. Activities of The Club will include social, cultural and recreational activities for those who wish to participate. The Activities Director will be responsible for scheduling group events, transportation, newsletters and resident orientation. Arts, crafts and activities in The Club will be under the supervision of The Club's Activities Director.

## TRANSPORTATION

f. Transportation. Scheduled local transportation services will be provided.

## SECURITY

g. Security. The Club will provide security personnel.

## UTILITIES

h. Utilities. Utilities (except telephone) will be included in the Monthly Payment for owners of Villa Units. Owners of cottage Units are required to pay a separate charge for electricity and gas.

## HEALTH CARE

i. Health Care Facility. The Company has 56 skilled beds and 4 homes for the aged beds (assisted living) licensed by the North Carolina Department of Health and Human Services, Division of Facility Services. The skilled nursing care facility and the assisted living facility are collectively referred to as the Health Care Facility. For a period of ninety (90) lifetime cumulative days, each Member will be entitled to receive nursing care in the Health Care Facility in a semi-private room without extra charge at the current Monthly Payment. During this 90-day period, the Member will continue to pay his Monthly Payment plus the cost of two (2) extra meals per day, nursing supply charges, and those costs outlined in Section 9 of this Agreement. A private room may be available for an additional cost. If the Member needs additional care after he receives ninety (90) cumulative lifetime days of care, then the Member will pay the applicable daily rate in addition to the Monthly Payment. This amount will include meals and will be provided in semi-private accommodations unless the Member makes arrangements to pay the extra charge for private accommodations which are provided on an "as-available" basis.

In the event there are two Members who occupy a Unit together and one of the Members becomes a permanent resident of the Health Care Facility (after use of the 90 lifetime cumulative days), then the Monthly Payment for the Member continuing to occupy the Unit will not include a Second Person Fee. The Member residing in the Health Care Facility will pay the applicable daily Member rate.



In the unlikely event accommodations are not immediately available in the Health Care Facility, the Member agrees to relocate to another health care facility arranged by the Club to provide such care until accommodations at the Health Care Facility are available. The Club shall be responsible for any increased charge associated with the alternate health care accommodations.

Admissions to the Health Care Facility is subject to certain standards and conditions based upon licensing requirements of the facility. Not all health conditions can be treated, e.g., no psychiatric care is available. Continued occupancy of the Health Care Facility is subject to the termination provisions described in paragraph 12 below.

## LICENSING STANDARDS

j. Licensing Standards. The operation of the Health Care Facility of The Club shall be governed by the applicable regulations and licensing standards of the State of North Carolina, including the North Carolina Department of Insurance ("NCDI") and the North Carolina Department of Health and Human Services ("NCDHHS").

## ABSENCE CREDIT

k. Absence Credit. In the event that a Member provides prior written notice to the Club that the Unit will be unoccupied for a period of not less than fourteen (14) consecutive days, Member may be entitled to an "absence credit" in an amount as may be determined at the sole discretion of the Club.

## ADDITIONAL SERVICES

8. Additional Amenities and Services. Additional amenities and services that may be available to Members at an additional cost include, but may not be limited to, additional meals, additional housekeeping, beauty parlor, barber shop, personal transportation and assistance-in-living or home health care services in the Member's Unit.

## ADDITIONAL HEALTH SERVICES

9. Additional Health Services.

(a) General. Special services and supplies which may include physical therapy, pharmacy, special duty nurses, personal hygiene, personal laundry, rental of equipment, home health care and other services upon special arrangement will be available at an extra charge. These services and supplies are not included in the charges for care outlined in Section 7 above.



(b) Home Health Care Services. Special services in the form of home health care will be available at additional charges, and only upon the execution of a specific agreement for home health services with The Club. The services may include the provision of either a home health aide ("HHA"), a certified nursing assistant ("CNA"), a licensed practical nurse ("LPN"), or a registered nurse ("RN"). Invoicing for such home health services may be done separately or as a supplement to the Monthly Payment. All fees due pursuant to the Home Health Services Agreement shall be considered part of the Monthly Payment for purposes of the Club's right of collection and enforcement.

#### **HEALTH CENTER HAS MEDICAL DIRECTOR**

(c) Medical Director. A physician member in good standing of the Charlotte medical community will be designated as the Medical Director of The Club (herein referred to as "Medical Director"). The Medical Director will not be an employee of The Club. Beyond emergencies, the Member will be at liberty to engage the services of the Medical Director, or any other physician, at the Member's expense. The Club will not be responsible for the cost of medical treatment by the Medical Director nor will The Club be responsible for the cost of medicine, drugs, prescribed therapy and similar treatment.

#### **RELOCATION TO HEALTH CARE FACILITY**

Duration of Member's Right to Occupy the Unit. The Member can live in his Unit for as long as he (or both of them) are capable of independent living and so long as independent living is practical. If, in the opinion of the Member's attending physician, or the Medical Director or The Club, the Member's physical or mental health requires that nursing care be given, the Member agrees to relocate to the Health Care Facility which is licensed to provide such care or to some other health facility of the Member's choice or to obtain in-home care from a licensed health care professional upon terms and schedule approved by The Club.

#### **MEMBER'S VOLUNTARY TERMINATION RIGHTS**

10. Member's Termination Rights. The Member (including both of them if there are two Members) may terminate this Agreement at any time for any reason by giving the Company thirty (30) days' written notice signed by the Member (or both of them if there are two Members). The Member's obligations as provided herein shall continue until the Unit is resold, otherwise transferred or properly occupied by a successor Member and the new Member thereby assumes the obligation of the Monthly Payment. Transfer under the will of a deceased Member, other than to his estate, is a conveyance upon which a new Membership Fee must be paid in the event the devisee or beneficiary elects to become a Member of The Club. In the event of death, the Estate of the Member will retain all Membership obligations provided herein until the Member's Unit is sold. As previously stated, if the Member is not also the Unit Owner, the Unit Owner and the Member's Estate shall be jointly and severally responsible for said obligations.



11. Termination Rights of the Company and/or Club.

**THE COMPANY  
AND/OR THE CLUB  
MAY TERMINATE  
MEMBERSHIP FOR:**

a. The Company and/or Club shall not terminate this Agreement except for just cause. The Member agrees that he will be obligated to promptly sell his Unit in the event the Company and/or Club terminates this Agreement for just cause. Just cause includes, but is not limited to, the following:

**FAILURE TO PAY  
CHARGES DUE**

i. except as set forth below, failure to pay to the Club any charges due hereunder;

**DETRIMENTAL  
DISTURBANCES**

ii. creation by the Member of a disturbance within The Cypress which in the judgment of The Club or the Company is detrimental to the health, safety, comfort and peaceful lodging of the other Members; e.g., loud noises, harassing other residents.

**INFECTION WITH  
DANGEROUS OR  
CONTAGIOUS DISEASE**

iii. the Member becomes infected with a dangerous and contagious disease or becomes mentally or emotionally disturbed, and the Medical Director determines that the Member's condition is detrimental to the health, safety or welfare of other residents or the staff of The Cypress and the Member's condition cannot be cared for in The Club's health care facility within the limits of its license from the State of North Carolina; or

**MEMBER REFUSES  
MEDICAL TREATMENT**

iv. The Member refuses medical treatment which, in the opinion of the attending physician or the Medical Director, is medically required for the Member's health or the health or safety of other Members to staff.

v. the Member refuses to consent to relocation or home health services per paragraph 10 above.

**CYPRESS POLICY NOT  
TO TERMINATE  
SOLELY BY REASON  
OF INABILITY TO PAY  
MONTHLY CHARGES**

b. Because it is and shall continue to be the declared policy of The Club to endeavor to avoid termination of the Member's Agreement solely by reason of his financial inability to pay the total Monthly Payment and other charges, the Member shall be permitted to remain at The Cypress at a reduced monthly charge based on the Member's ability to pay for so long as: (i) he establishes facts to justify deferral of the usual charges; (ii) he establishes the ability to secure repayment of such deferred charges; and (iii) the determination is made that the deferral of such charges can, in the sole discretion of The Club, be granted without impairing the ability



of The Club to operate on a sound financial basis. The loss of revenue to The Club from any such deferral of charges will be borne by The Club until repaid as further outlined.

**IF THE MEMBER HAS FINANCIAL DIFFICULTIES**

c. If the Member encounters financial difficulties making it impossible for him to pay the Monthly Payment charges and other charges appropriate for the Unit or for health care in the health care facility, then:

i. the Member may remain until any applicable Title XVIII Medicare benefits and/or third party insurance benefits received by The Club on his behalf have been exhausted. The Member shall continue to have the obligation to pay the amount of the Monthly Payment and other charges which are not covered by his Medicare benefits or insurance benefits.

ii. the Member shall in any case be permitted to remain at The Cypress after the date of failure to pay until such time as other arrangements can be made for the Member's care; and

**POLICY NOT APPLICABLE IN CASES WHERE MEMBER MAKES UNAPPROVED GIFTS OR OTHER TRANSFERS**

Any charges deferred as herein contemplated will be offset by The Club against the proceeds from the sale of the Member's Unit when such sale occurs and The Club shall have a first priority claim against said proceeds, subject only to existing first mortgage liens, if any, and subject to the lien of the Condominium for Condominium assessments as hereafter provided. The Member agrees that his financial obligations to The Club constitute a debt which must be repaid. The Member, upon request by the Club, agrees to execute a note and a mortgage on his Unit, and any other loan documents required by The Club as security for the repayment of this debt. If the Member is not the Unit Owner, then the Member shall cause the Unit Owner to give a mortgage on the Unit occupied by the Member. It is understood and acknowledged that the lien of such mortgage shall be subordinate to the lien of the Condominium for Condominium assessments and any such mortgage must expressly so provide. The Note shall bear interest at the average prime rate as published in the Wall Street Journal. Notwithstanding the above, the provisions of Sections 12 (b) and (c) shall be rendered inoperative and inapplicable if the Member has impaired his ability to meet his financial obligations hereunder by making unapproved gifts or other transfers.

**UNPAID CHARGES AND FEES MAY BECOME A LIEN ON THE UNIT**



**CYPRESS WILL GIVE 30 DAYS NOTICE AND MEMBER HAS 30 DAYS TO CORRECT PROBLEM**

d. Prior to any termination of the Agreement by The Club, The Club will give the Member notice in writing of the reasons for termination and the Member will have thirty (30) days thereafter within which the problem may be corrected. If the problem is corrected within such specified time, this Agreement shall not be then terminated. If the problem is not corrected within such time this Agreement will be terminated and the Member must leave The Cypress. Notwithstanding such termination, however, the Member will continue to pay his Monthly Payment and all other charges, until his Unit has been sold, transferred or otherwise conveyed to a new Owner who assumes the ownership rights and obligations of the Member with respect to the Unit and the Monthly Payment.

**MEDICAL DIRECTOR MAY WAIVE NOTICE PERIOD IF LAPSE OF TIME DETRIMENTAL TO MEMBER, OTHER RESIDENTS OR STAFF**

e. If the Medical Director determines that either the giving of notice or the lapse of time as above provided might be detrimental to the Member or other residents or staff of The Cypress, then such notice and/or waiting period, prior to termination and relocation to an appropriate hospital or other facility, shall not be required and termination of this Agreement shall be deemed to have occurred when the Member is relocated. In such event, The Club is expressly authorized to transfer the Member to an appropriate hospital or other facility and will promptly notify the Member's representative or his attending physician. However, the Member will retain all ownership rights and obligations in the Unit until it is sold, transferred or otherwise conveyed to a new Owner who assumes the rights and obligations of the Member with respect to the Unit and the Monthly Payment. If the Member is not the Unit Owner, then the Member and the Unit Owner shall be jointly and severally responsible for all such obligations until a new Owner and/or Member assumes all such rights and obligations of the Member with respect to the Unit and the Monthly Payment.

12. Miscellaneous Provisions with Respect to the Member's Unit.

**UNITS ARE FOR RESIDENTIAL PURPOSES ONLY**

a. All Units are for living purposes only and shall not be used for carrying on any business or profession, nor in any manner in violation of zoning restrictions or applicable covenants and restrictions.





**PETS ARE PERMITTED  
WITH STRICT  
GUIDELINES**

b. Pets may be permitted provided the prior written consent of The Club Administrator has been obtained. Pets must be on a leash at all times. Pets must be healthy, have current shots and rabies immunization, and be free of fleas and other parasites. The Member owning the pet is responsible for any costs expended by The Club for the failure of the Member to adhere to The Cypress pet policy, including, but not limited to the cost of disinfection, cleaning, fumigation, and other corrective measures for damages to the Unit. Pets are prohibited in the common facilities. Any Member having a pet understands and agrees that the pet will be removed from the Unit in the event the pet becomes a nuisance to other Members as determined in the sole discretion of the administrator of The Club. The Club will provide the Member with fourteen (14) days written notice that the pet must be removed from the Unit. (Note: any damages to the Unit or to the common facilities of The Cypress caused by the Member's pet is the sole responsibility of the Member.)

**OCCUPANCY OF UNITS**

**SECOND PERSON WHO  
IS NOT PARTY TO THIS  
AGREEMENT**

c. Except as hereinafter provided, no person other than the Member (or both of them) may occupy the Unit except with the express written approval of The Club. In the event that a second person who is not a party to this Agreement (including any subsequent spouse of the Member) is accepted for residency under this Agreement at a time subsequent to the date hereof (said acceptance to be in accordance with admission policies governing all other admissions), an additional Membership Fee and a Second Person Fee will be charged to the second resident in the Unit in accordance with Paragraph 6 above. The amount of the Membership Fee paid to the Company shall be based on the then current percentage being charged and the fair market value of the Unit at the time of acceptance of the second Member, as determined by a Qualified Appraisal. The applicable Monthly Payment shall be paid for each month thereafter that the second person remains in residency in the Unit. Provided, however, if such second person does not meet the requirements for residency, such second person will not be permitted to occupy the Unit for more than thirty (30) days (except with the express written approval of The Club) and this Agreement may be terminated as provided herein if the Member continues to allow such unapproved occupancy of the Unit.



**CYPRESS MAY MODIFY  
UNITS TO MEET  
LEGAL  
REQUIREMENTS**

d. The Club or the Company may effect changes in any Unit in The Cypress at any time to meet the requirements of applicable law. The Member agrees to temporarily relocate to other facilities provided by The Club at its cost if it becomes necessary to vacate his Unit in order to make such changes.

**MEMBER MUST  
OBTAIN INSURANCE  
FOR PERSONAL  
PROPERTY**

e. Each Member must obtain his own insurance on his personal property (furniture, clothing, jewelry, etc.) located within his Unit and for liability insurance within his Unit (with a minimum \$100,000 coverage). Furnishings provided by the Member shall not interfere with the health, safety and general welfare of other Members.

**FUTURE PURCHASERS  
MUST MEET CYPRESS  
RESIDENCY  
REQUIREMENTS**

13. Resale. The Member acknowledges that the resale of a Unit in The Cypress must be made to an individual or individuals that meet The Cypress requirements for Membership or who is purchasing a Unit for or on behalf of a person (or persons) who does meet The Cypress requirements for Membership. The determination that the individual or individuals meets the requirement for Membership shall be made by the Company. The Member also acknowledges and agrees that in the event he moves out of his Unit prior to its sale, the Member will be responsible for paying the Monthly Payment until his Unit is sold, transferred or otherwise conveyed to a new Owner who assumes the ownership rights and obligations of the Member with respect to the unit and the Monthly Payment and the closing has taken place.

**ASSOCIATE  
MEMBERSHIPS**

14. Associate Memberships. The Company anticipates that there will be a continuing large demand for membership in The Club. The Company shall have the option, at its sole discretion, to create a waiting list of Associate Members who are not residents of The Cypress to have secondary priority access to the Club Facilities.

**DISAGREEMENT  
SETTLED BY  
ARBITRATION**

15. Arbitration. It is the parties' intent that any controversy arising under, out of, in connection with, or relating to, this Agreement and any amendment thereof, or the breach thereof, shall be determined and settled by arbitration in accordance with the rules of the American Arbitration Association. Any award rendered therein shall be final and binding on each and all of the parties thereto and their personal representatives, and judgment may be entered on any such award in any court having jurisdiction. Notwithstanding the foregoing, these arbitration provisions shall not be mandatory for any collection efforts of the Club and/or Company pertaining to the Monthly Payments, Membership Fees, or other charges.



16. Amendments.

**AMENDMENTS TO AGREEMENT MUST BE IN WRITING**

a. Except as expressly provided herein, no amendment or modification of this Agreement shall be made.

b. No Amendment of this Agreement shall be valid unless in writing executed by the Member (or both of them if there are two) and the Company or approved and made effective in the manner set forth herein. Changes in the Monthly Payment and the Membership Fee are outside the scope of the amendment process and may only be made by the Company pursuant to the terms and conditions provided herein.

**MAY BE AMENDED WITH 51% VOTE OF MEMBERS AND APPROVED BY COMPANY**

c. This Agreement may be amended only by written approval of not less than fifty-one percent (51%) of the Members, and the Company, provided, however, that no such amendment shall:

i. reduce the aforesaid percentage of Members which is required to consent to any such amendment; or

ii. Permit the preference or priority of any Member over any other Member without the consent of each Member.

17. Cancellation Rights.

**MEMBER HAS 30 DAYS FROM DATE OF EXECUTION TO RESCIND THIS AGREEMENT**

a. This Agreement may be rescinded by the Member within thirty (30) days following the later of the execution of this Agreement or the receipt of a disclosure statement prepared in accordance with North Carolina law, and the Member will not be required to close on the purchase of his or her Unit before the expiration of the thirty (30) day period.



**AUTOMATIC  
TERMINATION OF  
AGREEMENT**

b. If the designated Member dies before closing on the purchase of a Unit, or if, on account of illness, injury, or incapacity, the Member would be precluded from occupying a Unit under the terms of this Agreement, then this Agreement will be automatically canceled. Furthermore, if a Member sells his Unit and does not reside in the Unit as a Member, or within The Cypress' Health Care Facility, the membership is automatically canceled. Notwithstanding the foregoing, in the event of an untimely death of purchaser prior to closing, the purchaser's obligations shall cease, the Agreement terminated, and all deposits returned to purchaser's estate. If there will be more than one purchaser, the Agreement will continue to be binding on the surviving purchaser.

**MEMBER (OR  
MEMBER'S  
REPRESENTATIVE)  
MAY BE ENTITLED TO  
REFUND UPON  
RESCISSION OR  
CANCELLATION**

c. If the Agreement is rescinded or canceled pursuant to this paragraph, the Member or the Member's legal representative shall receive a refund of all money or property transferred to the Company, less (i) nonstandard costs specifically incurred by the Company at the request of the Member as described in any contract amendment signed by the Member or the Owner; (ii) any nonrefundable fees or costs specified and described herein; and (iii) a reasonable service charge not to exceed one thousand dollars (\$1,000.00) or two percent (2%) of the Membership Fee.

18. Miscellaneous Legal Provisions.

**NORTH CAROLINA  
LAW GOVERNS**

a. This Agreement will be interpreted according to the laws of the State of North Carolina.

b. The invalidity of any restriction, condition or other provision of this Agreement, or any part of the same, shall not impair or affect in any way the validity or enforceability of the rest of this Agreement.

**AGENTS OF THE  
CYPRESS NOT  
PERSONALLY LIABLE**

c. This Agreement has been executed on behalf of the Company by its duly authorized agent, and no officer, director, agent or employee of the Company shall have any personal liability hereunder to the Member under any circumstances.



**IF MORE THAN ONE MEMBER, OBLIGATIONS ARE JOINT AND SEVERAL**

d. When Member consists of more than one person, the rights and obligations of each are joint and several, except as the context otherwise requires.

e. This Agreement is binding upon and shall inure to the benefit of the heirs, legal representatives, successors and assigns of the parties. The rights of Member pursuant to this Agreement may not be assigned or transferred. Any attempt by Member to assign this Agreement may be deemed a default of Member, and the Company nor the Club shall not be bound by any such assignment. The use of the masculine gender in this Agreement includes the feminine gender and, when the context requires the use of the singular includes the plural.

**MEMBER REPRESENTS HE/SHE IS CAPABLE OF INDEPENDENT LIVING AND HAS SUFFICIENT ASSETS AND INCOME FOR PAYMENT OF MEMBERSHIP OBLIGATIONS**

f. By executing this Agreement the Member represents and warrants that he is capable of independent living, free of communicable disease, and has assets and monthly income which have been represented to The Cypress in writing through a preliminary application which are sufficient under foreseeable circumstances and after provision for payment of the Member's obligations under this Agreement to meet his ordinary and customary living expenses after assuming Membership and occupancy. The Member further warrants that he will continue to carry the applicable Title XVIII Medicare benefits and Medicare Supplement and/or third party insurance policies listed on the preliminary application and that all written representations made with respect to such matters by him or on his behalf to the Company are true and correct.

**MEMBER AGREES TO EXECUTE A DURABLE POWER OF ATTORNEY**

g. Each Member agrees to execute and deliver to The Club at or before assuming residency in The Cypress a Durable Power of Attorney in compliance with North Carolina law in a form acceptable to The Club, naming a person of Member's choice to act on Member's behalf in the capacity of attorney-in-fact in the event it shall become necessary that a third party representative act on behalf of the Member. The Durable Power of Attorney shall grant the power and authority to make personal care decisions and health care decisions for the Member. The Durable Power of Attorney shall not



be affected by physical disability or mental incompetence of the Member which renders the Member incapable of managing his/her own affairs. Each Member shall keep such a Durable Power of Attorney in full force and effect throughout the term of this Agreement. The attorney-in-fact, trustee or other representative named in any such Durable Power of Attorney shall in no event be a person employed by The Club, the Company, the Condominium or any other entity engaged in the management of The Cypress.

**MEMBER  
ACKNOWLEDGES  
RECEIPT OF ALL  
DOCUMENTS AND  
EXHIBITS**

19. Acknowledgment and Receipt of Documents. The Member hereby certifies that he has received a printed copy of this Agreement, a copy of the Declaration of Condominium establishing The Cypress of Charlotte Condominium, all Exhibits thereto, a copy of the By-laws of the Cypress of Charlotte Condominium, and The Cypress current Disclosure Statement.

*(The remainder of this page intentionally left blank.)*



**SIGNED and SEALED** by Member(s) in duplicate originals as of the day and year first above written.

SIGNED IN THE PRESENCE OF:

"MEMBER(S)"

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

\_\_\_\_\_  
\_\_\_\_\_  
**PURCHASER** (if different from Member)  
\_\_\_\_\_  
\_\_\_\_\_

SIGNED IN THE PRESENCE OF:

"COMPANY"

**THE CYPRESS OF CHARLOTTE, L.L.C.**,  
a South Carolina limited liability company

BY: **THE CYPRESS GROUP, L.L.C.**  
a South Carolina limited liability company,  
its managing member

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

By: \_\_\_\_\_  
Its: \_\_\_\_\_

SIGNED IN THE PRESENCE OF:

"CLUB"

**THE CYPRESS OF CHARLOTTE CLUB, INC.**, a North Carolina not-for-profit corporation

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

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Attest: \_\_\_\_\_  
Its: \_\_\_\_\_

Unit Type: \_\_\_\_\_  
Unit Number: \_\_\_\_\_



Schedule A

Monthly Payment  
2020

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Unit #: \_\_\_\_\_

Unit Type: \_\_\_\_\_

Monthly Payment: \_\_\_\_\_

Second Person Fee: \_\_\_\_\_

Parking Space Fee: \_\_\_\_\_

Total Monthly Payment: \_\_\_\_\_

Purchaser's Initials \_\_\_\_\_

\*As of the closing date, Purchaser is responsible for the Monthly Fee.





**RESALE**

**PURCHASE AND SALE AGREEMENT**

**PURCHASER:**

PURCHASER: \_\_\_\_\_,  
Whose address is \_\_\_\_\_  
\_\_\_\_\_

(hereinafter called "Purchaser")

**SELLER:**

SELLER: \_\_\_\_\_,  
Whose address is \_\_\_\_\_  
\_\_\_\_\_

(hereinafter called "Seller")

**THIS PURCHASE AND SALE AGREEMENT** (hereinafter "Agreement") is entered into by Purchaser and Seller this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

**WITNESSETH:**

**THE CYPRESS INCLUDES PRIVATE RESIDENCES, CLUBHOUSE AND HEALTH CARE FACILITY**

The continuing care retirement community known as **THE CYPRESS OF CHARLOTTE**, consisting of a Clubhouse, the Health Care Facility, and two types of living units (detached cottages and villas) ("The Cypress") have been developed by The Cypress of Charlotte, LLC (the "Company"); and

**RESIDENTIAL UNITS ARE CONDOMINIUMS**

All of the living units are condominium units (hereinafter referred to as "Units" which shall refer to villas and cottages) known as **THE CYPRESS OF CHARLOTTE CONDOMINIUM** and Seller is the owner of one of said units; and

**PURCHASE OF RESIDENCE INCLUDES MEMBERSHIP IN THE CLUB**

The Club Facilities consisting of the Clubhouse, and the Health Care Facility are operated by the Cypress of Charlotte Club, Inc., a not-for-profit and non-proprietary corporation (hereinafter referred to as "The Club"). The purchase of a Unit requires that it be coupled with the rights, privileges and responsibilities of membership in The Club to be utilized by the Unit Owner or by his designee approved by The Club who meets the various requirements set forth in The Cypress Membership Agreement. Each Unit Owner or his approved designee must acquire membership simultaneously with the purchase of a Unit and each member shall execute The Cypress Membership Agreement and become eligible for permanent



residency and all rights of access to the Club Facilities upon closing of the purchase.

NOW, THEREFORE, in consideration of the mutual promises contained in this Agreement, Purchaser and Seller hereby covenant and agree as follows:

1. **PURCHASE/SALE:** Purchaser hereby agrees to purchase the Property hereinafter described for the purchase price hereinafter set forth and Seller agrees to sell the Property in accordance with the terms and conditions set forth herein.

2. **PROPERTY:** The Property which is the subject of this Agreement is designated as Unit \_\_\_\_\_ as more fully described in the Declaration of Condominium (the "Declaration") recorded in the Office of the Mecklenburg County Register of Deeds, together with an undivided fractional interest in and to the common elements included in the aforesaid Condominium (herein referred to as the "Property") and together with a membership in The Club. The "Property" also includes, if applicable, all of Seller's rights to that Garage or Covered Parking Agreement for Space No(s). \_\_\_\_\_.

3. **CYPRESS MEMBERSHIP AGREEMENT:** Purchaser hereby expressly acknowledges his responsibility to enter into the Cypress Membership Agreement attached hereto as Exhibit A simultaneously with the closing under this Agreement. This Membership Agreement is subject to the approval of the Company. Purchaser further acknowledges that in the event he chooses a designee and this designee is approved by The Club, then the designee will also be required to enter into the Cypress Membership Agreement. The membership fee due under said Membership Agreement is included as a component of the Gross Purchase Price set forth hereinafter. The Company acknowledges this allocation by virtue of its Joinder to this Agreement on page 12. It is noted that the Membership Agreement does have a 30 day right of cancellation pursuant to the N. C. Department of Insurance regulations. The Membership Agreement is dated concurrently with this Agreement. This Agreement is subject to said rescission period expiring without exercise by Purchaser and Purchaser being able to obtain approval of, and execution by, the Company of the Membership Agreement.

**SPECIFIC RESIDENCE TO BE ACQUIRED**

**GARAGE OR COVERED PARKING**

**MEMBERSHIP IN THE CLUB INTEGRAL PART OF PURCHASE**



4. **GROSS PURCHASE PRICE:** The Gross Purchase Price of the Property is \_\_\_\_\_ (\$ \_\_\_\_\_) (hereinafter referred to as the "Gross Purchase Price") which includes the following two components:

- (a) **The Condominium Purchase Price**, equal to 90% of the Gross Purchase Price, (\$ \_\_\_\_\_), and
- (b) **The Membership Fee**, equal to 10% of the Gross Purchase Price (\$ \_\_\_\_\_);

**MEMBERSHIP FEE INCLUDED**

Together, the amounts will be payable as follows:

- (c) \$ \_\_\_\_\_, upon the execution hereof by Purchaser, as an Initial Earnest Money Deposit which shall be held by the Company as Escrow Agent;
- (d) \$ \_\_\_\_\_, the balance of the Earnest Money Deposit equal to 10% of the Gross Purchase Price within 30 days from the initial execution by Purchaser, which shall be held by the Company as Escrow Agent;
- (e) \$ \_\_\_\_\_, the balance of the Gross Purchase Price due at closing.

**The Membership Fee, which is referenced above as 10% of the Gross Purchase Price, is non-refundable and non-transferable and is payable to the Company at Closing.**

5. **CASH PURCHASE:** This Agreement does not contain a financing contingency.

**NO FINANCING CONTINGENCY**

6. **PHASED DEVELOPMENT:** The subject Property is part of one of the existing phases of the Cypress. As of January 1, 2013, there were a total of 310 Units in The Cypress. The Company, or its assigns, may develop further Units and/or expand or develop additional common facilities in the future as one or more additional phases or expansions of the aforementioned Condominium. The total number of Units for all phases shall be no greater than three hundred thirty-five (335). Whether such additional phases are added, the number and architectural design of the condominiums in such phases, and the order of any such expansion, shall be solely in the discretion of the Company. Reference is made to the Declaration for specific discussion of the Future Phase Property. A copy of the Declaration has been provided to Purchaser, the receipt of which is expressly acknowledged by Purchaser.

**DEVELOPER MAY DEVELOP ADDITIONAL UNITS**



**LIMITED WARRANTY DEED GIVEN**

7. **CLOSING DATE:** Closing of the purchase of the Property (hereinafter referred to as "Closing") shall occur on or before \_\_\_\_\_, \_\_\_\_, at a mutually agreed-upon location, Seller shall deliver at Closing a properly executed and acknowledged Limited Warranty Deed.

**SELLER AND PURCHASER RESPONSIBLE FOR CERTAIN CLOSING EXPENSES**

8. **CLOSING EXPENSES:** Each party shall bear responsibility for those closing costs customary for sellers and buyers in Mecklenburg County, North Carolina. For example, Seller shall be responsible for paying the tax stamps on the Deed as well as for preparation of the Deed. Purchaser shall be responsible for recording fees for the Deed, attorney's fees for closing, any transfer fees, and for any costs associated with financing aspects of the Closing including title examination, closing and loan documentation preparation, mortgage recording fees, and the title insurance cost, if applicable.

**PRORATIONS**

9. **PRORATIONS:** Property taxes, the Monthly Payment and applicable assessments shall be prorated between Purchaser and Seller as of the date of Closing.

**TITLE CONDITIONS**

10. **CONVEYANCE OF TITLE:** The Property shall be conveyed free and clear of all encumbrances save and except:

- (a) taxes and assessments not yet due;
- (b) the recorded Declaration, By-Laws and related documents establishing THE CYPRESS OF CHARLOTTE CONDOMINIUM, and all amendments thereto (hereinafter referred to as the "Condominium" or "Declaration");
- (c) all facts and conditions which may be shown by survey and physical examination of the Property;
- (d) any applicable zoning and/or development laws and ordinances, including those of Mecklenburg County and the City of Charlotte.

**CYPRESS CONDOMINIUM DOCUMENTS**

11. **ACCEPTANCE OF UNIT:** Purchaser has inspected and accepts the Unit "as is" except as otherwise stated in this Agreement. All appliances, heating, plumbing and air conditioning systems shall be in good working order as of the date of closing.

**PURCHASER ACCEPTS UNIT AS IS**



**CYPRESS MEMBER  
HAS ACCESS TO  
HEALTH FACILITY**

12. **CLUBHOUSE AND HEALTH CARE FACILITY:** The Cypress Clubhouse consisting of the dining facilities, activity rooms and clubroom, library, beauty and barber shop, and the Health Care Facility housing sixty (60) beds is complete.

The Clubhouse and Health Care Facilities are part of the Condominium and therefore are owned by the members as common elements of the Condominium. The Company may negotiate and execute original and subsequent management agreements for the Club and Health Care Facilities with a qualified operator. Pursuant to the terms of the Membership Agreement the Purchaser, or his designee approved for Membership by The Club, as a benefit and membership right under his membership, will be entitled to admission to the health care facility so long as his attending physician or the Medical Director determine that this type of care is needed.

13. **RISK OF LOSS:**

(a) Partial loss or damage to the Property by fire and storm or other casualties between the date hereof and closing hereunder shall not void or impair this Agreement, but all such damage by way of fire and storm or other casualty is to be the responsibility of Seller.

(b) In the event of total or substantial loss as a result of the hazards mentioned above, Seller shall have the option to repair all damage at its own cost or through insurance proceeds from the Homeowners Association, or to cancel this Agreement and refund all monies paid hereunder.

(c) In the event of loss or damage as a result of the hazards mentioned, the time for Closing shall be extended for such time as may be reasonably required to repair the damage.

**SELLER HAS OPTION  
TO REPAIR DAMAGE  
OR CANCEL  
AGREEMENT**

**WARRANTIES ARE  
TRANSFERRED TO  
PURCHASER**

14. **WARRANTY:** At Closing, Seller shall transfer to Purchaser all of Seller's right, title and interest in and to any manufacturer's warranty furnished to Seller covering any equipment or appliance installed in the Property, and Seller makes no warranty or agreement of any kind with respect to any such equipment or appliance.

**MONTHLY PAYMENT  
INCLUDES**

15. **MONTHLY PAYMENT:**

(a) As of the closing date, Purchaser agrees to accept responsibility for the Monthly Payment which term includes both the cost of condominium common expenses (the "Condominium



**CONDOMINIUM  
FEE AND SERVICES  
FEE**

Fee") and the cost of services (the "Services Fee") provided to Members as described in the Membership Agreement. If the Member is not the Purchaser of the Unit, the Member shall be considered jointly and severally responsible for the Monthly Payment of the Purchaser and the Purchaser shall likewise be jointly and severally responsible for the Monthly Payment with the Member. In such circumstances, the Member and the Purchaser shall execute a guaranty agreement in a form approved by The Club further evidencing this joint and several responsibility;

**CONDOMINIUM  
OPERATIONS AND  
EXPENSES**

(b) Purchaser acknowledges and agrees to accept responsibility for his continuing obligation pursuant to the Declaration as a Unit owner in the Condominium, to pay his Condominium Fee consisting of his pro-rata share of any common expenses, operating expenses, capital expenses and debt service, if any, assessed against the Property purchased hereby. Such assessments shall be for authorized purposes, including but not limited to, expenses incurred for landscaping, maintenance, repairs, general area maintenance, administration supplies, professional services, utilities, garbage services, insurance, etc. Cottage Unit owners will be directly responsible for the payment of electricity and gas for their own Units.

**INSURANCE EXPENSES  
AND TWO MONTHS  
COMMON  
EXPENSES DUE AT  
CLOSING FOR  
WORKING CAPITAL  
FUND**

(c) At Closing, Purchaser shall also be responsible for paying to the Condominium Association (the "Association") the equivalent of two (2) month's common expenses as the Property's contribution for the purpose of establishing a working capital fund for the Condominium and Purchaser shall also pay to the Association twelve (12) month's hazard and flood insurance premiums for the Property. The current scheduled amounts are:

Working Capital \$ \_\_\_\_\_, Insurance \$ \_\_\_\_\_.

**THE SERVICES FEE**

(d) Purchaser acknowledges his continuing obligation as a Member to pay his share of the cost of club services (the Services Fee) in accordance with the Cypress Membership Agreement to contribute toward the expenses of operating The Club Facilities, as well as any capital purchases and debt service, if any, necessary for repair, maintenance and modification of The Club Facilities.

**PERSONAL  
MODIFICATIONS AND**

(e) Maintenance and repairs to appliances and modifications which are existing or future upgrades to The Cypress standard items, and items which are the personal property of the Purchaser, will be made at the request of Purchaser and



**UPGRADES**

Purchaser agrees to pay the additional cost of this maintenance and repair. This provision also applies to any increased costs for the maintenance of landscape additions to cottages. Addendum A is a listing of modifications and upgrades. Purchaser acknowledges that this listing may not be all-inclusive.

**GARAGE OR COVERED PARKING**

(f) If a garage or covered parking space is a part of the "Property," per paragraph 2 above, Purchaser shall be responsible for an additional periodic assessment to cover the actual pro-rata costs of maintenance and repair of the covered parking space, all as set forth in Seller's Garage/Covered Parking Space Agreement which will be assigned to Purchaser and which Purchaser will consent. The current amount for a Garage or Covered parking space is \$9.00 a month.

**SPECIAL OPERATING RESERVE ACCOUNT REQUIRED BY N.C. DEPARTMENT OF INSURANCE**

16. **OPERATING RESERVE DEPOSIT:** The State of North Carolina Department of Insurance, in accordance with Article 64, Chapter 58 of the North Carolina General Statutes, requires that all continuing care facilities maintain operating reserves equal to 50% of the total operating costs projected for a twelve (12) month period following the period covered by the most recent annual statement filed with the Department. Facilities that maintain an occupancy level in excess of 90% shall only be required to maintain a 25% operating reserve upon approval of the Commissioner. These reserves are to be used for the benefit of the Club as required by the State of North Carolina in the event of emergencies and/or unexpected operating shortfalls.

**PURCHASER TO MAKE A DEPOSIT INTO THE OPERATING RESERVE ACCOUNT**

At closing, Purchaser shall be responsible for paying to the Club an Operating Reserve Deposit in the amount of \$7,500. This deposit, along with deposits in the same amount from all other purchasers will be held in a separate interest-earning account (the "Operating Reserve Account") for the benefit of all purchasers. So long as it is not necessary for the Club to use proceeds or assets from this Operating Reserve Account, interest and/or dividends shall be paid to each purchaser on a pro rata basis in February of each year.

Each subsequent unit buyer shall be obligated to pay \$7,500 into the Operating Reserve Account so that upon resale of the unit, any unused portion of the \$7,500 deposit paid by Purchaser shall be returned to Purchaser with available interest and/or dividends prorated since the last distribution from the account.



**PURCHASER MUST  
INSURE PERSONAL  
PROPERTY**

17. **INSURANCE ON PERSONAL PROPERTY:** Purchaser is responsible for insuring his personal property (i.e. furniture, clothing, jewelry, china, silver, etc.) located in his Unit, and for carrying liability insurance for any occurrences within his Unit.

**OCCUPANCY BY  
SOMEONE OTHER  
THAN OWNER**

18. **OCCUPANCY:** Purchaser may purchase a Unit for use by another individual who meets The Cypress Residency requirements and who is approved by the Company and who agrees to execute The Cypress Membership Agreement and to abide by the rights, obligations and responsibilities outlined in The Cypress Membership Agreement. This individual who becomes a Member shall be jointly and severally liable for the Monthly Payment and all other obligations outlined in The Cypress Membership Agreement.

**PURCHASER AND  
SELLER HAVE  
RIGHTS IN CASE OF  
DEFAULT**

19. **DEFAULT:** If Purchaser defaults in the performance of any obligation of this Agreement, the sole remedy of Seller for such default shall be to receive and retain the earnest money deposit as liquidated damages, in which event Seller shall have no further obligation to Purchaser under this Agreement, it being further agreed that Seller's damages in the event of such default by Purchaser will be difficult to estimate precisely and that the earnest money deposit constitutes the party's best estimate of such damages and is intended as liquidated damages and not a penalty or forfeiture. In the event of a default in the performance of any of the obligations of the Seller pursuant to this Agreement, Purchaser shall be entitled to terminate this Agreement and receive a refund of the earnest money deposit or to seek to recover all damages resulting from Seller's default. Either Seller or Purchaser is hereby allowed ten (10) days to cure any default prior to termination hereof by the non-defaulting party as provided herein. The Company shall be authorized to release the earnest money deposit to the appropriate party as set forth above. In any situation where litigation is required to enforce rights hereunder, the prevailing party shall be entitled to recover its legal costs incurred from the non-prevailing party.

**NOTICES SHALL BE IN  
WRITING**

20. **NOTICES:** Any notice to Seller or Purchaser shall be in writing and shall be delivered to the address of the appropriate party stated above, or such other address as shall subsequently be provided by appropriate notice, with copies to the Company. Notice may be either hand delivered or deposited in the U.S. Mail. If mailed, any written notice shall be deemed received on the second calendar day following the date of mailing if addressed and mailed by certified or registered mail, postage paid, to the addressee set forth above.





**THE COMPANY HAS RIGHT OF FIRST REFUSAL**

21. **RIGHT OF FIRST REFUSAL:** The Purchaser hereby acknowledges that the Declaration provides that in the event that the Purchaser desires to sell the Property and any improvements thereon, that, once a written bona fide offer has been made, it shall be offered for sale to Company, its successors or assigns, for the same price at which the highest bona fide offer has been made for the Property and improvements, and Company shall have thirty (30) days within which to exercise its option to purchase the Property and improvements at this price, and should Company fail or refuse, within thirty (30) days after receipt of written notice of the price and terms, to exercise its option to purchase the Property and improvements at the offered price, then Purchaser shall have the right to sell the Property, subject, however, to all Covenants, Restrictions, Limitations and Affirmative Obligations and other Agreements referenced and contained in this Agreement. This Section shall not be construed to impair the right of foreclosure of a mortgage on the Property and improvements thereon.

22. **MEMBERSHIP FEE FOR NEW BUYER UPON RESALE TO BE PART OF NEW BUYER'S GROSS PURCHASE PRICE:**

**RESALE GROSS PRICE OF UNIT WILL INCLUDE THE NEXT BUYER'S MEMBERSHIP FEE**

Purchaser understands that, in accordance with this Agreement and the Membership Agreement, when the Purchaser, or Purchaser's heirs or assigns (all referred to as "Purchaser"), eventually sells the Unit, the Membership Fee for the new buyer of the unit (to be paid by the new buyer to the Company at the new buyer's closing) will be part of the new buyer's Gross Purchase Price, with such Gross Purchase Price agreed-to by Purchaser. The Membership Fee is calculated as 10% of the Gross Purchase Price. Any real estate commission due upon such resale will be based solely on the Condominium component of the Gross Purchase Price, excluding any amount for the new buyer's Membership Fee.

**MEMBERSHIP FEE WILL BE BASED ON FAIR MARKET VALUE IF PURCHASER GIVES UNIT TO SOMEONE ELSE**

In the event the Purchaser gives or wills his Unit to a family member, or to anyone else, the Membership Fee paid shall be based on the fair market value when the gift or devise is made and the property ownership is transferred and a new member is designated. Member is defined in the Declaration of Condominium. The Purchaser acknowledges that Company has the unconditional right to approve or disapprove Club memberships.



**UNITS MAY BE USED AS SALES MODELS**

23. **SALES OFFICE:** It is disclosed to Purchaser that the Company is entitled to use one or more of the Units as models for purposes of a sales model and/or office. Further, as provided in the Declaration, the Company is entitled to the use of offices in the Clubhouse for administrative and sales purposes, including resales.

**AGREEMENT BINDING ON HEIRS AND SUCCESSORS. MAY NOT BE ASSIGNED WITHOUT CONSENT**

24. **MISCELLANEOUS:**

(a) This Agreement is binding upon and shall inure to the benefit of the heirs, legal representatives, successors and assigns of the parties. The rights of Purchaser pursuant to this Agreement may not be assigned or transferred without the express written consent of Seller. Any attempt by Purchaser to assign this Agreement without such consent may be deemed by Seller a default of Purchaser, and Seller shall not be bound by any such assignment. Notwithstanding the foregoing, in the event of an untimely death of Purchaser prior to closing, the Purchaser's obligations shall cease, the Agreement will be terminated, and all deposits returned to the Purchaser's estate. If there will be more than one Purchaser, the Agreement will continue to be binding on the surviving Purchaser.

**TERMS SURVIVE THE CLOSING**

(b) The terms of this Agreement shall survive the Closing of the transaction contemplated hereby and shall thereafter continue to bind the parties and their successors to this Agreement. This Agreement may be executed in duplicate counterparts, each of which shall constitute one and the same instrument. Signatures of the parties transmitted electronically or by facsimile shall be deemed to be original signatures.

**IF PART OF AGREEMENT UNENFORCEABLE THAT SHALL NOT AFFECT REMAINDER**

(c) If any provision of this Agreement is held to be invalid or unenforceable, it shall not affect the validity or enforceability of any other provision hereof. All titles or captions in this Agreement are for convenience in reference and in no way define, limit or extend this Agreement.

**WAIVER OF POWER OR RIGHTS MUST BE IN WRITING**

(d) No failure of a party to exercise any power or right granted hereunder or to insist upon strict compliance with any obligation specified herein, and no practice at variance with the terms hereof, shall constitute a waiver of said power or right unless expressly authorized in writing by the affected party.



**THIS AGREEMENT  
SUPERSEDES OTHER  
AGREEMENTS  
CONCERNING THE  
CYPRESS**

(e) This Agreement supersedes any and all understandings and agreements between the parties regarding the Property and constitutes the sole agreement between the parties regarding the Property. No oral statements or representations shall be deemed to modify this Agreement or bind either party.

**25. ACKNOWLEDGEMENT OF RECEIPT:**

**PURCHASER  
ACKNOWLEDGES  
RECEIPT OF  
DOCUMENTS**

By execution of this Agreement Purchaser acknowledges receipt, review and approval of the form and content of the documents listed below, some of which are packaged in a booklet entitled "The Cypress of Charlotte Project Documentation - Book of Exhibits," and agrees to be bound by the terms and provisions thereof together with such amendments as are authorized herein:

- Condominium Public Offering Statement \_\_\_\_\_
- CCRC Disclosure Statement \_\_\_\_\_
- Membership Agreement \_\_\_\_\_
- Declaration of Condominium \_\_\_\_\_
- Articles of Incorporation \_\_\_\_\_
- By-laws of Condominium Owners' Association \_\_\_\_\_
- Campus and Floor Plan Book \_\_\_\_\_
- Condominium Management Agreement \_\_\_\_\_
- Club Management Agreement \_\_\_\_\_

**26. PURCHASER'S RIGHT TO CANCEL:**

**PURCHASER'S  
RIGHT TO CANCEL**

(Notwithstanding the fact that North Carolina law provides for a seven (7) day cancellation period for condominium acquisitions, this Agreement provides for a longer cancellation as set forth in this paragraph 26.) Purchaser shall have the absolute right to cancel this Agreement at any time by delivering written notice to Seller with copies to the Company during the thirty (30) calendar day period immediately following the full execution of the Agreement and delivery of the Disclosure Statement. Purchaser is not required to move into The Cypress until after expiration of this 30 day period. Purchaser's cancellation of this Agreement during the Cancellation Period is without penalty, and all payments made by the Purchaser before such cancellation shall be refunded by Seller with ten (10) days after the expiration of the Cancellation Period.



**BROKERAGE  
COMMISSION**

27. **AUTOMATIC CANCELLATION PROVISIONS:** If Purchaser dies before closing, or if, on account of illness, injury, or incapacity, Purchaser would be precluded from occupying the unit under the terms of the Membership Agreement, the contract is automatically cancelled. In such a case, all monies will be refunded less any non-standard expenditures incurred on behalf of purchaser and signed by purchaser.

28. **BROKERAGE:** Seller has an Agreement for the listing and sale of the Property with the resale division of the Company. The Company has earned its commission and the Seller agrees to pay said commission in accordance with the Listing Agreement at Closing. In the event of a default by Purchaser with resulting forfeiture of earnest money deposit as described above in Paragraph 19, the Company shall be entitled to one-half (1/2) of said forfeited deposit as its full compensation from Seller.

*(The balance of this page is left blank intentionally.)*



**SIGNED AND SEALED** by Purchaser in duplicate originals as of the day and year first above written.

**WITNESSES:**

**PURCHASER:**

(IF MORE THAN ONE, EACH SHOULD SIGN)

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

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

If husband and wife, please check the way you would like to take title:

\_\_\_\_\_ In individual name of \_\_\_\_\_.

\_\_\_\_\_ Tenants in common (each spouse owns one-half).

\_\_\_\_\_ Joint tenants with right of survivorship (each spouse owns one-half, but in the case of death, the survivor automatically becomes the sole owner).

**SIGNED AND SEALED BY SELLER** in duplicate originals this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

**WITNESSES:**

**SELLER:**

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

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

**JOINDER BY COMPANY PER PARAGRAPH 3.**

**ACKNOWLEDGED:**

THE CYPRESS OF CHARLOTTE, LLC  
a South Carolina Limited Liability Company.

By: THE CYPRESS GROUP, LLC,  
a South Carolina Limited Liability Company,  
its managing member.

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

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



**EXHIBIT "A"\***

**CYPRESS OF CHARLOTTE MEMBERSHIP AGREEMENT**

\* Note: Exhibit "A" for this document refers to Exhibit C in the Disclosure Statement – The Membership Agreement.

## WORKING WITH REAL ESTATE AGENTS

When buying or selling real estate, you may find it helpful to have a real estate agent assist you. Real estate agents can provide many useful services and work with you in different ways. In some real estate transactions, the agents work for the seller. In others, the seller and buyer may each have agents. And sometimes the same agents work for both the buyer and the seller. It is important for you to know whether an agent is representing you as **your** agent or simply assisting you while acting as an agent of the other party.

This brochure addresses the various types of agency relationships that may be available to you. It should help you decide which relationship you want to have with a real estate agent. It will also give you useful information about the various services real estate agents can provide buyers and sellers, and it will help explain how real estate agents are paid.

### SELLERS

#### *Seller's Agent*

If you are selling real estate, you may want to “list” your property for sale with a real estate firm. If so, you will sign a “listing agreement” authorizing the firm and its agents to represent you in your dealings with buyers as your *seller's agent*. You may also be asked to allow agents from other firms to help find a buyer for your property.

Be sure to read and understand the listing agreement before you sign it. Your agent must give you a copy of the listing agreement after you sign it.

*Duties to Seller:* The listing firm and its agents must • promote your best interests • be loyal to you • follow your lawful instructions • provide you with all material facts that could influence your decisions • use reasonable skill, care and diligence, and • account for all monies they handle for you. Once you have signed the listing agreement, the firm and its agents may not give any confidential information about you to prospective buyers or their agents without your permission so long as they represent you. **But until you sign the listing agreement, you should avoid telling the listing agent anything you would *not* want a buyer to know.**

*Services and Compensation:* To help you sell your property, the listing firm and its agents will offer to perform a number of services for you. These may include • helping you price your property • advertising and marketing your property • giving you all required property disclosure forms for you to complete • negotiating for you the best possible price and terms • reviewing all written offers with you and • otherwise promoting your interests.

For representing you and helping you sell your property, you will pay the listing firm a sales commission or fee. The listing agreement must state the amount or method for determining the sales commission or fee and whether you will allow the firm to share its commission with agents representing the buyer.

#### *Dual Agent*

You may even permit the listing firm and its agents to represent you **and** a buyer at the same time. This “dual agency relationship” is most likely to happen if an agent with your listing firm is working as a *buyer's agent* with someone who wants to purchase your property. If this occurs and you have not already agreed to a dual agency relationship in your listing agreement, your listing agent will ask you to amend your listing agreement to permit the agent to act as agent for both you and the buyer.

It may be difficult for a *dual agent* to advance the interests of both the buyer and seller. Nevertheless, a *dual agent* must treat buyers and sellers fairly and equally. Although the *dual agent* owes them the same duties, buyers and sellers can prohibit *dual agents* from divulging **certain** confidential information about them to the other party.

Some firms also offer a form of dual agency called “designated dual agency” where one agent in the firm represents the seller and another agent represents the buyer. This option (when available) may allow each “designated agent” to more fully represent each party.

If you choose the “dual agency” option, remember that since a dual agent’s loyalty is divided between parties with



competing interests, it is especially important that you have a clear understanding of • what your relationship is with the *dual agent* and • what the agent will be doing for you in the transaction.

## BUYERS

When buying real estate, you may have several choices as to how you want a real estate firm and its agents to work with you. For example, you may want them to represent only you (as a **buyer's agent**). You may be willing for them to represent both you and the seller at the same time (as a **dual agent**). Or you may agree to let them represent only the seller (**seller's agent** or **subagent**). Some agents will offer you a choice of these services. Others may not.

### *Buyer's Agent*

*Duties to Buyer:* If the real estate firm and its agents represent you, they must • promote your best interests • be loyal to you • follow your lawful instructions • provide you with all material facts that could influence your decisions • use reasonable skill, care and diligence, and • account for all monies they handle for you. Once you have agreed (either orally or in writing) for the firm and its agents to be your *buyer's agent*, they may not give any confidential information about you to sellers or their agents without your permission so long as they represent you. But **until you make this agreement with your buyer's agent, you should avoid telling the agent anything you would not want a seller to know.**

*Unwritten Agreements:* To make sure that you and the real estate firm have a clear understanding of what your relationship will be and what the firm will do for you, you may want to have a written agreement. However, some firms may be willing to represent and assist you for a time as a *buyer's agent* without a written agreement. But if you decide to make an offer to purchase a particular property, the agent must obtain a written agency agreement before writing the offer. If you do not sign it, the agent can no longer represent and assist you and is no longer required to keep information about you confidential.

Be sure to read and understand any agency agreement before you sign it. Once you sign it, the agent must give you a copy of it.

*Services and Compensation:* Whether you have a written or unwritten agreement, a *buyer's agent* will perform a number of services for you. These may include helping you • find a suitable property • arrange financing • learn more about the property and • otherwise promote your best interests. If you have a **written** agency agreement, the agent can also help you prepare and submit a written offer to the seller.

A *buyer's agent* can be compensated in different ways. For example, you can pay the agent out of your own pocket. Or the agent may seek compensation from the seller or listing agent first, but require you to pay if the listing agent refuses. Whatever the case, be sure your compensation arrangement with your *buyer's agent* is spelled out in a buyer agency agreement before you make an offer to purchase property and that you carefully read and understand the compensation provision.

### *Dual Agent*

You may permit an agent or firm to represent you **and** the seller at the same time. This “dual agency relationship” is most likely to happen if you become interested in a property listed with your *buyer's agent* or the agent's firm. If this occurs and you have not already agreed to a dual agency relationship in your (written or oral) buyer agency agreement, your *buyer's agent* will ask you to amend the buyer agency agreement or sign a separate agreement or document permitting him or her to act as agent for both you and the seller. It may be difficult for a *dual agent* to advance the interests of both the buyer and seller. Nevertheless, a *dual agent* must treat buyers and sellers fairly and equally. Although the *dual agent* owes them the same duties, buyers and sellers can prohibit *dual agents* from divulging **certain** confidential information about them to the other party.

Some firms also offer a form of dual agency called “designated dual agency” where one agent in the firm represents the seller and another agent represents the buyer. This option (when available) may allow each “designated agent” to more fully



represent each party.

If you choose the “dual agency” option, remember that since a *dual agent’s* loyalty is divided between parties with competing interests, it is especially important that you have a clear understanding of • what your relationship is with the *dual agent* and • what the agent will be doing for you in the transaction. This can best be accomplished by putting the agreement in writing at the earliest possible time.

#### ***Seller’s Agent Working With a Buyer***

If the real estate agent or firm that you contact does not offer *buyer agency* or you do not want them to act as your *buyer agent*, you can still work with the firm and its agents. However, they will be acting as the *seller’s agent* (or “subagent”). The agent can still help you find and purchase property and provide many of the same services as a *buyer’s agent*. The agent must be fair with you and provide you with any “material facts” (such as a leaky roof) about properties.

But remember, the agent represents the seller—not you—and therefore must try to obtain for the seller the best possible price and terms for the seller’s property. Furthermore, a *seller’s agent* is required to give the seller any information about you (even personal, financial or confidential information) that would help the seller in the sale of his or her property. Agents must tell you *in writing* if they are *sellers’ agents* before you say anything that can help the seller. **But until you are sure that an agent is not a seller’s agent, you should avoid saying anything you do not want a seller to know.**

*Sellers’ agents* are compensated by the sellers.

#### ***Disclosure of Seller Subagency (Complete, if applicable)***

*r When showing you property and assisting you in the purchase of a property, the above agent and firm will represent the SELLER. For more information, see “Seller’s Agent Working with a Buyer” in the brochure.  
Agent’s Initials Acknowledging Disclosure:*

*(Note: This brochure is for informational purposes only and does not constitute a contract for service.)*

The North Carolina Real Estate Commission  
P.O. Box 17100 • Raleigh, North Carolina 27619-7100  
919/875-3700 • Web Site: [www.ncrec.gov](http://www.ncrec.gov)  
REC 3.45 3/1/13

*00,000 copies of this public document were printed at a cost of \$.000 per copy.*

## **FOR BUYER/SELLER**

*Agent Name*

*License Number*

*Firm Name*

*Date*

## WORKING WITH REAL ESTATE AGENTS

*Agents are required to review this with you and must retain this acknowledgment for their files.*

*This is not a contract*

By signing, I acknowledge that the agent named below furnished a copy of this brochure and reviewed it with me.

*Buyer or Seller Name (Print or Type)*

*Buyer or Seller Signature*

*Buyer or Seller Name (Print or Type)*

*Buyer or Seller Signature*

*Date*

*Firm Name*

*Agent Name*

*License Number*

### *Disclosure of Seller Subagency*

*(Complete, if applicable)*

*r When showing you property and assisting you in the purchase of a property, the above agent and firm will represent the SELLER. For more information, see "Seller's Agent Working with a Buyer" in the brochure.*

*Buyer's Initials Acknowledging Disclosure:*



STATE OF NORTH CAROLINA  
RESIDENTIAL PROPERTY AND OWNERS' ASSOCIATION DISCLOSURE STATEMENT

Instructions to Property Owners

1. The Residential Property Disclosure Act (G.S. 47E) ("Disclosure Act") requires owners of residential real estate (single-family homes, individual condominiums, townhouses, and the like, and buildings with up to four dwelling units) to furnish purchasers a Residential Property and Owners' Association Disclosure Statement ("Disclosure Statement"). This form is the only one approved for this purpose. A disclosure statement must be furnished in connection with the sale, exchange, option, and sale under a lease with option to purchase where the tenant does not occupy or intend to occupy the dwelling. A disclosure statement is not required for some transactions, including the first sale of a dwelling which has never been inhabited and transactions of residential property made pursuant to a lease with option to purchase where the lessee occupies or intends to occupy the dwelling. For a complete list of exemptions, see G.S. 47E-2.
2. You must respond to each of the questions on the following pages of this form by filling in the requested information or by placing a check (✓) in the appropriate box. In responding to the questions, you are only obligated to disclose information about which you have actual knowledge.
  - a. If you check "Yes" for any question, you must explain your answer and either describe any problem or attach a report from an attorney, engineer, contractor, pest control operator or other expert or public agency describing it. If you attach a report, you will not be liable for any inaccurate or incomplete information contained in it so long as you were not grossly negligent in obtaining or transmitting the information.
  - b. If you check "No," you are stating that you have no actual knowledge of any problem. If you check "No" and you know there is a problem, you may be liable for making an intentional misstatement.
  - c. If you check "No Representation," you are choosing not to disclose the conditions or characteristics of the property, even if you have actual knowledge of them or should have known of them.
  - d. If you check "Yes" or "No" and something happens to the property to make your Disclosure Statement incorrect or inaccurate (for example, the roof begins to leak), you must promptly give the purchaser a corrected Disclosure Statement or correct the problem.
3. If you are assisted in the sale of your property by a licensed real estate broker, you are still responsible for completing and delivering the Disclosure Statement to the purchasers; and the broker must disclose any material facts about your property which he or she knows or reasonably should know, regardless of your responses on the Disclosure Statement.
4. You must give the completed Disclosure Statement to the purchaser no later than the time the purchaser makes an offer to purchase your property. If you do not, the purchaser can, under certain conditions, cancel any resulting contract (See "Note to Purchasers" below). You should give the purchaser a copy of the Disclosure Statement containing your signature and keep a copy signed by the purchaser for your records.

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Note to Purchasers: If the owner does not give you a Residential Property and Owners' Association Disclosure Statement by the time you make your offer to purchase the property, you may under certain conditions cancel any resulting contract without penalty to you as the purchaser. To cancel the contract, you must personally deliver or mail written notice of your decision to cancel to the owner or the owner's agent within three calendar days following your receipt of the Disclosure Statement, or three calendar days following the date of the contract, whichever occurs first. However, in no event does the Disclosure Act permit you to cancel a contract after settlement of the transaction or (in the case of a sale or exchange) after you have occupied the property, whichever occurs first.

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5. In the space below, type or print in ink the address of the property (sufficient to identify it) and your name. Then sign and date.

Property Address: \_\_\_\_\_

Owner's Name(s): \_\_\_\_\_

*Owner(s) acknowledge(s) having examined this Disclosure Statement before signing and that all information is true and correct as of the date signed.*

Owner Signature: \_\_\_\_\_ Date \_\_\_\_\_

Owner Signature: \_\_\_\_\_ Date \_\_\_\_\_

*Purchasers acknowledge receipt of a copy of this Disclosure Statement; that they have examined it before signing; that they understand that this is not a warranty by owners or owners' agents; that it is not a substitute for any inspections they may wish to obtain; and that the representations are made by the owners and not the owners' agents or subagents. Purchasers are strongly encouraged to obtain their own inspections from a licensed home inspector or other professional. As used herein, words in the plural include the singular, as appropriate.*

Purchaser Signature: \_\_\_\_\_ Date \_\_\_\_\_

Purchaser Signature: \_\_\_\_\_ Date \_\_\_\_\_

Property/Address/Description: \_\_\_\_\_

The following questions address the characteristics and condition of the property identified above about which the owner has actual knowledge. Where the question refers to "dwelling," it is intended to refer to the dwelling unit, or units if more than one, to be conveyed with the property. The term "dwelling unit" refers to any structure intended for human habitation.

- |   | Yes                      | No                       | No<br>Representation     |
|---|--------------------------|--------------------------|--------------------------|
| 1. In what year was the dwelling constructed? _____<br>Explain if necessary: _____  |                          |                          | <input type="checkbox"/> |
| 2. Is there any problem, malfunction or defect with the dwelling's foundation, slab, fireplaces/chimneys, floors, windows (including storm windows and screens), doors, ceilings, interior and exterior walls, attached garage, patio, deck or other structural components including any modifications to them?.....  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. The dwelling's exterior walls are made of what type of material? <input type="checkbox"/> Brick Veneer <input type="checkbox"/> Wood <input type="checkbox"/> Stone <input type="checkbox"/> Vinyl <input type="checkbox"/> Synthetic Stucco <input type="checkbox"/> Composition/Hardboard <input type="checkbox"/> Concrete <input type="checkbox"/> Fiber Cement <input type="checkbox"/> Aluminum <input type="checkbox"/> Asbestos <input type="checkbox"/> Other _____ (Check all that apply)  |                          |                          | <input type="checkbox"/> |
| 4. In what year was the dwelling's roof covering installed? _____ (Approximate if no records are available) Explain if necessary: _____   |                          |                          | <input type="checkbox"/> |
| 5. Is there any leakage or other problem with the dwelling's roof?.....   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Is there any water seepage, leakage, dampness or standing water in the dwelling's basement, crawl space, or slab?  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Is there any problem, malfunction or defect with the dwelling's electrical system (outlets, wiring, panel, switches, fixtures, generator, etc.)?.....  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Is there any problem, malfunction or defect with the dwelling's plumbing system (pipes, fixtures, water heater, etc.)?   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. Is there any problem, malfunction or defect with the dwelling's heating and/or air conditioning?.....  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. What is the dwelling's heat source? <input type="checkbox"/> Furnace <input type="checkbox"/> Heat Pump <input type="checkbox"/> Baseboard <input type="checkbox"/> Other _____ (Check all that apply).....<br>Age of system: _____   |                          |                          | <input type="checkbox"/> |
| 11. What is the dwelling's cooling source? <input type="checkbox"/> Central Forced Air <input type="checkbox"/> Wall/Window Unit(s) <input type="checkbox"/> Other _____ (Check all that apply) .....<br>Age of system: _____   |                          |                          | <input type="checkbox"/> |
| 12. What are the dwelling's fuel sources? <input type="checkbox"/> Electricity <input type="checkbox"/> Natural Gas <input type="checkbox"/> Propane <input type="checkbox"/> Oil <input type="checkbox"/> Other _____ (Check all that apply) If the fuel source is stored in a tank, identify whether the tank is <input type="checkbox"/> above ground or <input type="checkbox"/> below ground, and whether the tank is <input type="checkbox"/> leased by seller or <input type="checkbox"/> owned by seller. (Check all that apply)..... |                          |                          | <input type="checkbox"/> |
| 13. What is the dwelling's water supply source? <input type="checkbox"/> City/County <input type="checkbox"/> Community System <input type="checkbox"/> Private Well <input type="checkbox"/> Shared Well <input type="checkbox"/> Other _____ (Check all that apply).....  |                          |                          | <input type="checkbox"/> |
| 14. The dwelling's water pipes are made of what type of material? <input type="checkbox"/> Copper <input type="checkbox"/> Galvanized <input type="checkbox"/> Plastic <input type="checkbox"/> Polybutylene <input type="checkbox"/> Other _____ (Check all that apply).....   |                          |                          | <input type="checkbox"/> |
| 15. Is there any problem, malfunction or defect with the dwelling's water supply (including water quality, quantity, or water pressure)?.....   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 16. What is the dwelling's sewage disposal system? <input type="checkbox"/> Septic Tank <input type="checkbox"/> Septic Tank with Pump <input type="checkbox"/> Community System <input type="checkbox"/> Connected to City/County System <input type="checkbox"/> City/County System available <input type="checkbox"/> Straight pipe (wastewater does not go into a septic or other sewer system [note: use of this type of system violates state law]) <input type="checkbox"/> Other _____ (Check all that apply).....                    |                          |                          | <input type="checkbox"/> |
| 17. If the dwelling is serviced by a septic system, do you know how many bedrooms are allowed by the septic system permit?<br>If your answer is "yes," how many bedrooms are allowed? _____<br><input type="checkbox"/> No records available  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 18. Is there any problem, malfunction or defect with the dwelling's sewer and/or septic system?.....  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 19. Is there any problem, malfunction or defect with the dwelling's central vacuum, pool, hot tub, spa, attic fan, exhaust fan, ceiling fans, sump pump, irrigation system, TV cable wiring or satellite dish, garage door openers, gas logs, or other systems?.....  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 20. Is there any problem, malfunction or defect with any appliances that may be included in the conveyance (range/oven, attached microwave, hood/fan, dishwasher, disposal, etc.)?.....   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Owner Initials and Date \_\_\_\_\_  
Purchaser Initials and Date \_\_\_\_\_

Owner Initials and Date \_\_\_\_\_  
Purchaser Initials and Date \_\_\_\_\_

- |  | Yes                      | No                       | No<br>Representation     |
|--|--------------------------|--------------------------|--------------------------|
| 21. Is there any problem with present infestation of the dwelling, or damage from past infestation of wood destroying insects or organisms which has not been repaired?.....   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 22. Is there any problem, malfunction or defect with the drainage, grading or soil stability of the property?.....   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 23. Are there any structural additions or other structural or mechanical changes to the dwelling(s) to be conveyed with the property?.....   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 24. Is the property to be conveyed in violation of any local zoning ordinances, restrictive covenants, or other land-use restrictions, or building codes (including the failure to obtain proper permits for room additions or other changes/improvements)?.....   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 25. Are there any hazardous or toxic substances, materials, or products (such as asbestos, formaldehyde, radon gas, methane gas, lead-based paint) which exceed government safety standards, any debris (whether buried or covered) or underground storage tanks, or any environmentally hazardous conditions (such as contaminated soil or water, or other environmental contamination) which affect the property?..... | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 26. Is there any noise, odor, smoke, etc. from commercial, industrial, or military sources which affects the property?   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 27. Is the property subject to any utility or other easements, shared driveways, party walls or encroachments from or on adjacent property?.....   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 28. Is the property the subject of any lawsuits, foreclosures, bankruptcy, leases or rental agreements, judgments, tax liens, proposed assessments, mechanics' liens, materialmen's liens, or notices from any governmental agency that could affect title to the property?.....   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 29. Is the property subject to a flood hazard or is the property located in a federally-designated flood hazard area?  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 30. Does the property abut or adjoin any private road(s) or street(s)?.....  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 31. If there is a private road or street adjoining the property, is there in existence any owners' association or maintenance agreements dealing with the maintenance of the road or street?.....  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

If you answered "yes" to any of the questions listed above (1-31) please explain (attach additional sheets if necessary):

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In lieu of providing a written explanation, you may attach a written report to this Disclosure Statement by a public agency, or by an attorney, engineer, land surveyor, geologist, pest control operator, contractor, home inspector, or other expert, dealing with matters within the scope of that public agency's functions or the expert's license or expertise.

The following questions pertain to the property identified above, including the lot to be conveyed and any dwelling unit(s), sheds, detached garages, or other buildings located thereon.

- |   | Yes                      | No                       | No<br>Representation     |
|---|--------------------------|--------------------------|--------------------------|
| 32. To your knowledge, is the property subject to regulation by one or more owners' association(s) or governing documents which impose various mandatory covenants, conditions, and restrictions upon the lot, including, but not limited to obligations to pay regular assessments or dues and special assessments? If your answer is "yes," please provide the information requested below as to each owners' association to which the property is subject [insert N/A into any blank that does not apply]: | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

•(specify name) \_\_\_\_\_ whose regular assessments ("dues") are \$ \_\_\_\_\_ per \_\_\_\_\_. The name, address, and telephone number of the president of the owners' association or the association manager are \_\_\_\_\_

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•(specify name) \_\_\_\_\_ whose regular assessments ("dues") are \$ \_\_\_\_\_ per \_\_\_\_\_. The name, address, and telephone number of the president of the owners' association or the association manager are \_\_\_\_\_

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\* If you answered "Yes" to question 32 above, you must complete the remainder of this Disclosure Statement. If you answered "No" or "No Representation" to question 32 above, you do not need to answer the remaining questions on this Disclosure Statement. Skip to the bottom of the last page and initial and date the page.

Owner Initials and Date \_\_\_\_\_  
 Purchaser Initials and Date \_\_\_\_\_

Owner Initials and Date \_\_\_\_\_  
 Purchaser Initials and Date \_\_\_\_\_

- |   | Yes                      | No                       | <u>No</u><br><u>Representation</u> |
|---|--------------------------|--------------------------|------------------------------------|
| 33. Are any fees charged by the association or by the association's management company in connection with the conveyance or transfer of the lot or property to a new owner? If your answer is "yes," please state the amount of the fees: _____<br>_____  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>           |
| 34. As of the date this Disclosure Statement is signed, are there any dues, fees, or special assessments which have been duly approved as required by the applicable declaration or bylaws, and that are payable to an association to which the lot is subject? If your answer is "yes," please state the nature and amount of the dues, fees, or special assessments to which the property is subject: _____<br>_____  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>           |
| 35. As of the date this Disclosure Statement is signed, are there any unsatisfied judgments against, or pending lawsuits <i>involving the property or lot to be conveyed</i> ? If your answer is "yes," please state the nature of each pending lawsuit, and the amount of each unsatisfied judgment: _____<br>_____  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>           |
| 36. As of the date this Disclosure Statement is signed, are there any unsatisfied judgments against, or pending lawsuits <i>involving the planned community or the association to which the property and lot are subject</i> , with the exception of any action filed by the association for the collection of delinquent assessments on lots other than the property and lot to be conveyed? If your answer is "yes," please state the nature of each pending lawsuit, and the amount of each unsatisfied judgment: _____<br>_____ | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>           |

37. Which of the following services and amenities are paid for by the owners' association(s) identified above out of the association's regular assessments ("dues")? (Check all that apply).

- |   | Yes                      | No                       | <u>No</u><br><u>Representation</u>  |
|---|--------------------------|--------------------------|-------------------------------------|
| Management Fees.....  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            |
| Exterior Building Maintenance of Property to be Conveyed.....               | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            |
| Exterior Yard/Landscaping Maintenance of Lot to be Conveyed.....            | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            |
| Common Areas Maintenance.....   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            |
| Trash Removal.....  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            |
| Recreational Amenity Maintenance (specify amenities covered) _____<br>_____ | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            |
| Pest Treatment/Extermination.....   | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Street Lights.....  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            |
| Water.....  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            |
| Sewer.....  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            |
| Storm water Management/Drainage/Ponds.....                                  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            |
| Internet Service.....   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            |
| Cable.....  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            |
| Private Road Maintenance.....   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            |
| Parking Area Maintenance.....   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            |
| Gate and/or Security.....   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            |
| Other: (specify) _____<br>_____   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            |

Owner Initials and Date \_\_\_\_\_  
Purchaser Initials and Date \_\_\_\_\_

Owner Initials and Date \_\_\_\_\_  
Purchaser Initials and Date \_\_\_\_\_

Declaration of Condominium  
(Under Separate Cover)

January, 2020

**A. Current Cypress of Charlotte Fee Schedule****Member and Guest Meal Charges**

Guest Meals using Monthly Meal Credits	\$ 14.00
Holiday Guest Meals <b>no member meal credits may be used</b>	\$ 40.00

Guest Meals for Children age 6 and younger	No Charge
Additional Member Meals (Lunch)	\$ 23.00
Additional Member Meals (Dinner/Brunch)	\$ 23.00
Additional Guest Meals (Lunch)	\$ 23.00
Additional Guest Meals (Dinner/Brunch)	\$ 23.00

**Catering Service Charge**

Cost Per Server	\$ 50.00
Sunday Private Event	\$ 1,500.00

*A catered event is considered any group larger than 8.*

*A \$25.00 fee will be charged to the member for any transaction that generates a bank fee by a guest of the member.*

**Bar Charges**

Domestic Beer	\$ 3.00
Imported/Micro	\$ 5.00
House Wine, per Glass	\$ 3.00
Premium Wine, per Glass	\$ 5.00
Premium Wine & Champagne, per Glass	\$ 8.00
Mixed Drinks	\$ 8.00
Premium Mixed Drinks	\$ 11.00
Premium Wine, per bottle (750 ml)	As Presented
House Wine, per Bottle (750 ML)	\$ 20.00

**Transportation**

Transportation to Airport	\$ 25.00
Valet Transportation (Round Trip)	\$ 6.00 per 15 minutes
White Bus Rental (3 Hour Minimum)	\$ 50.00 per hour
Big Red Bus Rental (3 hour minimum)	\$ 80.00 per hour

**Housekeeping Services**

Additional Housekeeping Services	\$ 5.00 per 15 minutes
----------------------------------	------------------------

**\*\*Taxes May Apply to Some Items\*\***

Rev: 10.28.2019



(First carpet cleaning is complimentary, then normal  
 Additional housekeeping charges apply)  
 Bio-Hazard clean up (\$5.00 minimum) \$ 5.00 per 15 minutes

**Maintenance Services**

Additional Maintenance Services \$ 6.50 per 15 minutes  
 Copies of keys – house and mailbox \$ 2.50 per key

**Home Care Services**

CNA \$ 23.00 per hour  
 Companion \$ 18.00 per hour  
 Pet Care (Walk, Feed, Cat box clean) \$ 9.00 15 min-30 min  
 Skilled Nurse Visit \$ 50.00 per hour  
 Assistance in Living Program \$ 132 / \$ 142 / per day  
 RN Assessments Initial One Time Charge upon sign up \$ 50.00  
 Friends Club \$ 89.00/per session

**Member Absence Credits**

(Applicable for member absences of 14 consecutive days or longer, in  
 accordance with the Membership Agreement)

Absence Credit - One Person \$ 9.00 per day  
 Absence Credit - Two Persons \$ 13.00 per day

**Miscellaneous**

Activities Charges As Presented  
 Fitness classes or events outside of standard classes As Presented  
 Personal Fitness Training As Presented  
 Replacement for lost access cards \$ 10.00 each  
 Replacement for lost PERS pendant \$ 100.00 each  
 Replacement and extra Gate Tags \$ 25.00 each  
 Return Check Fee \$ 25.00 each

## **Styling Center Clubhouse Services**

### **Ladies Hair Services**

Shampoo Set	\$ 35.00
Shampoo Set with Haircut	\$ 60.00
Haircut	\$ 40.00
Helix Designer Cut (Elasticity Treatment)	\$ 75.00
Weekly Color Rinse	\$ 5.00

### **Men's Services**

Haircut	\$ 25.00
Pedicure	\$ 40.00
Fingernail Clipping	\$ 20.00
Toenail Clipping	\$ 30.00
Beard Trim	\$ 10.00

### **Chemical Services**

Permanent Wave	\$ 85.00
Hair Color (Highlight based on consultation)	\$ 85.00
Haircut with chemical service	\$ 35.00
Eyebrow Wax	\$ 10.00
Chin and Upper Lip	\$ 20.00
Eyebrow Color	\$ 10.00

### **Ladies Manicure & Pedicure**

Manicure & Pedicure Combo	\$ 70.00
Manicure & Pedicure Combo Gel Polish	\$ 80.00
Gel Manicure	\$ 38.00
French Gel Manicure	\$ 45.00
Basic Manicure	\$ 30.00
Basic French Manicure	\$ 37.00
Basic Pedicure	\$ 40.00
Nail Repair	\$ 10.00
Gel Polish Removal	\$ 10.00
SNS or Gel Set	\$ 55.00

**\*\*Taxes May Apply to Some Items\*\***

Rev: 10.28.2019

**Current Cypress Fee Schedule**  
**The Stewart Health Center**  
 January 1, 2020

**Member and Guest Meal Charges**

Guest Meals in the SHC dining room	\$ 14.00
Guest Meals for Children age 6 and younger	No Charge
Private Parties Charges	As Agreed Upon

**Transportation**

Transportation to Airport	\$ 25.00
Valet Transportation (Round Trip)	\$ 6.00 per 15 minutes
Wheelchair Transport	Charges determined by Company

**Home Care Services**

CNA	\$ 23.00 per hour
Companion	\$ 18.00 per hour

**Member Absence Credits**

(Applicable for member absences of 14 consecutive days or longer, in accordance with the Membership Agreement)

Absence Credit - One Person	\$ 9.00 per day
Absence Credit - Two Persons	\$ 13.00 per day

**Rehab**

Private Therapy provided by Heritage	\$ 45.00 per 30 min
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**Miscellaneous Charges**

Hair Salon Charges	As Presented
Typing Services	Based on number of Pages/time
Medical Supplies	Based on Usage

**\*\*Taxes May Apply to Some Items\*\***

Rev: 10.28.2019

## **Styling Center Stewart Health Center Services**

### **Ladies Hair Services**

Shampoo Set	\$ 35.00
Shampoo Set with Haircut	\$ 60.00
Haircut	\$ 40.00
Helix Designer Cut (Elasticity Treatment)	\$ 75.00
Weekly Color Rinse	\$ 5.00

### **Men's Services**

Haircut	\$ 25.00
Pedicure	\$ 48.00
Fingernail Clipping	\$ 25.00
Toenail Clipping	\$ 35.00
Beard Trim	\$ 10.00

### **Chemical Services**

Permanent Wave	\$ 85.00
Hair Color (Highlight based on consultation)	\$ 8.00
Haircut with chemical service	\$ 35.00
Eyebrow Wax	\$ 10.00
Chin and Upper Lip	\$ 20.00
Eyebrow Color	\$ 20.00

### **Ladies Manicure & Pedicure**

Manicure & Pedicure Combo	\$ 75.00
Gel Manicure & Pedicure	\$ 80.00
Gel Manicure	\$ 40.00
French Gel Manicure	\$ 47.00
Basic Manicure	\$ 30.00
Basic French Manicure	\$ 37.00
Basic Pedicure	\$ 48.00
Nail Repair	\$ 10.00
Gel Polish Removal	\$ 10.00
SNS or Gel Set	\$ 55.00

**\*\*Taxes May Apply to Some Items\*\***

Rev: 10.28.2019

January, 2019

**A. Current Cypress of Charlotte Fee Schedule**

◆ **Member and Guest Meal Charges**

Guest Meals using Monthly Meal Credits	\$ 13.00
Guest Meals for Children age 6 and younger	No Charge
Additional Member Meals (Lunch)	\$ 22.00
Additional Member Meals (Dinner/Brunch)	\$ 22.00
Additional Guest Meals (Lunch)	\$ 22.00
Additional Guest Meals (Dinner/Brunch)	\$ 22.00

**Catering Service Charge**

Cost Per Server	\$ 42.00
Sunday Private Event	\$ 1,500.00

*A catered event is considered any group larger than 8.*

*A \$25.00 fee will be charged to the member for any transaction that generates a bank fee by a guest of the member.*

◆ **Bar Charges**

Beer	\$ 5.00
House Wine, per Glass	\$ 5.00
Premium Wine & Champagne, per Glass	\$ 8.00
Mixed Drinks	\$ 8.00
Premium Mixed Drinks	\$ 11.00
Premium Wine, per bottle (750 ml)	As Presented
House Wine, per Bottle (750 ML)	\$ 20.00

◆ **Transportation**

Transportation to Airport	\$ 25.00
Valet Transportation (Round Trip)	\$ 6.00 per 15 minutes
White Bus Rental (3 Hour Minimum)	\$ 50.00 per hour
Big Red Bus Rental (3 hour minimum)	\$ 80.00 per hour

◆ **Housekeeping Services**

Additional Housekeeping Services (First carpet cleaning is complimentary, then normal Additional housekeeping charges apply)	\$ 5.00 per 15 minutes
Bio-Hazard clean up (\$5.00 minimum)	\$ 5.00 per 15 minutes

◆ **Maintenance Services**

Additional Maintenance Services	\$ 6.50 per 15 minutes
Copies of keys – house and mailbox	\$ 2.50 per key

◆ **Home Care Services**

CNA	\$ 22.00 per hour
Companion	\$ 18.00 per hour
Pet Care (Walk, Feed, Cat box clean)	\$ 9.00 15 min-30 min
Skilled Nurse Visit	\$ 50.00 per hour
Assistance in Living Program	\$ 128 / \$ 138 / per day
RN Assessments Initial One Time Charge upon sign up	\$ 50.00

◆ **Member Absence Credits**

(Applicable for member absences of 14 consecutive days or longer, in accordance with the Membership Agreement)

Absence Credit - One Person	\$ 9.00 per day
Absence Credit - Two Persons	\$ 13.00 per day

◆ **Miscellaneous**

Activities Charges	As Presented
Fitness classes or events outside of standard classes	As Presented
Personal Fitness Training	As Presented
Replacement for lost access cards	\$ 10.00 each
Replacement for lost PERS pendant	\$ 100.00 each
Replacement and extra Gate Tags	\$ 10.00 each
Return Check Fee	\$ 25.00 each

**Current Cypress Fee Schedule**  
**The Stewart Health Center**  
 Effective: January 1, 2019

<b>◆ Member and Guest Meal Charges</b>	
Guest Meals in the SHC dining room	\$ 12.00
Guest Meals for Children age 6 and younger	No Charge
Private Parties Charges	As Agreed Upon
<b>◆ Transportation</b>	
Transportation to Airport	\$ 25.00
Valet Transportation (Round Trip)	\$ 6.00 per 15 minutes
Wheelchair Transport	Charges determined by Company
<b>◆ Home Care Services</b>	
CNA	\$ 22.00 per hour
Companion	\$ 18.00 per hour
<b>◆ Member Absence Credits</b>	
(Applicable for member absences of 14 consecutive days or longer, in accordance with the Membership Agreement)	
Absence Credit - One Person	\$ 9.00 per day
Absence Credit - Two Persons	\$ 13.00 per day
<b>◆ Rehab</b>	
Private Therapy provided by Heritage	\$ 45.00 per 30 min
<b>◆ Miscellaneous Charges</b>	
Hair Salon Charges	As Presented
Typing Services	Based on number of Pages/time
Medical Supplies	Based on Usage

January, 2018

**A. Current Cypress Fee Schedule**

◆ **Member and Guest Meal Charges**

Guest Meals using Monthly Meal Credits	\$ 12.00
Guest Meals for Children age 6 and younger	No Charge
Additional Member Meals (Lunch)	\$ 21.00
Additional Member Meals (Dinner/Brunch)	\$ 21.00
Additional Guest Meals (Lunch)	\$ 21.00
Additional Guest Meals (Dinner/Brunch)	\$ 21.00

Catering Service Charge

Cost Per Server	\$ 40.00
Sunday Private Event	\$1,500.00

*A catered event is considered any group larger than 8.*

◆ **Bar Charges**

Beer	\$ 4.00
House Wine, per Glass	\$ 4.00
Premium Wine & Champagne, per Glass	\$ 7.00
Mixed Drinks	\$ 7.00
Premium Mixed Drinks	\$ 10.00
Premium Wine, per bottle (750 ml)	As Presented
House Wine, per Bottle (750 ML)	\$ 18.00

◆ **Transportation**

Transportation to Airport	\$ 25.00
Valet Transportation (Round Trip)	\$ 6.00 per 15 minutes
White Bus Rental (3 Hour Minimum)	\$ 50.00 per hour

◆ **Housekeeping Services**

Additional Housekeeping Services (First carpet cleaning is complimentary, then normal Additional housekeeping charges apply)	\$ 4.50 per 15 minutes
Bio-Hazard clean up (\$5.00 minimum)	\$ 5.00 per 15 minutes

◆ **Maintenance Services**

Additional Maintenance Services	\$ 6.25 per 15 minutes
Copies of keys – house and mailbox	\$ 1.25 per key

◆ **Home Care Services**

CNA	\$ 21.50 per hour
Skilled Nurse Visit	\$ 50.00 per hour
Assistance in Living Program	\$120/\$130/per day
RN Assessments Initial One Time Charge upon sign up	\$50.00

◆ **Member Absence Credits**

(applicable for member absences of 14 consecutive days or longer, in accordance with the Membership Agreement)

Absence Credit - One Person	\$ 9.00 per day
Absence Credit - Two Persons	\$ 13.00 per day

◆ **Miscellaneous**

Activities Charges	As Presented
Replacement for lost access cards	\$ 10.00 each
Replacement for lost PERS pendant	\$100.00 each
Replacement and extra Gate Tags	\$ 10.00 each



**Current Cypress Fee Schedule**  
**The Stewart Health Center**  
Effective: January 1, 2018

◆ **Member and Guest Meal Charges**

Guest Meals in the SHC dining room	\$ 10.00
Guest Meals for Children age 6 and younger	No Charge
Private Parties Charges	As Agreed Upon

◆ **Transportation**

Transportation to Airport	\$ 25.00
Valet Transportation (Round Trip)	\$ 6.00 per 15 minutes
Wheelchair Transport	Charges determined by Company

◆ **Home Care Services**

CNA	\$ 21.50 per hour
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◆ **Member Absence Credits**

(applicable for member absences of 14 consecutive days or longer, in accordance with the Membership Agreement)

Absence Credit - One Person	\$ 9.00 per day
Absence Credit - Two Persons	\$ 13.00 per day

◆ **Rehab**

Private Therapy provided by Heritage	\$45.00 per 30 min
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◆ **Miscellaneous Charges**

Hair Salon Charges	As Presented
Typing Services	Based on number of pages/time
Medical Supplies	Based on Usage

January, 2017

**A. Current Cypress Fee Schedule**

◆ **Member and Guest Meal Charges**

Guest Meals using Monthly Meal Credits	\$ 12.00
Guest Meals for Children age 6 and younger	No Charge
Additional Member Meals (Breakfast/Lunch)	\$ 15.00
Additional Member Meals (Dinner/Brunch)	\$ 15.00
Additional Guest Meals (Breakfast/Lunch)	\$ 17.00
Additional Guest Meals (Dinner/Brunch)	\$ 20.00

Catering Service Charge

Cost Per Server	\$ 40.00
Sunday Private Event	\$1,500.00

*A catered event is considered any group larger than 8.*

◆ **Bar Charges**

Beer	\$ 4.00
House Wine, per Glass	\$ 4.00
Premium Wine & Champagne, per Glass	\$ 7.00
Mixed Drinks	\$ 7.00
Premium Wine, per bottle (750 ml)	\$ 25.00
House Wine, per Bottle (750 ML)	\$ 18.00

◆ **Transportation**

Transportation to Airport	\$ 25.00
Valet Transportation (Round Trip)	\$ 6.00 per 15 minutes
White Bus Rental (3 Hour Minimum)	\$ 50.00 per hour

◆ **Housekeeping Services**

Additional Housekeeping Services (First carpet cleaning is complimentary, then normal Additional housekeeping charges apply)	\$ 4.50 per 15 minutes
Bio-Hazard clean up (\$5.00 minimum)	\$ 5.00 per 15 minutes

◆ **Maintenance Services**

Additional Maintenance Services	\$ 6.25 per 15 minutes
Copies of keys – house and mailbox	\$ 1.25 per key

◆ **Home Care Services**

CNA/HHA	\$ 21.50 per hour
Skilled Nurse Visit	\$ 50.00

◆ **Member Absence Credits**

(applicable for member absences of 14 consecutive days or longer, in accordance with the Membership Agreement)

Absence Credit - One Person	\$ 8.00 per day
Absence Credit - Two Persons	\$ 13.00 per day

◆ **Miscellaneous**

Activities Charges	As Presented
Hair Salon Charges	As Presented
Replacement for lost access cards	\$ 10.00 each
Replacement for lost PERS pendant	\$100.00

**Current Cypress Fee Schedule**  
**The Stewart Health Center**  
Effective: January 1, 2017

◆ **Member and Guest Meal Charges**

Guest Meals in the SHC dining room	\$ 10.00
Guest Meals for Children age 6 and younger	No Charge
Private Parties Charges	As Agreed Upon

◆ **Transportation**

Transportation to Airport	\$ 25.00
Valet Transportation (Round Trip)	\$ 6.00 per 15 minutes
Wheelchair Transport	Charges determined by Company

◆ **Home Care Services**

CNA	\$ 21.50 per hour
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◆ **Member Absence Credits**

(applicable for member absences of 14 consecutive days or longer, in accordance with the Membership Agreement)

Absence Credit - One Person	\$ 8.00 per day
Absence Credit - Two Persons	\$ 13.00 per day

◆ **Rehab**

Private Therapy provided by Heritage	\$45.00 per 30 min
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◆ **Miscellaneous Charges**

Hair Salon Charges	As Presented
Typing Services	Based on number of pages/time
Medical Supplies	Based on Usage

January, 2016

**A. Current Cypress Fee Schedule**

◆ **Member and Guest Meal Charges**

Guest Meals using Monthly Meal Credits	\$ 11.00
Guest Meals for Children age 6 and younger	No Charge
Additional Member Meals (Breakfast/Lunch)	\$ 9.00
Additional Member Meals (Dinner/Brunch)	\$ 13.00
Additional Guest Meals for Children age 7 – 12	\$ 7.00
Additional Guest Meals (Breakfast/Lunch)	\$ 14.00
Additional Guest Meals (Dinner/Brunch)	\$ 17.00
Private Parties Charges	As Agreed Upon

◆ **Bar Charges**

Beer	\$ 2.00
House Wine, per Glass	\$ 3.00
Premium Wine & Champagne, per Glass	\$ 4.00
Mixed Drinks	\$ 5.00
Premium Wine, per bottle (750 ml)	\$ 18.00
House Wine, per Bottle (750 ML)	\$ 12.00

◆ **Transportation**

Transportation to Airport	\$ 25.00
Valet Transportation (Round Trip)	\$ 6.00 per 15 minutes
Smaller White Bus Rental (3 Hour Minimum)	\$ 50.00 per hour
Big Red Bus Rental (3 Hour Minimum)	\$ 85.00 per hour

◆ **Housekeeping Services**

Additional Housekeeping Services (First carpet cleaning is complimentary, then normal Additional housekeeping charges apply)	\$ 4.50 per 15 minutes
Bio-Hazard clean up (\$5.00 minimum)	\$ 5.00 per 15 minutes

◆ **Maintenance Services**

Additional Maintenance Services	\$ 6.25 per 15 minutes
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◆ **Resident Services (One Hour Minimum)**

CNA	\$ 20.00 per hour
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◆ **Home Care Services (Four Hour Minimum)**

CNA/HHA	\$ 20.00 per hour
Skilled Nurse Visit	\$ 50 per visit weekday \$ 65 per visit weekend/holiday

◆ **Member Absence Credits**

(applicable for member absences of 14 consecutive days or longer, in accordance with the Membership Agreement)

Absence Credit - One Person	\$ 7.00 per day
Absence Credit - Two Persons	\$ 12.00 per day

◆ **Miscellaneous**

Activities Charges	As Presented
Hair Salon Charges	As Presented
Typing Services	Contact the Office Manager
In-home Computer Tutoring (\$15 minimum)	\$ 15.00 per 30 minutes
Replacement for lost access cards	\$ 10.00 each
Replacement for lost PERS pendant	\$100.00

**Current Cypress Fee Schedule**  
**The Stewart Health Center**  
Effective: January 1, 2016

◆ **Member and Guest Meal Charges**

Guest Meals in the SHC dining room	\$ 10.00
Guest Meals for Children age 7 – 12	\$ 7.00
Guest Meals for Children age 6 and younger	No Charge
Private Parties Charges	As Agreed Upon

◆ **Transportation**

Transportation to Airport	\$ 25.00
Valet Transportation (Round Trip)	\$ 6.00 per 15 minutes
Wheelchair Transport	Charges determined by Company

◆ **Home Care Services**

CNA	\$ 20.00 per hour
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◆ **Member Absence Credits**

(applicable for member absences of 14 consecutive days or longer, in accordance with the Membership Agreement)

Absence Credit - One Person	\$ 7.00 per day
Absence Credit - Two Persons	\$ 12.00 per day

◆ **Rehab**

Private Therapy provided by Heritage	\$45.00 per 30 min
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◆ **Miscellaneous Charges**

Hair Salon Charges	As Presented
Typing Services	Based on number of pages/time
Medical Supplies	Based on Usage