

Disclosure Statement

March 1, 2021

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

728 Klumac Road, Salisbury, North Carolina 28144
Telephone (704) 633-1002
www.trinityoaks.net

In accordance with Chapter 58, Article 64-20(b) of the North Carolina General Statutes of the State of North Carolina, the delivery of a disclosure statement to a contracting party before the execution of a contract for the provision of continuing care is required by NCGS 58-64.

*This Disclosure Statement may be delivered until revised, but not after July 29, 2022.

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

TRINITY OAKS DISCLOSURE STATEMENT

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DISCLOSURE STATEMENT
LUTHERAN RETIREMENT CENTER - SALISBURY, INC.

1. Provider

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

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

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

Chair of the Board and Director:

Mr. Eric Hoyle
496 Stonegate Lane
Winston Salem, NC 27104

Vice Chair of the Board and Director

Mrs. Betty Lohr
1232 Quiet Cove Lane
Hickory, NC 28601

President and Director

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

Director

Mrs. Sally Agner
1135 Faye Ln.
Salisbury, NC 28146

Secretary:

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

Treasurer

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

Director (Resident Representative)

Mr. Henry Brown
311 Majestic Heights Drive
Salisbury, NC 28144

3. Experience and Relationships

- (a) Experience in Similar Facilities. The following individuals have had experience in the operations management of similar facilities:

Ted Goins, Jr. Kirby Nickerson
Bill Johnson

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

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

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

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

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

- (c) Proceedings and Orders. No member of the Management Staff nor the Board of Directors (i) has been convicted of a felony or pleaded nolo contendere to a felony charge, or been held liable or enjoined in a civil action by final judgment, if the felony or civil action involved fraud, embezzlement, fraudulent conversion, or misappropriation of property; or (ii) is subject to a currently effective injunctive or restrictive court order, or within the past five years, had any State or federal license or permit suspended or revoked as a result of an action brought by a governmental agency or department, if the order or action arose out of or related to business activity of health care, including actions affecting a license to operate a foster care facility, nursing home, retirement home, home for aged, or facility subject to this Article or a similar law in another state. [NCGS 58-64-20(a)(3)(c)].
4. Religious Affiliation. Trinity Oaks is a nonstock North Carolina corporation sponsored by Lutheran Services Carolinas (LSC), a not-for-profit social ministry agency affiliated with the North Carolina Synod of the Evangelical Lutheran Church in America, and is a 501(c)(3) tax-exempt facility under the Internal Revenue Code. In 2004, LSA created a management company, LSA Management, Inc., to provide management services. LSA Management, Inc., is an affiliate organization of LSA and is a 501(c)(3) tax-exempt company under the Internal Revenue Code. LSA will not be responsible for the contractual obligations of Trinity Oaks. Through private contributions, Trinity Oaks expects to have, from time to time, funds to assist Residents unable to meet the full cost of the monthly fees, but it cannot contract in advance for such assistance. (LSA recently rebranded as Lutheran Services Carolinas (LSC).
5. Location and Description of Facility. Trinity Oaks is constructed on a site of approximately 50 acres. The site is located in the city of Salisbury, North Carolina on Klumac Road, north of Jake Alexander Boulevard, adjacent to Trinity Oaks health and rehab. This health care facility consists of 115 nursing beds, where we provide short term rehab and long term care, with 14 of those being in a secured Alzheimer's unit, 12 assisted living beds with 11 of those beds being in a secured Alzheimer's unit, and 12 independent apartments. We provide rehab services for all residents including outpatient specialized services for the campus and community. Trinity Oaks consists of a three-story building containing 125 independent living residential units and 38 assisted living units. There are 42 cottage residential units. The nursing care and assisted living units meet all terms and conditions of the North Carolina Department of Human Resources for the licensing of such units. The total resident population being served on the date of this Disclosure Statement was 335. Construction of the congregate center was started in October 1991 and completed in January 1993. The facility became operational on January 12, 1993 upon admission of its first resident. Construction of the cottages began in 1997 and was completed in fall 2004. An Alzheimer's facility was added to the nursing facility in the fall of 2007. In the fall of 2008, Trinity Oaks added new common, dining, and wellness areas to the community's main building. Construction on a new assisted living wing was completed in the summer of 2018.

6. Admissions Policies and Procedures. Upon execution of the Residency Agreement and fulfillment of his/her obligations hereunder, the Resident will be qualified for admission as an occupant of Trinity Oaks subject to the terms and conditions of this Section 6:

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

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

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

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

(d) Application. Within thirty (30) days of execution of the Reservation Agreement, the Resident will submit an Application for Admission, Personal Health History and a Confidential Financial Statement or other evidence of sufficient financial means for the review and approval by the Trinity Oaks Admissions Committee.

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

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

- (g) Health. Each independent living resident must have sufficient physical and mental capacities to live independently without posing a danger to his/her health or to the health and safety of other Trinity Oaks residents and staff. We respect the privacy of the Resident's personal health information and are committed to maintaining the Resident's confidentiality. This applies to all information and records related to the Resident's health that Trinity Oaks has received or created.
- (h) Interview. The Resident must have an interview with a representative from the Provider prior to being approved by the Admissions Committee. Upon review of the information outlined in subsections (b), (d), and (e) above, the Provider may request additional personal interviews with the Resident.
- (i) Representations and Warranties. The representations made in the Application for Admission, Personal Health History and Confidential Financial Statement, or other statements of financial capability, will be relied upon by Provider as the basis for the Residency Agreement.
- (j) Financial Condition. Immediately prior to entering Trinity Oaks for occupancy, the Resident will affirm to the Admissions Committee whether or not his/her personal financial situation differs materially and adversely from the financial situation presented in the Resident's Confidential Financial Statement described in subsection 6(d) of this document. If the Resident's current personal financial statement does differ materially and adversely from such prior financial situation, the provider may terminate the Residency Agreement.
- (k) Additional Financial Statements. After occupancy, the Executive Director may require updated financial information. In the case of two Residents occupying an Apartment or Cottage and in the event of the death of one of the occupants, the surviving Resident may be required to submit an update of the original application and provide a new Confidential Financial Statement.
- (l) Rules and Regulations. Upon entering Trinity Oaks for occupancy, the Resident agrees to abide by the administrative policies and procedures as may be established by Trinity Oaks for the operation and management of Trinity Oaks, including such amendments, modifications or changes in those policies and procedures as may be established by Trinity Oaks from time to time.

7. Residence Related Services and Programs

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

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

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

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

(b) Health Care

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

Center or Trinity Oaks health and rehab, subject to availability of beds, on a priority basis. In the event Trinity Oaks health and rehab has no bed available, services will be arranged at such other health care or nursing facility of similar quality (“Nursing Center”). The Monthly Maintenance Fee includes a 10% discount on Trinity Oaks health and rehab (or such other Nursing Center if space is not first available at Trinity Oaks health and rehab) then current private pay rates. If a Resident becomes eligible for Medicaid then the 10% discount does not apply. All Residents at Trinity Oaks health and rehab are responsible for their pharmacy copayments. If a temporary stay at Trinity Oaks health and rehab, a Resident will continue to pay the Monthly Maintenance Fee in the Independent Living Unit. If a permanent transfer to Trinity Oaks health and rehab, the Resident will cease paying the Monthly Maintenance Fee when either the apartment or cottage has been totally vacated.

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

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

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

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

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

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

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

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

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

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

(a) Entrance Fee

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

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

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

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

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

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

Schedule of Apartment Entrance Fees Effective 1/1/20

INDEPENDENT LIVING	Limited Refund	50% Refund	90% Refund
Studio	\$58,350	\$77,976	\$139,508
One Bedroom	\$68,701	\$91,505	\$163,909
One Bedroom Deluxe	\$72,141	\$96,011	\$171,866
Two Bedroom	\$107,681	\$143,752	\$257,006
2nd Person	\$3,981	\$5,305	\$9,548

Schedule of Apartment Entrance Fees 3/1/16-12/31/19

INDEPENDENT LIVING	Limited Refund	50% Refund	90% Refund
Studio	\$56,650	\$75,705	\$135,445
One Bedroom	\$66,700	\$88,840	\$159,135
One Bedroom Deluxe	\$70,040	\$93,215	\$166,860
Two Bedroom	\$104,545	\$139,565	\$249,520
2nd Person	\$3,865	\$5,150	\$9,270

Previous Apartment Entrance Fees 8/2/13 -2/29/16

INDEPENDENT LIVING	Limited Refund	50% Refund	90% Refund
Studio	\$55,000	\$73,500	\$131,500
One Bedroom	\$64,750	\$86,250	\$154,500
One Bedroom Deluxe	\$68,000	\$90,500	\$162,000
Two Bedroom	\$101,500	\$135,500	\$242,250
2nd Person	\$3,750	\$5,000	\$9,000

Cottage Entrance Fees Effective 1/1/20

Address	Sq. Ft.	Limited Refund	50% Refund	90% Refund
114CWD	1453	\$102,376	\$136,326	\$244,007
202LL	1674	\$121,739	\$162,318	\$290,687
408TOD	1677	\$121,739	\$162,318	\$290,687
103CWD	1677	\$121,739	\$162,318	\$290,687
111CWD	1677	\$121,739	\$162,318	\$290,687
303MHD	1677	\$121,739	\$162,318	\$290,687
304MHD	1677	\$121,739	\$162,318	\$290,687
316MHD	1687	\$121,739	\$162,318	\$290,687
314MHD	1699	\$121,739	\$162,318	\$290,687
207LL	1713	\$121,739	\$162,318	\$290,687
205LL	1733	\$121,739	\$162,318	\$290,687
107CWD	1765	\$121,739	\$162,318	\$290,687
305CWD	1821	\$121,739	\$162,318	\$290,687
109CWD	1828	\$121,739	\$162,318	\$290,687
402TOD	1861	\$136,061	\$181,414	\$324,532
404TOD	1861	\$136,061	\$181,414	\$324,532
105CWD	1861	\$136,061	\$181,414	\$324,532
101CWD	1861	\$136,061	\$181,414	\$324,532
118CWD	1861	\$136,061	\$181,414	\$324,532
113CWD	1861	\$136,061	\$181,414	\$324,532
302MHD	1861	\$136,061	\$181,414	\$324,532
312MHD	1903	\$136,061	\$181,414	\$324,532
301MHD	1905	\$136,061	\$181,414	\$324,532
307MHD	1909	\$136,061	\$181,414	\$324,532
208LL	1913	\$136,061	\$181,414	\$324,532
310MHD	1915	\$136,061	\$181,414	\$324,532
116CWD	1916	\$136,061	\$181,414	\$324,532
115CWD	2044	\$136,061	\$181,414	\$324,532
204LL	2077	\$136,061	\$181,414	\$324,532
206LL	2077	\$136,061	\$181,414	\$324,532
311MHD	2089	\$136,061	\$181,414	\$324,532
309MHD	2092	\$136,061	\$181,414	\$324,532
406TOD	2095	\$136,061	\$181,414	\$324,532
104CWD	2250	\$136,061	\$181,414	\$324,532
120CWD	2309	\$179,027	\$238,703	\$405,794
106CWD	2318	\$179,027	\$238,703	\$405,794
306MHD	2318	\$179,027	\$238,703	\$405,794
308MHD	2318	\$179,027	\$238,703	\$405,794
212LL	2545	\$179,027	\$238,703	\$405,794
102CWD	2589	\$179,027	\$238,703	\$405,794
108CWD	2932	\$179,027	\$238,703	\$405,794
210LL	3049	\$179,027	\$238,703	\$405,794
2nd Person		\$5,572	\$7,426	\$13,261

Cottage Entrance Fees Effective 1/1/19-12/31/19

Address	Sq. Ft.	Limited Refund	50% Refund	90% Refund
114CWD	1453	\$99,395	\$132,355	\$236,900
202LL	1674	\$118,193	\$153,000	\$282,220
408TOD	1677	\$118,193	\$153,000	\$282,220
103CWD	1677	\$118,193	\$153,000	\$282,220
111CWD	1677	\$118,193	\$153,000	\$282,220
303MHD	1677	\$118,193	\$153,000	\$282,220
304MHD	1677	\$118,193	\$153,000	\$282,220
316MHD	1687	\$118,193	\$153,000	\$282,220
314MHD	1699	\$118,193	\$153,000	\$282,220
207LL	1713	\$118,193	\$153,000	\$282,220
205LL	1733	\$118,193	\$153,000	\$282,220
107CWD	1765	\$118,193	\$153,000	\$282,220
305CWD	1821	\$132,098	\$176,130	\$315,180
109CWD	1828	\$132,098	\$176,130	\$315,180
402TOD	1861	\$132,098	\$176,130	\$315,180
404TOD	1861	\$132,098	\$176,130	\$315,180
105CWD	1861	\$132,098	\$176,130	\$315,180
101CWD	1861	\$132,098	\$176,130	\$315,180
118CWD	1861	\$132,098	\$176,130	\$315,180
113CWD	1861	\$132,098	\$176,130	\$315,180
302MHD	1861	\$132,098	\$176,130	\$315,180
312MHD	1903	\$132,098	\$176,130	\$315,180
301MHD	1905	\$132,098	\$176,130	\$315,180
307MHD	1909	\$132,098	\$176,130	\$315,180
208LL	1913	\$132,098	\$176,130	\$315,180
310MHD	1915	\$132,098	\$176,130	\$315,180
116CWD	1916	\$132,098	\$176,130	\$315,180
115CWD	2044	\$132,098	\$176,130	\$315,180
204LL	2077	\$132,098	\$176,130	\$315,180
206LL	2077	\$132,098	\$176,130	\$315,180
311MHD	2089	\$132,098	\$176,130	\$315,180
309MHD	2092	\$132,098	\$176,130	\$315,180
406TOD	2095	\$132,098	\$176,130	\$315,180
104CWD	2250	\$173,813	\$231,750	\$393,975
120CWD	2309	\$173,813	\$231,750	\$393,975
106CWD	2318	\$173,813	\$231,750	\$393,975
306MHD	2318	\$173,813	\$231,750	\$393,975
308MHD	2318	\$173,813	\$231,750	\$393,975
212LL	2545	\$173,813	\$231,750	\$393,975
102CWD	2589	\$173,813	\$231,750	\$393,975
108CWD	2932	\$178,813	\$231,750	\$393,975
210LL	3049	\$173,813	\$231,750	\$393,975
2nd Person		\$5,410	\$7,210	\$12,875

Cottage Entrance Fees Effective 3/1/16 – 12/31/18

Address	Sq. Ft.	Limited Refund	50% Refund	90% Refund
114CWD	1453	\$99,395	\$132,355	\$236,900
202LL	1674	\$118,193	\$153,000	\$282,220
408TOD	1677	\$118,193	\$153,000	\$282,220
103CWD	1677	\$118,193	\$153,000	\$282,220
111CWD	1677	\$118,193	\$153,000	\$282,220
303MHD	1677	\$118,193	\$153,000	\$282,220
304MHD	1677	\$118,193	\$153,000	\$282,220
316MHD	1687	\$118,193	\$153,000	\$282,220
310MHD	1699	\$118,193	\$153,000	\$282,220
314MHD	1699	\$118,193	\$153,000	\$282,220
207LL	1713	\$118,193	\$153,000	\$282,220
205LL	1733	\$118,193	\$153,000	\$282,220
107CWD	1765	\$118,193	\$153,000	\$282,220
305CWD	1821	\$132,098	\$176,130	\$315,180
115CWD	1828	\$132,098	\$176,130	\$315,180
109CWD	1828	\$132,098	\$176,130	\$315,180
402TOD	1861	\$132,098	\$176,130	\$315,180
404TOD	1861	\$132,098	\$176,130	\$315,180
406TOD	1861	\$132,098	\$176,130	\$315,180
105CWD	1861	\$132,098	\$176,130	\$315,180
101CWD	1861	\$132,098	\$176,130	\$315,180
118CWD	1861	\$132,098	\$176,130	\$315,180
120CWD	1861	\$132,098	\$176,130	\$315,180
113CWD	1861	\$132,098	\$176,130	\$315,180
204LL	1861	\$132,098	\$176,130	\$315,180
206LL	1861	\$132,098	\$176,130	\$315,180
302MHD	1861	\$132,098	\$176,130	\$315,180
312MHD	1903	\$132,098	\$176,130	\$315,180
301MHD	1905	\$132,098	\$176,130	\$315,180
307MHD	1909	\$132,098	\$176,130	\$315,180
208LL	1913	\$132,098	\$176,130	\$315,180
116CWD	1916	\$132,098	\$176,130	\$315,180
311MHD	2089	\$132,098	\$176,130	\$315,180
309MHD	2092	\$132,098	\$176,130	\$315,180
104CWD	2250	\$173,813	\$231,750	\$393,975
106CWD	2318	\$173,813	\$231,750	\$393,975
306MHD	2318	\$173,813	\$231,750	\$393,975
308MHD	2318	\$173,813	\$231,750	\$393,975
212LL	2545	\$173,813	\$231,750	\$393,975
102CWD	2589	\$173,813	\$231,750	\$393,975
210LL	2797	\$173,813	\$231,750	\$393,975
108CWD	2860	\$173,813	\$231,750	\$393,975
2nd Person		\$5,410	\$7,210	\$12,875

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

(b) Monthly Maintenance Fee, Other Charges

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

Schedule of Monthly Maintenance Fees (January 1, 2017 - December 31, 2017)

Unit Type	Monthly Fee	Additional for
Independent Living Units:	Single Resident	Second Resident
Studio	\$1,814	N/A
One Bedroom	\$2,277	\$999
One Bedroom Deluxe	\$2,642	\$999
One Bedroom Deluxe (new floor plan)	\$2,436	\$999
Two Bedroom	\$2,907	\$999
Cottage	\$3,134	\$1,115
Cottage (Freedom Plan)*	\$1,758	\$243
Cottage (Unbundled Plan)*	\$2,446	\$730

Assisted Living

Standard	\$5,091	N/A
Enhanced Care Services	\$5,456	N/A
Enhanced Care Plus Services	\$5,821	N/A
Maximum Care	\$6,186	N/A

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

**Please see Attachment 6,

Schedule of Monthly Maintenance Fees (January 1, 2018 - December 31, 2018)

Unit Type Independent Living Units:	Monthly Fee Single Resident	Additional for Second Resident
Studio	\$1,868	N/A
One Bedroom	\$2,345	\$1,029
One Bedroom Deluxe	\$2,509	\$1,029
Two Bedroom	\$2,994	\$1,029
Cottage	\$3,228	\$1,148
Cottage (Freedom Plan)*	\$1,811	\$250
Cottage (Unbundled Plan)*	\$2,520	\$750

Assisted Living

Standard	\$5,244	N/A
Enhanced Care Services	\$5,609	N/A
Enhanced Care Plus Services	\$5,974	N/A
Maximum Care	\$6,339	N/A

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

**Please see Attachment 6.

Schedule of Monthly Maintenance Fees (January 1, 2019 - December 31, 2019)

Unit Type Independent Living Units:	Monthly Fee Single Resident	Additional for Second Resident
Studio	\$1,924	N/A
One Bedroom	\$2,415	\$1,060
One Bedroom Deluxe	\$2,584	\$1,060
Two Bedroom	\$3,084	\$1,060
Cottage	\$3,325	\$1,182
Cottage (Freedom Plan)*	\$1,865	\$258
Cottage (Unbundled Plan)*	\$2,596	\$773

Assisted Living

Standard	\$5,401	N/A
Enhanced Care Services	\$5,766	N/A
Enhanced Care Plus Services	\$6,131	N/A
Maximum Care	\$6,496	N/A

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

**Please see Attachment 6.

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

Unit Type	Monthly Fee	Additional for
Independent Living Units:	Single Resident	Second Resident
Studio	\$1,982	N/A
One Bedroom	\$2,487	\$1,092
One Bedroom Deluxe	\$2,662	\$1,092
Two Bedroom	\$3,177	\$1,092
Cottage	\$3,425	\$1,217
Cottage (Freedom Plan)*	\$1,921	\$266
Cottage (Unbundled Plan)*	\$2,674	\$796

Assisted Living

Standard	\$5,563	N/A
Enhanced Care Services	\$5,928	N/A
Enhanced Care Plus Services	\$6,293	N/A
Maximum Care	\$6,658	N/A

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

**Please see Attachment 6.

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

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

Assisted Living

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

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

**Please see Attachment 6.

Extra Charges:

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

Changes in Monthly Fees for the Previous Five Years - 2017-2021

Assisted Living:	2017	2018	2019	2020	2021
Average % Increase	3.00%	3.00%	3.00%	3.00%	3.00%
Average \$ Increase	\$148	\$153	\$157	\$162	\$

Independent Living:	2017	2018	2019	2020	2021
Average % Increase	3.00%	3.00%	3.00%	3.00%	3%
Average \$ Increase					
Studio	\$53	\$54	\$56	\$58	\$59
1 Bedroom	\$66	\$68	\$70	\$72	\$75
1 Bedroom Deluxe	\$71	\$73	\$75	\$78	\$80
2 Bedroom	\$85	\$87	\$90	\$93	\$95
2nd Occupant Apartment	\$29	\$30	\$31	\$32	\$33
Cottage	\$91	\$94	\$97	\$100	\$103
2nd Occupant Cottage	\$32	\$33	\$34	\$35	\$37

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

(c) Nursing Home Fees and Charges

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

If a Resident is admitted to Trinity Oaks health and rehab (or any other nursing center if space is not first available at Trinity Oaks health and rehab), the Resident will continue to pay the Monthly Maintenance Fee for his/her Independent or Assisted Living Unit. The Resident will receive a 10% discount on Trinity Oaks health and rehab at then current private pay rates. Only when services cannot be provided by Trinity Oaks health and rehab will services at another nursing center be covered by this 10% discount. When eligible for Medicare benefits, Medicare pays first for health care. When benefits are no longer applicable, the 10% discount will apply. If a Resident becomes eligible for Medicaid then the 10% discount does not apply. All Residents at Trinity Oaks health and rehab are responsible for their pharmacy copayments.

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

- (d) Additional Charges. Resident also agrees to pay on demand any and all additional amounts which may become due under the Residency Agreement, and any and all charges for additional or optional services provided to the Resident. (See Section 11, Personal Belongings.)
- (e) Monthly Statements. Trinity Oaks will furnish the Resident with a monthly statement showing the total amount of the Monthly Maintenance Fee and all other charges owed by the Resident. Fees and other charges will be due and payable by the tenth (10th) day of each month. Late payments will be assessed a penalty of twenty-five dollars (\$25).
- (f) Inability to Pay. Resident agrees that in the event he/she shall become unable to pay the Monthly Maintenance Fee, or any part thereof, Trinity Oaks may, at its sole discretion, credit such fees or charges against any amounts which Trinity Oaks would be required to reimburse to Resident under the provisions of Section 8 of this document. It is the declared policy of Trinity Oaks to operate as a charitable, not-for-profit organization and not to terminate the residency of Resident solely by reason of financial inability of Resident to pay the total Monthly Maintenance Fee

or any other fees or charges assessed under the Residency Agreement, even though Resident's right to reimbursement of any portion of the Entrance Fee has been extinguished by reason of the credits referred to above, so long as the following conditions have been met: (i) in the sole discretion of Trinity Oaks, the ability of Trinity Oaks to operate on a sound financial basis is not impaired; and (ii) after entering into the Residency Agreement, Resident shall not, without Trinity Oaks' prior written consent, have impaired his ability to meet financial obligations to Trinity Oaks, and (iii) Resident has applied for and documented justification for special financial consideration.

(g) Terms of Residence

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

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

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

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

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

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

representatives of the Resident's family or sponsor, and the Resident's physician.

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

(h) Termination.

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

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

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

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

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

- (4) Termination by Resident After Occupancy. After occupancy, subject to the provisions of Section 8 hereof, Resident may terminate this Residency Agreement by giving written notice to Trinity Oaks no less than ninety (90) days before Resident intends to move out of Trinity Oaks. Resident is responsible to pay Monthly Maintenance Fees during the 90-day period, or until the Living Unit is vacated, whichever occurs last.

- (5) Termination by Trinity Oaks. Trinity Oaks may, subject to the provisions of Section 8 hereof, upon notice and opportunity to cure as stated in this document, revoke Resident's right to reside at Trinity Oaks and terminate the Residency Agreement upon the occurrence of any default by the Resident in meeting the covenants, warranties, representations, and terms of Residency provided for in this Disclosure Statement. Trinity Oaks may also terminate this Agreement at any time for any good cause. Good cause shall be limited to:
 1. Proof that you are a danger to yourself or others;
 2. Nonpayment by you of any fee due to the Community;
 3. Repeated conduct by you that interferes with other residents' quiet enjoyment of the Community;
 4. Persistent refusal by you to comply with the reasonable written rules and regulations of the Community;
 5. Material misrepresentation made intentionally or recklessly by you in your application for residency, or related materials regarding information which, if accurately provided, would have resulted in either a failure of you to qualify for residency or a material increase in the cost of providing to you the care and services provided under this Agreement, including with respect to those items referred to in Section 6.
 6. Material breach by you of this Agreement.

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

- (6) Notice and Right to Cure. Once Resident has occupied the Living Unit, Trinity Oaks shall give Resident notice in writing of any default by Resident

which may not involve the payment of money and Resident shall have thirty (30) days thereafter within which to correct such default. If Resident corrects such default within such time, the Residency Agreement shall not then be terminated. If Resident fails to correct such default within such time, Trinity Oaks may, at its sole option, terminate the Residency Agreement at the expiration of the thirty (30) day period.

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

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

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

(i) Reimbursement of Entrance Fee.

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

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

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

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

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

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

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

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

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

13. Casualty Loss, Condemnation.

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

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

conflict with any federal, state or other law or regulations, and agrees to apply for and cooperate in obtaining such benefits.

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

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

21. Governing Law. The Residency Agreement will be governed by and construed under the laws of the State of North Carolina.
22. Execution. The Residency Agreement has been executed on behalf of Trinity Oaks by its duly authorized agent. No officer, director, agent or employee of Trinity Oaks shall have any personal liability hereunder to Resident under any circumstances.
23. Waiver. No waiver of any term or condition of the Residency Agreement shall be effective unless made in writing and executed by the parties to the Residency Agreement. Nor shall any waivers be deemed to excuse the performance of any act other than those specifically referred to in the written notice of waiver. Any failure of Trinity Oaks to insist upon strict and/or prompt performance of the foregoing, or any other covenants, terms or conditions of the Residency Agreement and/or the acceptance of such performance thereafter will not constitute or be construed as a waiver or the relinquishment of Trinity Oaks' right to thereafter enforce the same strictly according to the tenor hereof in the event of a continuing or subsequent default on the part of the Resident.
24. Interpretation. The captions contained herein are for convenience and reference only and in no way define, limit, or describe the scope or intent of the Residency Agreement or affect any of the terms and provisions of this document. Any reference expressed in any gender shall be deemed to include each of the other genders, and the singular shall be deemed to include the plural and vice versa, unless the context otherwise requires.
25. Notice. All notices and other communication hereunder shall be in writing and shall be deemed given if delivered personally or mailed by first class mail (postage paid) to the persons at the following addresses (or at such other address for a party as specified by like notice):
 - (a) If to Trinity Oaks:
 - (i) LUTHERAN RETIREMENT CENTER - SALISBURY, INC.
d/b/a TRINITY OAKS
728 Klumac Road
Salisbury, North Carolina 28144-5714

(b) If to the Resident:

(i) If before Occupancy, as follows:

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

26. Nature of Residency Agreement. Subject to the terms and conditions set forth in the Residency Agreement, nursing services, medical services and other health-related services are available at additional fees.
27. Reserve Funding. Section 58-64-33 of the North Carolina General Statutes requires continuing care facilities to establish operating reserves equal to a percentage (based upon maintenance of occupancy levels) of total operating costs projected in forecasted financial statements for the following 12-month periods. The forecasted reserve for 2020, 2021, 2022, 2023 and 2024 is calculated as follows:

	(In thousands of Dollars)				
	2021	2022	2023	2024	2025
Projected Total Operating Expense	\$21,257	\$21,448	\$22,176	\$22,887	\$23,608
Less:					
Depreciation	(2,625)	(2,803)	(2,980)	(3,142)	(3,305)
Interest Expense and Amortization	(250)	(329)	(337)	(325)	(306)
Projected Operating Expenses of Lutheran Home at Trinity Oaks and Lutheran Home at Trinity Oaks Property, Inc.	(11,637)	(11,408)	(11,743)	(12,091)	(12,447)
Adjusted Operating Expenses	\$6,745	\$6,908	\$7,116	\$7,329	\$7,550
Include					
Principal Payment - Trinity Oaks	254	262	273	291	303
Interest Payment - Trinity Oaks	210	192	178	160	143
Total Operating Costs	\$7,209	\$7,362	\$7,567	\$7,780	\$7,996
Operating Reserve Percentage	25%	25%	25%	25%	25%
Operating Reserve - Lutheran Retirement Center - Salisbury, Inc.	\$1,802	\$1,840	\$1,892	\$1,945	\$1,999

- (a) The requirement to maintain operating reserves at this percentage of total forecasted expenses (less depreciation and amortization expenses and bond interest expense) is based on the maintenance of occupancy at less than 90% for the years 2016 and forward.

As indicated in the forecasted financial statements, the amount of the operating reserve for 2021 is \$1,802,000. The 2020 operating reserve is fully funded. To the extent the operating reserve requirement increases in future years the remaining amount needed to comply with the operating reserve requirement will be funded out of long-term investments and board designated funds, which are presently on hand. Operating reserve funds will be invested primarily in obligations of the United States Treasury, highly rated corporate bonds and money market accounts. Investments will be managed by an institutional investment trust established through a bank of investment firm.

28. Cottage Project

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

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

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

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

- 29. Miscellaneous. Wherever appropriate in this document the singular shall include the plural, and the masculine shall include the feminine and vice versa.
- 30. Copy of Residency Agreement. A copy of the Residency Agreement used by Trinity Oaks is attached hereto as Attachment 1.
- 31. Certified Financial Statement of Trinity Oaks. A combined Certified Financial Statement of Trinity Oaks and Lutheran Services Carolinas, Inc. for the Fiscal Year 2019 is attached as Attachment 2.

32. Certified Forecast Financial Statements. A copy of Trinity Oaks' Certified Forecast Financial Statement is attached as Attachment 3.
33. Interim Financials (January 31, 2021). A copy of Trinity Oaks' interim financials is attached as Attachment 4.
34. Assisted Living Enhanced Care Program. A copy of Trinity Oaks assisted living's enhanced care program is attached as Attachment 5.
35. Cottage Unbundling of Services Program. A copy of Trinity Oaks' Cottage Unbundling of Services Program is attached as Attachment 6.
36. Trinity Oaks Resident Transportation Charges

Medical Transportation:

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

Non-Medical Transportation:

- Non-Medical transportation is provided within Rowan County, as the schedule permits, at the following rate.
 - \$10 per destination.
- Non-Medical transportation is provided to counties bordering Rowan County, as the schedule permits, at the following rates. (Cabarrus, Davidson, Davie, Iredell, and Stanley)
 - \$40 for one way trip. (Drop off or pick up only)
 - \$40 for the 1st hour and \$20 at the start of each hour thereafter. (These transports force the driver to stay near the destination site, therefore, the time starts at the departure of the origination point and will end at the arrival of the origination point.)
- Non-Medical transportation is provided to counties not bordering Rowan County, as the schedule permits, at the following rates. (i.e. Airport runs)

- \$60 for a one way trip. (Drop off or pick up only)
- \$60 for the 1st hour and \$30 at the start of each hour thereafter. (These transports force the driver to stay near the destination site, therefore, the time starts at the departure of the origination point and will end at the arrival of the origination point.)

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

**Lutheran Services for the Aging
Trinity Oaks
Balance Sheet**

Assets	Actual 2020	Forecast 2020	Difference	Explanation
Current Assets				
Cash and cash equivalents	\$ 2,114,227	\$ 2,233,000	\$ (118,773)	
Investments	8,633,906	11,209,000	(2,575,094)	Fewer investments
Receivables, net of allowance	1,899,174	1,646,000	253,174	
Other	3,270,249	41,000	3,229,249	Due from affiliate
Inventories	79,811	111,000	(31,189)	
Total current assets	15,997,367	15,240,000		
Assets limited as to use - non current	4,451,262	4,670,000	(218,738)	
Net Property and Equipment	24,648,796	25,621,000	(972,204)	Delayed projects
Total assets	\$ 45,097,426	\$ 45,531,000		
Liabilities				
Current Liabilities				
Current portion of long-term debt	\$ -	\$ -	-	
Accounts payable - trade	447,567	438,000	9,567	
Accrued salaries and payroll taxes	871,635	882,000	(10,365)	
Accrued employee benefits	69,346	98,000	(28,654)	
Accrued interest payable	-	5,000	(5,000)	
Refundable fee deposits - current	691,715	578,000	113,715	
Due to related party	-	-	-	
Total current liabilities	2,080,263	2,001,000		
Other liabilities and credits				
Refundable fee deposits	6,742,325	5,951,000	791,325	Change in contract refunds
Deferred revenue	505,481	-		
Deferred revenue from fee deposits	7,070,054	8,893,000	(1,822,946)	Change in contract refunds
Long-term debt	5,615,468	7,181,000	(1,565,532)	Delayed financing
Total other liabilities and credits	19,933,328	24,026,000		
Unrestricted	21,892,478	20,423,000		
Temporarily restricted	1,191,356	1,082,000		
Total net assets	23,083,834	21,505,000		
Total liabilities and net assets	\$ 45,097,426	\$ 45,531,000		

Explanation of Material Differences Between Projected Statements of Operations and Changes in Net Assets for the Year Ended September 30, 2020 and Year Ended September 30, 2020 Actual Results. Please note that the basic threshold for a comment on variances was >\$500,000 on the balance sheet and cash flow statement and >\$200,000 on the income statement.

The following explanation is furnished pursuant to Section 58-94-30 of the General Statutes of North Carolina. The explanation pertains to material difference between the Projected Statement of Activities and Changes in Net Assets for the Year Ended September 30, 2020 contained as part of the Disclosure Statement.

**Lutheran Services for the Aging
Trinity Oaks
Income Statement**

	Actual 2020	Forecast 2020	Difference	Explanation
Revenue and other Support				
Net resident service revenue	\$ 20,636,861	\$ 19,836,000	\$ 800,861	Increased State and Federal funding
Amortization of deferred entrance fees	1,601,565	1,244,000	357,565	Early terminations
Restricted funds released for operations	41,574	-	41,574	
Other revenue	404,885	430,000	(25,115)	
Total revenue and other support	\$ 22,684,884	\$ 21,510,000	\$ 1,174,884	
Expenses				
Health care	6,874,451	6,823,000	51,451	
Maintenance	1,328,826	1,166,000	162,826	
Laundry	176,329	208,000	(31,671)	
Housekeeping	594,670	591,000	3,670	
Grounds	225,472	224,000	1,472	
Security	116,255	112,000	4,255	
Dietary	2,549,541	2,556,000	(6,459)	
Life Enrichment Services	629,820	655,000	(25,180)	
Administration	5,108,003	4,436,000	672,003	COVID related
Depreciation	2,388,564	2,560,000	(171,436)	
Interest expense	289,465	269,000	20,465	
Total expenses	20,281,394	19,600,000	681,394	
Operating income (loss)	2,403,490	1,910,000	493,490	
Other Income				
Investment Income	610,535	362,000	248,535	Realized gains
Unrealized Gain (Loss)	506,105	-	506,105	Market increase
Unrestricted contributions and bequest	140,824	18,000	122,824	
Total other income (loss)	1,257,464	380,000	877,464	
Excess revenues over expenses	\$ 3,660,954	\$ 2,290,000	\$ 1,370,954	Better performance due to increased State and Federal funding
Other changes in unrestricted net assets	97,688	-	97,688	
Increase (decrease) unrestricted asset:	\$ 3,758,642	\$ 2,290,000	\$ 1,468,642	Better performance due to increased State and Federal funding
Temporary restricted				
Contributions	162,388	-	162,388	
Net assets released from restrictions	(53,400)	-	(53,400)	
Increase (decrease) temp. restricted	108,989	-	108,989	
Increase (decrease) net assets	3,867,630	2,290,000	1,577,630	
Net deficit - beginning of year	19,216,203	19,215,000		
Net deficit - end of year	\$ 23,083,833	\$ 21,505,000		

Explanation of Material Differences Between Projected Statements of Operations and Changes in Net Assets for the Year Ended September 30, 2020 and Year Ended September 30, 2020 Actual Results. Please note that the basic threshold for a comment on variances was >\$500,000 on the balance sheet and cash flow statement and >\$200,000 on the income statement.

The following explanation is furnished pursuant to Section 58-94-30 of the General Statutes of North Carolina. The explanation pertains to material difference between the Projected Statement of Activities and Changes in Net Assets for the Year Ended September 30, 2020 contained as part of the Disclosure Statement.

**Lutheran Services for the Aging
Trinity Oaks
Statement of Cash Flows**

	Actual 2020	Forecast 2020	Difference	Explanation
CASH FLOWS FROM OPERATING ACTIVITIES:				
Change in net assets	\$ 3,867,630	\$ 2,290,000	\$ 1,577,630	Better performance due to increased State and Federal funding
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Amortization of deferred revenue from advance fees	(1,601,565)	(1,246,000)	(355,565)	Accelerated amortization
Depreciation	2,388,564	2,560,000	(171,436)	
(Gain) loss on disposal of assets		-	-	
Realized/unrealized (gain) loss on investments	(506,105)	-	(506,105)	Good investment performance
(Increase) decrease in other current assets	(3,694,301)	2,224,000	(5,918,301)	Increase in Due from affiliate
Increase (decrease) in accounts payable/accrued expenses	158,411	194,000	(35,589)	
Increase (decrease) in deferred revenue	505,481	-		
Net cash provided by operating activities	<u>1,118,115</u>	<u>6,022,000</u>		
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of property and equipment	(1,507,437)	(2,651,000)	1,143,563	Delayed projects
Investments (net)	(584,896)	(3,666,000)	3,081,104	More held in cash
(Increase) decrease in assets whose use is limited	(134,462)	(380,000)	245,538	
Net cash used in investing activities	<u>(2,226,795)</u>	<u>(6,697,000)</u>		
CASH FLOWS FROM FINANCING ACTIVITIES:				
Net proceeds from bond issue/debt payments	521,673	2,089,000	(1,567,327)	Delayed financing
Advanced fees received, net	430,074	(1,452,000)	1,882,074	More receipts
Net cash provided by financing activities	<u>951,747</u>	<u>637,000</u>		
NET CHANGE IN CASH AND CASH EQUIVALENTS	(156,933)	\$ (38,000)		
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	<u>2,271,160</u>	<u>\$ 2,271,000</u>		
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,114,227</u>	<u>\$ 2,233,000</u>		

Explanation of Material Differences Between Projected Statements of Operations and Changes in Net Assets for the Year Ended September 30, 2020 and Year Ended September 30, 2020 Actual Results. Please note that the basic threshold for a comment on variances was >\$500,000 on the balance sheet and cash flow statement and >\$200,000 on the income statement.

The following explanation is furnished pursuant to Section 58-94-30 of the General Statutes of North Carolina. The explanation pertains to material difference between the Projected Statement of Activities and Changes in Net Assets for the Year Ended September 30, 2020 contained as part of the Disclosure Statement.

Attachment 1

Copy of Residency Agreement

TRINITY OAKS RESIDENCY AGREEMENT

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**TRINITY OAKS
RESIDENCY AGREEMENT**

Recitals

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

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

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

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

Health: Each independent living Resident must have sufficient physical and mental capacities to live independently without posing a danger to his/her health or to the health and safety of other Trinity Oaks residents and staff. The Resident will provide a Personal Health Application.

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

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

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

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

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

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

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

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

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

2. Terms of Residence.

- (a) Nature and Extent of Rights. Resident's right to occupy the Apartment or Cottage for a term of years or for life shall exist unless terminated as provided for in Section 8 of the Residency Agreement. Nothing contained herein shall be construed or is intended to require that Trinity Oaks care for the Resident for life, nor shall this Agreement be construed as a life-care contract.
- (b) Terms of Occupancy. Signing of this Residency Agreement and payment of the Entrance Fee does not deliver title to real or personal property, and may not be assigned, transferred, inherited or devised. Any rights, privileges, benefits, or interests created by or under this

Agreement shall be subordinated to any mortgage, deed of trust, or other security interest created on any of the premises or interests in real estate of Trinity Oaks and to all amendments, modifications, replacements or refunding thereof. Resident agrees to execute and deliver any document required by Trinity Oaks or by the holder of any mortgage, deed of trust or other interest to evidence or effect such subordination.

- (c) Alteration or Modification. Notwithstanding any other provisions in this Agreement, Trinity Oaks may alter or modify the Apartment or Cottage to meet requirements of any statute, law or regulation of the Federal, State or local Government. Resident may not, without prior written consent of the Executive Director, make any alterations or modifications to the Apartment or Cottage.
- (d) Use. The Apartment or Cottage shall be used for residential purposes only and shall not be used for business or professional purposes, nor in any manner in violation of any zoning or health ordinances.
- (e) Permitted Occupants. The parties hereto recognize and agree that the amount of wear and tear evident in the Apartment or Cottage depends in part upon the number of persons regularly occupying the Apartment or Cottage. It is therefore agreed that the Resident(s) named herein and no other person(s) shall reside in or occupy the Apartment or Cottage during the term of this Agreement, except with the express prior written approval of the Executive Director. If a second occupant, including a resident marrying a new spouse, who is not a party to this Agreement is accepted for residency after the date of this Agreement, such acceptance shall be subject to the approval of the Admissions Committee and adherence to policies then governing all other admissions. If the second occupant does not meet the requirements for residency, or does not execute a Residency Agreement, he/she shall not be permitted to occupy the Apartment or Cottage. The Resident may terminate this Agreement as provided in Section 8. If two residents marry and decide to live in one of the two current Living Units, they would pay the two-person Monthly Maintenance Fee for the Living Unit. The surrendered Living Unit's refund would be paid according to the refund policy in 8(a) under Entrance Fees. If both Residents surrender their Living Units and move to a different Living Unit, an additional Entrance Fee may or may not be required as defined in the Transfers Section 8(g)(2). This will be determined based on the size of the Living Unit they are moving into and the size of the Living Units they are vacating. A revised contract will be signed by the couple, outlining the terms of any refund.
- (f) Transfers. Should a Resident desire to transfer to another Apartment or Cottage he/she must notify the Executive Director in writing. Following receipt of this request, Resident shall be granted an option to move to the next available Apartment or Cottage of the size requested, subject to the Executive Director satisfying prior, similar requests of other Residents, and subject to the rights other Residents may have in their Residency Agreements. If the Entrance Fee for the new apartment or cottage is higher than the Entrance Fee paid by the Resident for their original accommodation, the Resident will pay the difference between then-current Entrance Fee for the smaller accommodation from which the Resident is moving and the then-current Entrance Fee for the larger accommodation into which the Resident is moving. The Resident will be responsible for paying the difference in these two Entrance Fees prior to occupancy. When the contract is terminated, the amount of the refund, if any, will be based on the total Entrance Fee paid.

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

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

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

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

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

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

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

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

- (c) Disclosure Statement. Upon execution of the Reservation Agreement, the Marketing Representative will provide the Resident a copy of Trinity Oaks' Disclosure Statement which fully describes the organization, facilities, policies, services, fees, financial condition, projections, and the vital information related to Trinity Oaks. Included in the Disclosure Statement is a Residency Agreement.
- (d) Application. Within thirty (30) days of execution of the Reservation Agreement, the Resident will complete an Application for Admission, a Personal Health History and a

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

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

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

- (a) Transfer or Changes in Level of Care. Subject to the terms and conditions set forth in this Agreement, Trinity Oaks agrees to arrange for any needed health care or nursing services through the Assisted Living Center or Trinity Oaks health and rehab, subject to availability of beds, on a priority basis. In the event Trinity Oaks health and rehab has no bed available, services will be arranged at such other health care or nursing facility of similar quality ("Nursing Center"). The Monthly Maintenance Fee includes a 10% discount on Trinity Oaks health and rehab (or such other Nursing Center if space is not first available at Trinity Oaks health and rehab) then current private pay rates. If a Resident becomes eligible for Medicaid then the 10% discount does not apply. All Residents at Trinity Oaks health and rehab are responsible for their pharmacy copayments. If a temporary stay at Trinity Oaks health and rehab, a Resident will continue to pay the Monthly Maintenance Fee in the Independent Living Unit. If a permanent transfer to Trinity Oaks health and rehab, the Resident will cease paying the Monthly Maintenance Fee when the apartment has been totally vacated. In addition, Trinity Oaks will make available to Resident, at Resident's expense, the periodic services of other medical professionals as it deems necessary or appropriate. Some of these services will be provided at no additional cost in the form of educational sessions or clinics.

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

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

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

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

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

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

- (b) Role of Medical Director. Trinity Oaks assisted living will employ as a consultant, a licensed physician (herein referred to as the "Medical Director") to assist in establishing and implementing health care related policies and practices for Trinity Oaks assisted living and to perform such other related duties described in this Agreement. Trinity Oaks will also employ licensed personnel to perform all such duties prescribed by the Medical Director within such person's licensed authority.
- (c) Availability of Health Services. The Director of Nursing, the Social Worker, Director of Community Relations will make available, or arrange for, other health care services for the Resident, including but not limited to physical therapy, occupational therapy, rehabilitative treatments and equipment, ambulance services, limited pharmacy services, and laboratory tests. Charges for these health care services will be in addition to the Monthly Maintenance Fee.
- (d) Limitations. Health care accommodations and services, as set forth in 5 (a), (b) and (c), shall be made available to Residents on a priority basis, subject to the terms of this Agreement and to all admissions requirements imposed by applicable laws and regulatory procedures.
- (e) Designation of Personal Physician. The Resident will be required to designate a local North Carolina licensed physician as his/her personal physician. The Resident will be responsible for the cost of any personal services of his/her physician or related services as requested by the Resident or Trinity Oaks. The Provider may, after occupancy, require the Resident to have other physical examinations by their personal physician or another physician selected by Trinity Oaks at Resident's expense. Annual updates of each Resident's Physician's History and Physical Examination Report will be requested.

6. Fees and Other Charges.

(a) Entrance Fees.

(i) Entrance Fees for Apartment Residents

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

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

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

be reimbursed after termination of the Residency Agreement will be paid by Trinity Oaks after the Living Unit is vacated and the reoccupancy of the Apartment or Cottage.

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

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

(ii) Entrance Fees for Cottage Residents

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

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

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

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

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

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

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

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

(b) Monthly Fees and Charges.

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

Resident shall pay to Trinity Oaks by the tenth (10th) of each month after occupancy commences a Monthly Maintenance Fee of \$ _____. If there is a second Resident in the Apartment or Cottage, the second Resident shall pay the published Second Person Monthly Maintenance Fee of \$ _____. The Monthly Maintenance Fee for any part of a month occurring at the beginning of occupancy shall be prorated and become due and payable upon occupancy.

- (ii) The Monthly Maintenance Fee generally is adjusted annually. Fee adjustments are approved by the Board of Directors with sixty (60) days prior written notice given to Resident. Fee adjustments are to cover the cost to Trinity Oaks of maintaining services and the financial integrity of Trinity Oaks including maintaining adequate reserve funds. Residents can generally anticipate an annual increase in monthly maintenance fees of 4-6% based on inflation, health care inflation, market conditions, insurance increases, rising expenses, etc. It is agreed that payments of the Monthly Maintenance Fee shall continue during any temporary absence from Trinity Oaks. However, if Resident is absent from Trinity Oaks for seven (7) or more consecutive days, a daily meal credit will apply from the first day of absence, provided that Resident has given Trinity Oaks prior written notice of such absence, excepting those instances in which a resident is hospitalized. Fees for additional and

optional services may be increased or decreased at Trinity Oaks' discretion without such notice.

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

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

If a Resident is admitted to Trinity Oaks health and rehab (or any other nursing center if space is not first available at Trinity Oaks health and rehab), the Resident will continue to pay the Monthly Maintenance Fee for his/her Independent or Assisted Living Unit. The Resident will receive a 10% discount on Trinity Oaks health and rehab at then current private pay rates. Only when services cannot be provided by Trinity Oaks health and rehab will services at another nursing center be covered by this 10% discount. When eligible for Medicare benefits, Medicare pays first for health care. When benefits are no longer applicable, the 10% discount will apply. If a Resident becomes eligible for Medicaid then the 10% discount does not apply. All Residents at Trinity Oaks health and rehab are responsible for their pharmacy copayments.

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

- (c) Additional Charges. Resident also agrees to pay any and all additional amounts which may become due under this Agreement and any and all charges for additional or optional services provided to the Resident (see Section 15).
- (d) Monthly Statements. The Business Office will furnish the Resident with a monthly statement showing the total amount of the Monthly Maintenance Fee and all other charges owed by the Resident. All charges will be due and payable by the tenth (10th) day of each month. Late payments will be assessed a penalty of twenty-five dollars (\$25).
- (e) Inability to Pay. Resident agrees that in the event he/she shall become unable to pay the Monthly Maintenance Fee, or any part thereof, Trinity Oaks may, at its sole discretion, credit such fees or charges against any amounts which Trinity Oaks would be required to reimburse to Resident under the provisions of Section 10. It is the declared policy of Trinity Oaks to operate as a charitable, not-for-profit organization and not to terminate the residency of Resident solely by reason of financial inability of Resident to pay the total Monthly Maintenance Fee or any other fees or charges assessed under this Agreement, even though Resident's right to reimbursement of any portion of the Entrance Fee has been extinguished by reason of the credits referred to in this section, so long as the following conditions have been met: (i) in the sole discretion of Trinity Oaks, the ability to operate Trinity Oaks on a sound financial basis is not impaired; (ii) after entering into this Agreement, Resident shall

not, without the Executive Director's prior written consent, have impaired his/her ability to meet financial obligations to Trinity Oaks; and (iii) Resident has applied for and documented justification for special financial consideration.

7. Transfer or Changes in Levels of Care.

- (a) Procedure. In the event it is determined that the Resident requires a transfer or change in the level of care and accommodations, the Resident hereby agrees to make such a change. Such determination will be made by and based on the professional opinion of the Director of Community Relations, the Executive Director and if needed, other health care support staff. A decision to transfer the Resident will be made in the best interest of the Resident and only after consultation to the extent possible with the Resident, the representatives of the Resident's family or sponsor, and the Resident's physician.
- (b) Transfer Outside Trinity Oaks. If it is determined by the Director of Community Relations, the Executive Director and if needed, other health care support staff, that the Resident needs care beyond the scope of the facility and personnel of Trinity Oaks, the Resident will be transferred to a qualified hospital, nursing center or institution equipped to give such care, at the expense of the Resident. Such transfer of the Resident will be made only after consultation to the extent possible with the Resident, a representative of the Resident's family or sponsor and the Resident's physician.
- (c) Medical/Mental Condition. Trinity Oaks is not designed or licensed to care for persons who have certain medical or mental conditions or suffer from certain contagious or dangerous diseases. If it is determined by the Director of Community Relations, the Executive Director and if needed, other health care support staff, , using standard legal/medical and acceptable evaluation procedures, that a Resident suffers from a medical or mental condition, so that a Resident's continuing presence at Trinity Oaks is detrimental to the health or safety of the Resident or other Residents, then the Resident may be transferred to an institution capable of administering needed care and his/her Apartment or Cottage shall be assigned to others, subject to the rights of any remaining second Apartment or Cottage Resident. In such situations, the expenses of such institution will be the responsibility of the Resident. The final determination will be at the discretion of the Executive Director. (Also see Section 14, Personal Belongings).
- (d) Release/Readmission. If a determination is made by the Director of Community Relations, the Executive Director and if needed, other health care support staff, that any such transfer or change described in this Section will likely be permanent in nature, the Resident hereby agrees to release his/her rights and use of the Apartment or Cottage, subject to the rights of any remaining second Apartment or Cottage Resident [see Section 2(f) and (g)]. If, however, the Director of Community Relations, the Executive Director and if needed, other health care support staff, subsequently determine that the Resident can resume occupancy in accommodations equivalent to those previously occupied by the Resident, the Resident shall have priority to such accommodations as soon as they become available, with no additional Entrance Fee unless the Entrance Fee has been refunded under the provisions described in Section 10

8. Termination.

- (a) Statutory 30-Day Period. This Agreement may be rescinded by Resident at any time within thirty (30) days following the later of the date of execution of this Agreement or the receipt by Resident of the Disclosure Statement required by Article 64 of Chapter 58

of the North Carolina General Statutes. During this thirty (30) day period, Resident shall not be required to move into Trinity Oaks. If such rescission is made, any money or property paid or transferred to Trinity Oaks, except those periodic charges specified in this Agreement and applicable only to such period as the Apartment was actually occupied by the Resident, shall be returned in full to the Resident or to the party who made the payment or payments on behalf of the Resident except for a non-refundable processing fee of 2% of the Apartment or Cottage Entrance Fee and any nonstandard costs (including Major Options, custom selections and upgrades, and requested change orders for a Cottage) specifically incurred by Trinity Oaks at the request of the Resident and described in the Residency Agreement or an amendment to it signed by the resident. Thereafter neither party shall have any further obligation or duty to the other. Reimbursement due will be refunded within 90 days of written notification of rescission by Resident.

- (b) Death or Illness Prior to Occupancy. If Resident dies before occupying an Apartment or Cottage or if, on account of illness, injury or incapacity Resident is precluded from occupying an Apartment or Cottage under the terms of this Agreement, this Agreement is automatically canceled and Resident or his legal representative shall receive a refund of all money or property paid or transferred to Trinity Oaks, less (i) those nonstandard costs (custom selections and upgrades) specifically incurred by Trinity Oaks at the request of the Resident and described in this Agreement or an addition to it signed by the Resident and (ii) the non-refundable processing fee of \$1000. Reimbursement due will be refunded within 90 days of written notification by Resident or his/her legal representative.
- (c) Termination by Resident After Statutory 30-Day Period. Beginning with the first full calendar day following expiration of the statutory 30-day period, and before Resident has begun occupancy in Trinity Oaks, Resident may terminate this Agreement for reasons other than (i) death, or (ii) illness, injury or other incapacity which would make it inappropriate for Trinity Oaks to accept the Resident's occupancy in the Apartment or Cottage. Resident will receive reimbursement of all monies paid or transferred to Trinity Oaks, less those nonstandard costs (custom selections and upgrades) specifically incurred by Trinity Oaks at the request of the Resident and described in this Agreement or an addition to it signed by the Resident, and the non-refundable processing fee equal to two percent (2%) of the Apartment or Cottage Entrance Fee which shall be retained by Trinity Oaks as liquidated damages for costs incurred due to the termination by Resident. Refunds will be made within 90 days of notification by Resident or his/her legal representative.
- (d) Termination by Resident After Occupancy. After occupancy, subject to the provisions of Section 10, Resident may terminate this Agreement by giving written notice to the Executive Director no less than ninety (90) days before Resident intends to move out of Trinity Oaks. Resident is responsible to pay Monthly Maintenance Fees during the ninety (90) day period or until the Independent Living Apartment or Cottage is vacated, whichever occurs last (see Section 10, Reimbursement of Entrance Fees - Independent Living).
- (e) Death of Resident After Occupancy. In the event of the death of Resident after occupancy, this Agreement shall be subject to termination as follows:
 - (i) If there is only one Resident occupying the Living Unit, the Residency Agreement shall be automatically terminated as of the date of death of such Resident or the date thereafter upon which all of Resident's property is

removed from the Living Unit, all keys, pendant, entrance slide and garage door opener (if applicable) have been turned into the Director of Resident Services. The Monthly Maintenance Fee shall automatically be terminated at this point. Resident's Estate is responsible for any payment due Trinity Oaks.

Resident's Entrance Fee is subject to refund as provided in Section 8.

- (ii) If there is more than one Resident occupying the Living Unit, the second person shall have the option of continuing to reside in the Living Unit at the single person rate under the terms of the Residency Agreement. The surviving Resident's Entrance Fee is subject to refund as provided in Section 8.

- (f) Termination by Trinity Oaks. The Executive Director may, subject to the provisions of Section 10, upon notice and opportunity to cure as herein provided, revoke Resident's right to reside at Trinity Oaks and terminate this Agreement upon the occurrence of any default by the Resident in meeting the covenants, warranties, representations and terms of Residency provided for in this Agreement or for violations of policies stated in the Residents Handbook. Trinity Oaks may also terminate this Agreement at any time for any good cause. Good cause shall be limited to:

1. Proof that you are a danger to yourself or others;
2. Nonpayment by you of any fee due to the Community;
3. Repeated conduct by you that interferes with other residents' quiet enjoyment of the Community;
4. Persistent refusal by you to comply with the reasonable written rules and regulations of the Community;
5. Material misrepresentation made intentionally or recklessly by you in your application for residency, or related materials regarding information which, if accurately provided, would have resulted in either a failure of you to qualify for residency or a material increase in the cost of providing to you the care and services provided under this Agreement, including with respect to those items referred to in Section 3;
6. Material breach by you of this Agreement.

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

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

9. Remedies Upon Termination. Upon notification of opportunity to cure any default as described in Section 8(f) and (g) of this Agreement, the Executive Director may, without further notice to Resident and without further demand for amounts due, terminate this Agreement, suspend all services provided hereunder and re-enter the Apartment or Cottage and remove all persons and property. Resident hereby waives all demand and any and all service of notice in writing or otherwise, prescribed by any statute or any other law whatever, of intention to re-enter and waives all claims for damages that may be caused by Trinity Oaks in re-entering and taking possession of the Apartment or Cottage. If Resident shall abandon or vacate the Apartment or Cottage before the termination of this Agreement, Resident will pay Trinity Oaks liquidated damages in an amount equal to the full amount of the Monthly Maintenance Fee due for the period of abandonment or vacation until a termination of this Agreement is effected as provided in Section 8(d). Pursuit of any of the above remedies shall not preclude pursuit of any other remedies herein provided or any other remedies given by law or equity. All of the remedies given to Trinity Oaks in this document, and all rights and remedies given by law or equity shall be cumulative and concurrent.

10. Reimbursement of Entrance Fee - Independent Living

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

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

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

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

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

- (i) The amount of medical expenses incurred by Trinity Oaks for Resident's care during the term of his/her residency, unpaid by Resident at date of termination;
 - (ii) The amount of any Monthly Maintenance Fee or other sums owed by Resident to Trinity Oaks under this Agreement including late charges;
 - (iii) The amount of any Monthly Maintenance Fee, the collection of which may have been deferred on behalf of Resident under Section 6(e); and
 - (iv) The cost of any extraordinary repairs or refurbishing with respect to the Apartment or Cottage, including the entries and doors, or any alterations required to restore the Apartment or Cottage to standard design or condition.
 - (b) Multiple Residents. It is understood that when two persons are named in this Agreement, reimbursement of the refundable portion of the Entrance Fee, if any, and in accordance with Section 10(a), will be made only after the termination of this Agreement.
11. Required Health Insurance Coverage. Resident shall maintain Medicare Part A, Medicare Part B and one supplemental health insurance policy or maintain equivalent insurance coverage comparable to Medicare and approved by the Executive Director to assure Resident's ability to cover such health care related costs, and shall furnish to Trinity Oaks evidence of such coverage as it may from time to time request. In the event Resident is not eligible or does not qualify for Medicare Part A or Part B, Resident shall maintain other health insurance approved by Trinity Oaks. If insurance coverage is provided through a managed health care policy, terms of the policy may dictate where the Resident may receive health care services. If insurance coverage is not maintained, or if Resident refuses medical treatment, which, in the opinion of Resident's attending physician or the Medical Director is medically required for the health of the Resident or the health or safety of other Residents of Trinity Oaks, the Executive Director may terminate Resident's right to reside at Trinity Oaks and terminate this Agreement as provided in Section 8(f).
12. Religious Affiliation. Trinity Oaks is a non-stock, nonprofit North Carolina corporation sponsored by Lutheran Services for the Aging, Inc., a not-for-profit social ministry agency serving senior adults of all faiths. It is affiliated with the North Carolina Synod of the Evangelical Lutheran Church in America, and is a 501(c)(3) tax exempt organization under the Internal Revenue Code. Lutheran Services for the Aging will not be responsible for the contractual obligations of Trinity Oaks. Through private contributions, Trinity Oaks expects to have, from time to time, funds to assist Residents unable to meet the full cost of the monthly fees, but it cannot contract in advance for such assistance [see Section 6(e)].
13. Funeral Expenses. Trinity Oaks will not be liable for the cost of the burial of the Resident. The costs of burial and related services shall be paid for by the Resident's estate, the Resident's relatives, or other agent designated by the Resident.
14. Personal Belongings. Jewelry and personal possessions or effects brought into Trinity Oaks by the Resident will remain the property of the Resident. Unless special arrangements are made in writing by the Resident with the Executive Director, Trinity Oaks will not be responsible for the loss or theft thereof. Resident shall, prior to occupancy of the Apartment or Cottage, make provisions in a last will and testament for the final disposition of his/her furniture and possessions located at Trinity Oaks, for burial and payment of funeral expenses and for the appointment of a personal representative; and shall deliver to the Director of Community Relations a copy of the pertinent provisions of the Resident's Last Will and Testament at the time he/she commences occupancy. If

removal of Resident's property is not accomplished within thirty (30) days after termination of residency, Trinity Oaks may remove and place in storage with a bonded moving or storage company, all of Resident's property and possessions, and Resident or Resident's estate, as the case may be, shall be charged for all costs associated with the storage. These provisions are subject to the rights of any remaining second Apartment or Cottage Resident. Trinity Oaks shall not be responsible for the loss of, or damage to, any property belonging to the Resident due to theft, mysterious disappearance, fire or any other cause. The Resident maintains the responsibility for obtaining desired insurance protection covering any such liability.

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

16. Casualty Loss, Condemnation.
 - (a) Total Destruction. If Resident's Apartment or Cottage at Trinity Oaks is totally destroyed or damaged by fire or other casualty not occurring through fault or negligence of Trinity Oaks or those employed by or acting for Trinity Oaks, that the same cannot be repaired and restored within a period of ninety (90) days, this Agreement shall absolutely cease and terminate, and the Monthly Maintenance Fee shall abate for the balance of the term as of the date of the casualty. Trinity Oaks will maintain "property" insurance coverage to cover the building and contents losses sustained because of the necessary termination of operations from an insured peril.

 - (b) Partial Destruction. If the damage caused as described in Section 16(a) above is only partial, so that the Resident's Apartment or Cottage can be reasonably restored within a period of ninety (90) days to its condition prior to the partial destruction, Trinity Oaks may, at its option, terminate this Agreement, provide alternative temporary housing, or restore Trinity Oaks to such condition reserving the right to enter the Apartment or Cottage for that purpose. In any event, the Monthly Maintenance Fee shall be reduced during the time Trinity Oaks is in possession, taking into account the extent that the Apartment or Cottage is rendered untenable and the duration of Trinity Oaks' possession. Trinity Oaks will maintain "business income" and "extra expense" insurance coverage to cover losses sustained because of the necessary suspension of operations from an insured peril.

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

17. Government Eligibilities. Should either Trinity Oaks or the Resident be eligible for federal, state or other funds on behalf of the Resident, nothing in this Agreement shall be construed so as to make

either party ineligible for such funds, and the Resident expressly waives any provision in this Agreement which might now or hereafter be in conflict with any federal, state or other law or regulations, and agrees to apply for and cooperate in obtaining such benefits.

18. Liability of Trinity Oaks. The death of the Resident will cancel any and all obligations or liability of Trinity Oaks under the terms of this Agreement [see Section 8(e)].
19. Rights of Management. The absolute rights of management are reserved by Trinity Oaks. Trinity Oaks reserves the right to accept or reject any person for residency. The rights of the Residents do not include any right to participate in the management of Trinity Oaks, to determine admissions or terms of admission of any other Resident, to alter common areas within Trinity Oaks, or to make unapproved alterations to their Apartment or Cottage.
20. Durable Power of Attorney. Resident agrees to execute under seal and maintain in effect a Durable Power of Attorney that is valid under North Carolina law and will survive Resident's incapacity or mental incompetence. This Durable Power of Attorney may be effective only upon certification by a licensed physician that Resident is incapacitated or mentally incompetent, and shall designate as Resident's attorney-in-fact a bank or some responsible person of his/her choice to act for him/her managing his/her financial affairs and in filing for insurance and/or other benefits under private and public assistance programs in as full and complete a manner as Resident could do if acting personally for himself/herself. Resident shall deliver a fully executed original of this Durable Power of Attorney to Trinity Oaks prior to occupancy of the Apartment or Cottage.
21. Binding Effect. The covenants and conditions of this Agreement shall bind and benefit respectively Trinity Oaks and its successors and assigns, and Resident and his/her heirs, personal representatives, successors and assigns, except as herein otherwise specified in this Agreement. This Agreement, together with the rules and regulations provided for, shall constitute the full and entire Agreement and understanding between the parties. There are no restrictions, promises, warranties, covenants or undertakings, other than those set forth or referred to in this Agreement. This Agreement, the Exhibits to this Agreement, and other documents and Agreements referred to herein supersede all prior Agreements and undertakings between the parties with respect to this subject matter.
22. Interruptions. Trinity Oaks shall not be required to perform any condition, term or covenant in this Agreement so long as such performance is delayed or prevented by force majeure, which shall mean acts of God, strikes, material or labor shortages or failures, lockouts, restrictions by any governmental authority, civil riot, floods and any other cause not reasonably within the control of Trinity Oaks and which by the exercise of ordinary care Trinity Oaks is unable, wholly or in part, to prevent or overcome.
23. Severability. If any clause or provision of this Agreement should be illegal, invalid or unenforceable, these provisions shall be deemed to be severable and the remainder of this Agreement shall not be affected by this action. In lieu of the clause or provision that is illegal, invalid, or unenforceable, there shall be substituted a clause or provision as similar in terms to the illegal, invalid, or unenforceable clause or provision as may be legal, valid and enforceable. No amendment of this Agreement will be valid and enforceable unless in writing and executed by the Executive Director and Resident except that management may amend this Agreement from time to time so that this Agreement complies with applicable laws, rules and regulations of the Federal, State or local government.
24. Governing Law. This Agreement will be governed by and construed under the laws of the State of North Carolina.

25. Execution. This Agreement has been executed on behalf of Trinity Oaks by its duly authorized agent. No officer, director, agent or employee of Trinity Oaks shall have any personal liability hereunder to Resident under any circumstances.
26. Waiver. No waiver of any term or condition of this Agreement shall be effective unless made in writing and executed by the parties to the Agreement. Nor shall any waivers be deemed to excuse the performance of any act other than those specifically referred to in the written notice of waiver. Any failure of Trinity Oaks to insist upon strict and/or prompt performance of the requirements, covenants, terms or conditions of this Agreement, and/or the acceptance of such performance thereafter, will not constitute or be construed as a waiver or the relinquishment of Trinity Oaks' right to thereafter enforce the same strictly in the event of a continuing or subsequent default on the part of the Resident.
27. Interpretation. The captions contained herein are for convenience and reference only and in no way define, limit, or describe the scope or intent of this Agreement or affect any of the terms and provisions of this Agreement. Any reference expressed in any gender shall be deemed to include each of the other genders, and the singular shall be deemed to include the plural and vice versa, unless the context otherwise requires.
28. Notice. All notices and other communication hereunder shall be in writing and shall be deemed given if delivered personally or mailed by first class mail (postage paid) to the persons at the following addresses (or at such other address for a party as shall be specified by like notice):
- (a) If to Trinity Oaks:
- (i) LUTHERAN RETIREMENT CENTER - SALISBURY, INC.
d/b/a TRINITY OAKS
728 Klumac Road
Salisbury, North Carolina 28144-5714
- (b) If to the Resident:
- (i) If before Occupancy, as follows:
- _____
- _____
- _____
- (ii) If after Occupancy, at the Apartment or Cottage.
29. Multiple Originals. This Agreement shall be executed in multiple originals, so that each Resident and Trinity Oaks shall retain an original, fully executed document.
30. Acknowledgment of Receipt. Resident acknowledges that he has received an executed copy of this Agreement, including Addendums I through IV.
31. IN WITNESS WHEREOF, the parties hereto duly executed this Agreement as of the day and year first above written.

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

Witness

By: _____
Executive Director

Witness

Resident

Witness

Resident

Date: _____

ADDENDUM I

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

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

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

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

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

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

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

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

IV. FINANCIAL ARRANGEMENTS

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

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

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

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

Witness

Resident

Witness

Resident

Current Address (Number and Street)

City, State, Zip Code

Telephone

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

Signature

Title

Date

ADDENDUM II

RESERVATION AGREEMENT FOR A COTTAGE TRINITY OAKS - SALISBURY

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

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

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

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

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

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

IV. FINANCIAL ARRANGEMENTS

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

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

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

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

Witness

Resident

Witness

Resident

Current Address (Number and Street)

City, State, Zip Code

Telephone

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

Signature

Title

Date

ADDENDUM III
TRINITY OAKS
DESIGNATION OF ENTRANCE FEE REFUND

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

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

Name

Street or P. O. Box

City, State, Zip

Phone

Signature

Date

Signature

Date

ADDENDUM IV

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

I _____, with this statement, acknowledge receipt of the Disclosure Statement of Trinity Oaks Retirement Community dated March 1, 2021. This statement was made available to me prior to signing the Residency Agreement for Trinity Oaks.

Name

Name

Address

City, State, Zip

Date

Attachment 2

Certified Financial Statement
of Provider



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



Consolidated Financial Statements and Supplementary Information

Years Ended September 30, 2020 and 2019



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Independent Auditors' Report

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Lutheran Services for the Aging, Inc. and Lutheran Family Services in the Carolinas (nonprofit organizations) and Affiliates (the "Organizations"), which comprise the consolidated balance sheets as of September 30, 2020 and 2019, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 the consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organizations, as of September 30, 2020 and 2019, and the results of their operations, changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Emphasis of Matter - New Accounting Pronouncements

As described in Note 1 to the financial statements, the Organizations adopted several Accounting Standard Updates (“ASU’s”) in the year ended September 30, 2020. The primary impacts of adopting these ASU’s are further described in Note 1. Our opinion is not modified with respect to this matter.

Dixon Hughes Goodman LLP

Raleigh, NC
January 27, 2021

Lutheran Services for the Aging, Inc. and
Lutheran Family Services in the Carolinas and Affiliates
Consolidated Balance Sheets
September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 15,522,989	\$ 10,910,864
Investments	26,484,783	23,696,174
Accounts receivable, residents and clients, net of allowance for doubtful accounts of approximately \$1,400,000 and \$1,100,000 in 2020 and 2019, respectively	12,315,821	10,480,960
Current portion of other receivables	1,654,331	1,333,818
Inventories	1,327,417	970,962
Prepaid expenses	289,172	437,162
Residents' funds	241,428	120,853
Total current assets	<u>57,835,941</u>	<u>47,950,793</u>
Assets limited as to use:		
Investments - donor-restricted endowment funds	3,266,524	3,254,894
Investments - temporarily restricted	3,205,378	2,880,469
Investments - board designated funds	8,778,525	8,051,308
Assets limited to use - operating reserve requirement	1,575,000	1,704,750
Assets limited to use - deposits held in escrow	4,024,259	3,497,358
Bond funds	3,920,335	3,986,841
Assets restricted by donor for investment in property and equipment	1,573,176	1,799,160
Total assets limited as to use	<u>26,343,197</u>	<u>25,174,780</u>
Property and equipment, net	122,044,773	115,811,951
Assets held for sale	110,800	110,800
Other receivables, less current portion, net	568,889	251,497
Other assets	10,539,437	1,101,153
Total assets	<u>\$ 217,443,037</u>	<u>\$ 190,400,974</u>

Lutheran Services for the Aging, Inc. and
Lutheran Family Services in the Carolinas and Affiliates
Consolidated Balance Sheets
September 30, 2020 and 2019

(Continued)

	<u>2020</u>	<u>2019</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current maturities of long-term debt	\$ 3,334,198	\$ 3,109,639
Current maturities of obligations under capital leases	15,126	39,013
Current portion of split-interest liability	49,000	49,000
Accounts payable, trade	4,132,263	4,516,769
Accrued salaries and payroll taxes	6,523,964	5,836,395
Accrued health benefits	496,727	602,703
Accrued interest payable	303,823	229,013
Refundable fees - current	639,861	577,519
Deferred revenue from grants and other	3,462,759	1,012,507
Other accrued liabilities	1,348,388	1,168,354
Residents' funds liability	241,428	120,853
Total current liabilities	<u>20,547,537</u>	<u>17,261,765</u>
Long-term liabilities:		
Long-term debt, less current maturities	92,367,720	79,206,748
Long-term maturities of obligations under capital leases	15,938	21,990
Refundable fees	10,884,538	10,817,380
Deferred revenue from advance fees	7,070,054	7,840,500
Fair value of interest rate swap agreement	1,285,346	1,221,872
Split-interest liability	601,855	638,617
Total long-term liabilities	<u>112,225,451</u>	<u>99,747,107</u>
Total liabilities	132,772,988	117,008,872
Net assets:		
Net assets without donor restrictions		
Without donor restrictions, undesignated	65,961,029	56,505,816
Without donor restrictions, board designated funds	8,778,525	8,051,308
Total net assets without donor restrictions	<u>74,739,554</u>	<u>64,557,124</u>
Net assets with donor restrictions	9,930,495	8,834,978
Total net assets	<u>84,670,049</u>	<u>73,392,102</u>
Total liabilities and net assets	<u>\$ 217,443,037</u>	<u>\$ 190,400,974</u>

See accompanying notes to the consolidated financial statements.

**Lutheran Services for the Aging, Inc. and
Lutheran Family Services in the Carolinas and Affiliates
Consolidated Statements of Operations and Changes in Net Assets
Years Ended September 30, 2020 and 2019**

	2020	2019
Changes in net assets without donor restrictions:		
Revenues and other support:		
Net patient service revenue	\$ 110,131,930	\$ 104,212,434
Amortization of deferred entrance fees	1,622,139	1,401,416
Service fees - state, county and other	11,728,592	12,592,756
Federal grants and other	4,619,025	2,515,920
Net assets released from restrictions for operating purposes	598,138	923,470
Management fees	468,145	165,360
Other revenue	2,166,180	2,314,758
Total revenue	131,334,149	124,126,114
Expenses:		
Salaries and wages	61,005,348	58,970,232
Employee benefits	10,724,683	10,339,863
Supplies and other	41,465,800	42,117,161
Medicaid bed assessment	2,424,004	2,445,376
Marketing expense	974,800	449,500
Depreciation and amortization	6,961,980	6,912,047
Interest expense	3,438,667	3,856,281
Total operating costs and expenses	126,995,282	125,090,460
Operating income (loss)	4,338,867	(964,346)
Nonoperating gains (losses):		
Investment income	3,459,642	1,204,856
Unrealized gains on investments	1,246,089	538,704
Net gain (loss) on disposal of property and equipment	605	845,630
Market value adjustment on swap agreement	(63,474)	(329,399)
Contributions	1,164,428	1,121,625
Total nonoperating gains	5,807,290	3,381,416
Excess of revenues over expenses	10,146,157	2,417,070

Lutheran Services for the Aging, Inc. and
Lutheran Family Services in the Carolinas and Affiliates
Consolidated Statements of Operations and Changes in Net Assets
Years Ended September 30, 2020 and 2019

(Continued)

	<u>2020</u>	<u>2019</u>
Excess of revenue over expenses	\$ 10,146,157	\$ 2,417,070
Other changes in net assets without donor restrictions:		
Net asset released from restrictions for capital purposes	<u>36,273</u>	<u>2,221,711</u>
Change in net assets without donor restrictions	<u>10,182,430</u>	<u>4,638,781</u>
Changes in net assets with donor restrictions:		
Contributions and grants	1,368,722	1,340,902
Investment income	614,319	282,338
Unrealized (losses) on investments	(253,113)	(109,439)
Net assets released from restrictions	<u>(634,411)</u>	<u>(3,145,181)</u>
Change in net assets with donor restrictions	<u>1,095,517</u>	<u>(1,631,380)</u>
Change in net assets	11,277,947	3,007,401
Net assets at beginning of year	<u>73,392,102</u>	<u>70,384,701</u>
Net assets at end of year	<u>\$ 84,670,049</u>	<u>\$ 73,392,102</u>

**Lutheran Services for the Aging, Inc. and
Lutheran Family Services in the Carolinas and Affiliates
Consolidated Statements of Cash Flows
Years Ended September 30, 2020 and 2019**

	2020	2019 (As Adjusted)
Cash flows from operating activities:		
Change in net assets	\$ 11,277,947	\$ 3,007,401
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	6,961,980	6,912,047
Amortization of debt issuance costs and discount	59,841	60,732
Net gain on disposal of property and equipment	(605)	(845,630)
Provision for bad debt	1,413,169	1,095,346
Amortization of deferred entrance fees	(1,622,139)	(1,401,416)
Receipt of non-refundable entrance fees	1,275,268	2,340,600
Market value adjustment on swap agreement	63,474	329,399
Equity in income	(1,422,243)	(283,794)
Dividends received from equity investment	449,501	340,213
Realized gains on investments	(1,574,400)	(271,110)
Unrealized gains on investments	(992,976)	(429,265)
Changes in assets and liabilities:		
Accounts receivable, residents and clients	(3,101,197)	(1,136,152)
Other receivables	(784,738)	1,260,977
Other assets	(1,695,069)	49,243
Accounts payable and other accrued liabilities	451,931	1,444,370
Deferred revenue from grants and other	2,450,252	935,760
Other liabilities	91,126	12,274
Net cash provided by operating activities	13,301,122	13,420,995
Cash flows from investing activities:		
Purchase of property and equipment	(13,223,317)	(18,855,135)
Proceeds from sale of property and equipment	50,370	847,330
Purchase of investments	(5,003,257)	(893,916)
Purchase of equity-method investment	(7,000,188)	-
Proceeds from sale of investments	4,820,954	2,614,671
Net cash used in investing activities	(20,355,438)	(16,287,050)
Cash flows from financing activities:		
Proceeds from issuance of debt obligations	18,669,398	11,000,000
Payment of bond issuance costs	(2,145,331)	-
Principal payments on debt	(3,198,377)	(3,415,520)
Receipt of refundable entrance fees	2,101,015	4,767,099
Refunds of refundable fees	(2,486,216)	(2,778,555)
Change in obligations under capital leases and other liabilities	53,874	(52,590)
Net cash provided by financing activities	12,994,363	9,520,434
Net increase in cash, cash equivalents, and restricted cash	5,940,047	6,654,379
Cash, cash equivalents, and restricted cash, beginning of year	19,356,410	12,702,031
Cash, cash equivalents, and restricted cash, end of year	\$ 25,296,457	\$ 19,356,410
Supplemental cash flow disclosure information:		
Interest paid, net of amounts capitalized	\$ 3,304,016	\$ 3,885,341
Purchase of property and equipment in accounts payable	\$ -	\$ 742,232

See accompanying notes to the consolidated financial statements.

Notes to Consolidated Financial Statements

1. Operations and Summary of Significant Accounting Policies

Nature of Organization

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

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

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

Program of All-Inclusive Care for the Elderly

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

During 2012, LSA entered into a revolving credit agreement with Senior TLC, Inc. as the lender for an amount not to exceed \$1,000,000 at any one time with an interest rate of 5% per annum; interest began to accrue January 1, 2016. Principal payments equal to the excess of cash above 60 days cash on hand will begin the month following the month in which Senior TLC, Inc. achieves 60 days cash on hand. As of September 30, 2020 and 2019, the line had a balance of \$723,010 and \$694,963, respectively.

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

Effective October 2019, LSA has a 50% equity interest in PACE @ Home, Inc. As of September 30, 2020, the investment with PACE @ Home, LLC was \$491,096, and is accounted for under the equity method of accounting. Condensed financial information for PACE @ Home, LLC at September 30:

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

<u>2020</u>	<u>PACE @ Home, Inc.</u>	<u>50% equity interest PACE @ Home, Inc.</u>
Assets	\$ 3,512,536	\$ 1,756,268
Liabilities	2,530,345	1,265,172
Equity	982,191	491,096
Net income	1,313,257	656,629

LSA has guaranteed 50% of PACE @ Home, Inc.'s debt with a total amount of \$1,000,000. LSA would be obligated to perform under this guarantee should PACE @ Home, Inc. fail to make required payments to the lender when due. In addition LSA has guaranteed certain other liabilities in PACE @ Home, Inc.'s balance sheet. The total outstanding balance guaranteed at September 30, 2019 was \$717,732, and there was no outstanding balance as of September 30, 2020.

Effective June 29, 2020 LSA purchased a 50% equity interest in PACE of Southern Piedmont, Inc. for approximately \$7,000,000. As of September 30, 2020, the investment with PACE of Southern Piedmont, Inc. was \$7,430,683, and is accounted for under the equity method of accounting. Condensed financial information for PACE of Southern Piedmont, Inc. at September 30:

<u>2020</u>	<u>PACE of Southern Piedmont</u>	<u>50% equity interest PACE of Southern Piedmont</u>
Assets	\$ 6,028,268	\$ 3,014,134
Liabilities	4,147,288	2,073,644
Equity	1,880,980	940,490
Net income	1,502,373	430,495

Unity Senior Care Group, LLC

LSA is a 5.9% member of Unity Senior Care Group, LLC ("Unity"). Unity was formed in 2011 as a risk purchasing group, consisting of LSA and fifteen other nonprofit healthcare facilities. Unity administers and facilitates the purchase of group insurance, currently limited to professional, general liability, and workers compensation on behalf of its members. Each member has its own individual policy with the respective insurance company. The investment in Unity is accounted for at cost. There were no capital contributions nor any income (loss) for Unity in 2020 or 2019.

Trinity Rehab, LLC

LSA has a 50% equity interest in Trinity Rehab, LLC. Formed during 2013, Trinity Rehab, LLC provides therapeutic services for residents of LSA. As of September 30, 2020 and 2019, the investment with Trinity Rehab, LLC was \$431,960 and \$380,809, respectively, and is accounted for under the equity method of accounting. Condensed financial information for Trinity Rehab, LLC at September 30:

<u>2020</u>	<u>Trinity Rehab, LLC</u>	<u>50% equity interest LSA Therapy, Inc.</u>
Assets	\$ 1,554,590	\$ 777,295
Liabilities	681,116	340,558
Equity	873,473	436,737
Net income	1,001,303	500,652

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

<u>2019</u>	<u>Trinity Rehab, LLC</u>	<u>50% equity interest LSA Therapy, Inc.</u>
Assets	\$ 1,337,385	\$ 668,693
Liabilities	555,785	277,893
Equity	781,600	390,800
Net income	567,587	283,794

At September 30, 2020 and 2019 the Organizations had \$607,438 and \$529,660, respectively, in accounts payable due to Trinity Rehab, LLC. The Organizations had incurred approximately \$7.1 million and \$6.5 million in expenses to Trinity Rehab, LLC for rehabilitative services, included under the supplies and other expense line item in the years ended September 30, 2020 and 2019, respectively.

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

Income Taxes

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

The Organizations record a liability for any tax position taken that is beneficial to the Organizations, including any related interest and penalties, when it is more likely than not the position of management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of September 30, 2020.

Principles of Consolidation

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

Basis of Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting. In preparing its financial statements, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and the changes therein are classified and reported as follows:

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Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that may or will be met either by management actions of the Organizations and/or by the passage of time. This also includes net assets subject to donor-imposed stipulations that they be maintained permanently by the Organizations. Generally, the donors of these assets permit the Organizations to use all or part of the earnings on related investments for general or specific purposes.

Cash and Cash Equivalents

LSA and LFS consider all unrestricted short-term investments with an original maturity of three months or less when purchased to be cash equivalents. The Organizations maintain their cash accounts with high quality financial institutions, which at times, exceed federally insured limits. They have not experienced any losses in such accounts and do not believe they are exposed to any significant credit risk on cash.

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

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 15,522,989	\$ 10,910,864
Residents' funds	241,428	120,853
Assets limited as to use:		
Investments - temporarily restricted	21,760	36,975
Assets limited to use - deposits held in escrow	4,024,259	3,497,358
Bond funds	3,912,845	2,991,200
Assets restricted by donor for investment in PPE	<u>1,573,176</u>	<u>1,799,160</u>
Total cash, cash equivalents and restricted cash shown in statements of cash flows	<u>\$ 25,296,457</u>	<u>\$ 19,356,410</u>

Net Service Fees

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

LSA provides services to patients covered under the Medicaid and Medicare programs. LFS provides services to clients utilizing Medicaid and through contractual arrangements with managed care organizations for developmental disabilities, mental health, and substance abuse services and others located in North and South Carolina. During 2020 and 2019, approximately 53% of net service revenue was derived from services provided under these arrangements. Likewise, a substantial portion of accounts receivable are due from these agencies. Management does not believe there are significant credit risks with these programs.

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

The Organizations perform an evaluation of the collectability of net revenues recorded and records an allowance for doubtful accounts. Provisions for doubtful accounts is primarily estimated based on cash collection analysis by

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payor classification and the age of the account. When considering the adequacy of allowances for doubtful accounts, receivable balances are routinely reviewed in conjunction with historical collection rates, industry trends, and other business and economic conditions that might reasonably be expected to affect the collectability of accounts. Accounts receivable are written off after collection efforts have been pursued in accordance with established policies and procedures.

Inventory

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

Investments

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

Fair Value of Financial Instruments

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

Fair Market Measurements

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

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

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

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

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

Assets Limited as to Use

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

Property and Equipment

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

	<u>Years</u>
Land improvements	5 - 25
Buildings	27 - 40
Building improvements	20
Certificate of need	15
Leasehold improvements and furnishings and equipment	5
Computer software	3 - 5
Automotive equipment	5

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

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

Property and equipment includes purchases through and for use in government programs. Under the terms of these programs' agreements, title to the property and equipment shall revert back to the contracting governmental agency upon termination of the contract. As of September 30, 2020 and 2019, property and equipment costs incurred under the above-mentioned contracts were \$589,063 and \$589,063 with a net carrying value of \$211,283 and \$225,580, respectively, subject to potential future reversion.

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

Debt Issuance Costs

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

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Advance Fees

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

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

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

Contributions, Grants, and Federal Awards

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

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

Donated Assets and Services

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

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Advertising

The cost of advertising is expensed as incurred. LSA and LFS incurred advertising costs of approximately \$945,000 and \$30,000, respectively, for the year ended September 30, 2020 and approximately \$415,000 and \$34,000, respectively, for the year ended September 30, 2019.

Derivatives

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

Use of Estimates

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

Risk Management

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

Reclassifications

Certain amounts in the 2019 consolidated financial statements have been reclassified to conform to the presentation of the 2020 consolidated financial statements. Changes in net assets previously reported for 2019 were not affected by these reclassifications.

New Accounting Pronouncements

Contributions Received

Effective October 1, 2019, the Organization has adopted Accounting Standards Update (ASU) No. 2018-08 - *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)* on a modified prospective basis as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. The adoption of ASU 2018-08 did not have a material impact on the consolidated financial statements.

Certain Cash Receipts and Cash Payments

During fiscal year 2020, the Organizations adopted ASU No. 2016-15 – *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force)*, which addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. The consolidated statement of cash flows for the year ended September 30, 2019 has been adjusted to reflect retrospective application of the new accounting guidance. Previously, the Organizations reflected dividends received from equity method investments in investing activities. The Organizations have retrospectively reclassified this item from investing activities to operating activities in the consolidated statement of cash flows under the cumulative earnings approach, resulting in a reclassification of \$340,213.

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Restricted Cash

During fiscal year 2020, the Organizations adopted ASU No. 2016-18 – *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires amounts generally described as restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the consolidated statement of cash flows. This guidance is intended to improve the classification and presentation of changes in restricted cash on the consolidated statements of cash flows and will provide more consistent application of GAAP by reducing diversity in practice. The ASU also requires an entity to disclose information about the nature of restricted cash. The consolidated statement of cash flows for the year ended September 30, 2019 has been adjusted to reflect retrospective application of the new accounting guidance. Previously, the Organizations reflected changes in the operating reserve requirement, change in bond funds, and changes in cash held in investment accounts in investing activities. The Organizations have retrospectively removed these items from their respective sections in the consolidated statement of cash flows, resulting in a decrease in cash used investing activities from \$20,666,449 to \$15,946,837, before the reclassification noted in the standard above. In addition, total ending cash presented on the consolidated statement of cash flows as of September 30, 2019 increased from \$10,910,864 (exclusive of restricted cash and restricted cash equivalents) to \$19,356,410 (inclusive of restricted cash and restricted cash equivalents).

Future Accounting and Reporting Requirements

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, *Leases (Topic 842)*. The amendments in this ASU revise the accounting related to lessee accounting. Under the new guidance, lessees will be required to recognize a lease liability and a right-of-use asset for all leases. The amendments in this ASU originally were effective for the Organizations beginning on October 1, 2019, with early adoption permitted, and should be applied through a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. In June 2020, the FASB issued ASU No. 2020-05, *Revenue From Contracts With Customers (Topic 606) And Leases (Topic 842): Effective Dates For Certain Entities*, which allows entities to defer the effective date of Topic 842 by one year. The Organization has elected to defer the effective date of Topic 842 to October 1, 2020. Management has not yet determined what the effects of adopting this ASU will be on its consolidated financial statements.

2. Revenue Recognition

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

Monthly service fees:

The residency agreement that residents sign require an advanced fee and monthly fees based upon the type of space they are applying for. Resident fee revenue for recurring and routine monthly services is generally billed monthly in advance. Payment terms are usually due within 30 days. The services provided encompass social, recreational, dining along with assisted living and nursing care and these performance obligations are earned each month. Under ASC Topic 606, management has determined that the performance obligation for the standing obligation to provide the appropriate level of care is the predominant component and does not contain a lease component under ASC Topic 840. Resident fee revenue for non-routine or additional services are billed monthly in arrears and recognized when the service is provided.

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Entrance fees:

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

Net Patient Service Revenue:

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

Service fees:

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

Federal and other grants:

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

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

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	September 30, 2020						
	<u>Nursing</u>	<u>Property</u>	<u>Retirement</u>	<u>Other Operations</u>	<u>Other</u>	<u>Family Services</u>	<u>Total</u>
Government reimbursement	\$ 49,845,242	\$ -	\$ 354	\$ 315,880	\$ -	\$ 19,707,034	\$ 69,868,510
Private pay	23,921,884	-	14,479,467	4,627,998	-	-	43,029,349
Commercial	5,608,130	-	-	129,570	-	-	5,737,700
Federal & state grants	1,998,170	-	-	169,291	-	2,454,788	4,622,249
Management income	29,000	15,793	24	-	515,157	-	559,974
Other income	9,507	-	-	5,584,784	-	-	5,594,291
Concessions income	<u>308,289</u>	<u>23,258</u>	<u>367,564</u>	<u>26,215</u>	<u>15,822</u>	<u>582,790</u>	<u>1,323,938</u>
Total	<u>\$ 81,720,222</u>	<u>\$ 39,051</u>	<u>\$ 14,847,409</u>	<u>\$ 10,853,738</u>	<u>\$ 530,979</u>	<u>\$ 22,744,612</u>	<u>\$130,736,011</u>

	September 30, 2019						
	<u>Nursing</u>	<u>Property</u>	<u>Retirement</u>	<u>Other Operations</u>	<u>Other</u>	<u>Family Services</u>	<u>Total</u>
Government reimbursement	\$ 44,844,708	\$ -	\$ 313	\$ 404,467	\$ -	\$ 19,999,112	\$ 65,248,600
Private pay	23,954,499	706,709	12,791,470	9,842,130	-	-	47,294,808
Commercial	5,875,392	-	-	166,034	-	-	6,041,426
Federal & state grants	-	-	-	-	-	2,515,920	2,515,920
Management income	29,000	26,631	45,308	-	170,841	-	271,780
Other income (loss)	(6,802)	-	-	176,414	12,519	860,319	1,042,450
Concessions income	<u>325,526</u>	<u>-</u>	<u>420,655</u>	<u>34,642</u>	<u>6,837</u>	<u>-</u>	<u>787,660</u>
Total	<u>\$ 75,022,323</u>	<u>\$ 733,340</u>	<u>\$ 13,257,746</u>	<u>\$ 10,623,687</u>	<u>\$ 190,197</u>	<u>\$ 23,375,351</u>	<u>\$123,202,644</u>

3. Liquidity and Availability

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

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

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

<u>Asset Categories</u>	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 15,522,989	\$ 10,910,864
Investments	26,484,783	23,696,174
Accounts receivable, residents and clients, net	12,315,821	10,480,960
Current portion of other receivables	<u>1,654,331</u>	<u>1,333,818</u>
	<u>\$ 55,977,924</u>	<u>\$ 46,421,816</u>

4. Pledges Receivable

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

	<u>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 21,050	\$ 20,835
Receivable in greater than one year	<u>98,950</u>	<u>119,465</u>
	120,000	140,300
Less allowance for uncollectible pledges	<u>655</u>	<u>655</u>
	<u>\$ 119,345</u>	<u>\$ 139,645</u>

Pledges receivable for LFS are summarized as follows:

	<u>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 116,655	\$ 91,679
Receivable in greater than one year	<u>506,129</u>	<u>160,050</u>
	622,784	251,819
Less allowance for uncollectible pledges	7,358	12,070
Less discounts to net present value	<u>28,177</u>	<u>15,293</u>
	<u>\$ 587,249</u>	<u>\$ 224,456</u>

5. Investments

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

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	2020		
	<u>Cost</u>	<u>Fair Value</u>	<u>Net Unrealized Appreciation</u>
LSA:			
Money market funds	\$ 7,960,140	\$ 7,960,140	\$ -
Marketable equity securities	<u>36,456,365</u>	<u>42,898,469</u>	<u>6,442,104</u>
	<u>44,416,505</u>	<u>50,858,609</u>	<u>6,442,104</u>
LFS:			
Money market funds	100	100	-
Marketable equity securities	<u>347,433</u>	<u>396,095</u>	<u>48,662</u>
	<u>347,533</u>	<u>396,195</u>	<u>48,662</u>
Total	<u>\$ 44,764,038</u>	<u>\$ 51,254,804</u>	<u>\$ 6,490,766</u>
	2019		
	<u>Cost</u>	<u>Fair Value</u>	<u>Net Unrealized Appreciation (Depreciation)</u>
LSA:			
U.S. treasury notes	\$ 989,000	\$ 988,149	\$ (851)
Money market funds	6,529,830	6,529,830	-
Marketable equity securities	<u>34,126,779</u>	<u>39,192,405</u>	<u>5,065,626</u>
	<u>41,645,609</u>	<u>46,710,384</u>	<u>5,064,775</u>
LFS:			
Money market funds	100	100	-
Marketable equity securities	<u>333,298</u>	<u>361,310</u>	<u>28,012</u>
	<u>333,398</u>	<u>361,410</u>	<u>28,012</u>
Total	<u>\$ 41,979,007</u>	<u>\$ 47,071,794</u>	<u>\$ 5,092,787</u>

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

	2020		
	<u>LSA</u>	<u>LFS</u>	<u>Total</u>
Investments without donor restrictions income	\$ 3,459,574	\$ 68	\$ 3,459,642
Investments without donor restrictions unrealized gains	1,246,089	-	1,246,089
Investments with donor restrictions income	606,646	7,673	614,319
Investments with donor restrictions unrealized gains (losses)	<u>(280,225)</u>	<u>27,112</u>	<u>(253,113)</u>
Total investment income	<u>\$ 5,032,084</u>	<u>\$ 34,853</u>	<u>\$ 5,066,937</u>
	2019		
	<u>LSA</u>	<u>LFS</u>	<u>Total</u>
Investments without donor restrictions income	\$ 1,204,802	\$ 54	\$ 1,204,856
Investments without donor restrictions unrealized gains	538,704	-	538,704
Investments with donor restrictions income	279,348	2,990	282,338
Investments with donor restrictions unrealized gains (losses)	<u>(115,558)</u>	<u>6,119</u>	<u>(109,439)</u>
Total investment income	<u>\$ 1,907,296</u>	<u>\$ 9,163</u>	<u>\$ 1,916,459</u>

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

6. Endowment Funds

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

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

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

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

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

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

	2020		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Endowment Assets</u>
<u>LSA:</u>			
Board designated funds	\$ 8,778,525	\$ -	\$ 8,778,525
Donor-restricted endowment funds	<u>-</u>	<u>6,092,094</u>	<u>6,092,094</u>
	<u>8,778,525</u>	<u>6,092,094</u>	<u>14,870,619</u>
<u>LFS:</u>			
Donor-restricted endowment funds	<u>-</u>	<u>379,808</u>	<u>379,808</u>
Total endowment funds	<u>\$ 8,778,525</u>	<u>\$ 6,471,902</u>	<u>\$ 15,250,427</u>
	2019		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Endowment Assets</u>
<u>LSA:</u>			
Board designated funds	\$ 8,051,308	\$ -	\$ 8,051,308
Donor-restricted endowment funds	<u>-</u>	<u>5,790,340</u>	<u>5,790,340</u>
	<u>8,051,308</u>	<u>5,790,340</u>	<u>13,841,648</u>
<u>LFS:</u>			
Donor-restricted endowment funds	<u>-</u>	<u>345,023</u>	<u>345,023</u>
Total endowment	<u>\$ 8,051,308</u>	<u>\$ 6,135,363</u>	<u>\$ 14,186,671</u>

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Changes in endowment net assets for the years ended September 30, 2020 and 2019 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Endowment Assets</u>
<u>LSA:</u>			
Endowment net assets-September 30, 2018	\$ 7,673,229	\$ 7,170,486	\$ 14,843,715
Contributions	59,071	22,277	81,348
Investment income	188,022	279,348	467,370
Amounts appropriated for expenditure	-	(1,566,213)	(1,566,213)
Net appreciation (depreciation)	<u>130,986</u>	<u>(115,558)</u>	<u>15,428</u>
Endowment net assets-September 30, 2019	<u>8,051,308</u>	<u>5,790,340</u>	<u>13,841,648</u>
Contributions	-	3,250	3,250
Investment income	212,163	584,369	796,532
Amounts appropriated for expenditure	-	(5,640)	(5,640)
Net appreciation (depreciation)	<u>515,054</u>	<u>(280,225)</u>	<u>234,829</u>
Endowment net assets-September 30, 2020	<u>8,778,525</u>	<u>6,092,094</u>	<u>14,870,619</u>
<u>LFS:</u>			
Endowment net assets-September 30, 2018	-	336,914	336,914
Investment income	-	2,990	2,990
Amounts appropriated for expenditure	-	(1,000)	(1,000)
Net appreciation	<u>-</u>	<u>6,119</u>	<u>6,119</u>
Endowment net assets-September 30, 2019	<u>-</u>	<u>345,023</u>	<u>345,023</u>
Investment income	-	7,673	7,673
Net appreciation	<u>-</u>	<u>27,112</u>	<u>27,112</u>
Endowment net assets-September 30, 2020	<u>-</u>	<u>379,808</u>	<u>379,808</u>
Total	<u>\$ 8,778,525</u>	<u>\$ 6,431,902</u>	<u>\$ 15,250,427</u>

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7. Property and Equipment

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

	2020		
	LSA	LFS	Total
Land	\$ 12,978,224	\$ 242,182	\$ 13,220,406
Land improvements	4,310,739	90,933	4,401,672
Building and building improvements	142,085,691	1,788,740	143,874,431
Certificate of need	4,212,500	-	4,212,500
Leasehold improvements	-	359,792	359,792
Furnishings and equipment	19,465,043	645,885	20,110,928
Computer software	847,235	39,086	886,321
Automotive equipment	1,166,098	754,355	1,920,453
Construction in progress	14,799,474	7,580	14,807,054
	<u>199,865,004</u>	<u>3,928,553</u>	<u>202,501,787</u>
Less accumulated depreciation	<u>(79,326,304)</u>	<u>(2,422,480)</u>	<u>(81,748,784)</u>
Net property and equipment	<u>\$ 120,538,700</u>	<u>\$ 1,506,073</u>	<u>\$ 122,044,773</u>
	2019		
	LSA	LFS	Total
Land	\$ 12,924,346	\$ 242,182	\$ 13,166,528
Land improvements	4,310,739	90,933	4,401,672
Building and building improvements	136,115,497	1,787,897	137,903,394
Certificate of need	4,212,500	-	4,212,500
Leasehold improvements	-	340,481	340,481
Furnishings and equipment	18,617,926	631,905	19,249,831
Computer software	847,235	39,086	886,321
Automotive equipment	1,170,998	758,953	1,929,951
Construction in progress	8,570,609	7,580	8,578,189
	<u>186,769,850</u>	<u>3,899,017</u>	<u>190,668,867</u>
Less accumulated depreciation	<u>(72,528,825)</u>	<u>(2,328,091)</u>	<u>(74,856,916)</u>
Net property and equipment	<u>\$ 114,241,025</u>	<u>\$ 1,570,926</u>	<u>\$ 115,811,951</u>

The Organizations were holding building and building improvements of \$110,800 in assets held for sale at September 30, 2020 and 2019. The asset was sold on October 29, 2020 for \$375,000. No impairment was incurred for the years ended September 30, 2020 and 2019.

Total depreciation expense for LSA was approximately \$6,827,000 and \$6,656,000 for the years ended September 30, 2020 and 2019, respectively. Total depreciation expense for LFS was approximately \$135,000 and \$235,000 for the years ended September 30, 2020 and 2019, respectively.

The Organizations' policy is to capitalize interest costs incurred on borrowed funds during the period of construction of capital assets. During the year ended September 30, 2020 the Organizations capitalized \$90,569 in interest costs related to construction in progress. The Organizations had no capitalized interest in 2019.

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8. Long-term Debt

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

	2020		Total
	LSA	LFS	
Bonds Payable:			
Series 2012A	\$ 40,150,000	\$ -	\$ 40,150,000
Series 2017	28,203,325	-	28,203,325
Series 2020	<u>18,601,132</u>	-	<u>18,601,132</u>
	<u>86,954,457</u>	-	<u>86,954,457</u>
HUD Loans:			
Section 202	-	158,415	158,415
Section 811	-	<u>249,800</u>	<u>249,800</u>
	-	<u>408,215</u>	<u>408,215</u>
Note Payable	-	400,652	400,652
Other Loans	<u>10,865,050</u>	<u>253,442</u>	<u>11,118,492</u>
	<u>97,819,507</u>	<u>1,062,309</u>	<u>98,881,816</u>
Less current maturities of long-term debt	(2,973,792)	(360,406)	(3,334,198)
Less discount on bonds payable, net	(24,776)	-	(24,776)
Less bond issuance costs, net	<u>(3,155,122)</u>	-	<u>(3,155,122)</u>
	<u>\$ 91,665,817</u>	<u>\$ 701,903</u>	<u>\$ 92,367,720</u>
	2019		Total
	LSA	LFS	
Bonds Payable:			
Series 2012A	\$ 41,190,000	\$ -	\$ 41,190,000
Series 2017	<u>29,859,579</u>	-	<u>29,859,579</u>
	<u>71,049,579</u>	-	<u>71,049,579</u>
HUD Loans:			
Section 202	-	165,862	165,862
Section 811	-	<u>249,800</u>	<u>249,800</u>
	-	<u>415,662</u>	<u>415,662</u>
Note Payable	-	618,416	618,416
Other Loans	<u>11,000,000</u>	<u>327,139</u>	<u>11,327,139</u>
	<u>82,049,579</u>	<u>1,361,217</u>	<u>83,410,796</u>
Less current maturities of long-term debt	(2,769,950)	(339,689)	(3,109,639)
Less discount on bonds payable, net	(36,917)	-	(36,917)
Less bond issuance costs, net	<u>(1,057,492)</u>	-	<u>(1,057,492)</u>
	<u>\$ 78,185,220</u>	<u>\$ 1,021,528</u>	<u>\$ 79,206,748</u>

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Bonds Payable

Master Trust Indenture:

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

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

Series 2020:

In August 2020, LSA issued \$115,338,000 tax exempt Health Care Facilities First Mortgage Revenue Refunding Bonds (Lutheran Services for the Aging) Series 2020 Bonds through the North Carolina Medical Care Commission ("Commission") under the Master Trust Indenture and other related agreements. The proceeds were used to pay certain expenses incurred in connection with the authorization and issuance of the bonds, and for construction of the Trinity Landing Project.

The 2020 Bonds mature annually beginning March 1, 2022, in amounts ranging from \$161,000 to \$4,156,000 and bear interest at the bank bought rate of 79% of LIBOR plus 1.77% to 2.65% based on leverage ratio until converted to daily, weekly or adjusted rate for amounts maturing between 2022 and 2025. The 2020 Bonds are secured by the Obligated Group's Deeds of Trust on real property and fixtures under the Master Trust Indenture.

Series 2017:

In March 2017, LSA issued \$33,795,000 tax exempt Health Care Facilities First Mortgage Revenue Refunding Bonds (Lutheran Services for the Aging) Series 2017 Bonds through the North Carolina Medical Care Commission ("Commission") under the Master Trust Indenture and other related agreements. The proceeds were used to refund the outstanding Series 1998 and Series 2012B Bonds and pay certain expenses incurred in connection with the authorization and issuance of the bonds.

The 2017 Bonds mature annually on March 1 in amounts ranging from \$870,000 to \$2,345,000 and bear interest at the bank bought rate of 68% of LIBOR plus 1.28% to 1.48% based on leverage ratio until converted to daily, weekly or adjusted rate for amounts maturing between 2018 and 2038. The 2017 Bonds are secured by the Obligated Group's Deeds of Trust on real property and fixtures under the Master Trust Indenture.

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Series 2012A:

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

The 2012A Bonds mature annually on March 1 in amounts ranging from \$220,000 to \$2,885,000 and bear interest at rates between 2.00% and 5.00% for amounts maturing between 2013 and 2042. The 2012A Bonds are secured by the Obligated Group's Deeds of Trust on real property and fixtures under the Master Trust Indenture.

HUD Loans:

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

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

Note Payable:

LFS has a note payable due December 4, 2021, payable in monthly installments of \$24,339 at prime plus 2% (5.25% at September 30, 2020), collateralized by substantially all of LFS's assets.

Line of Credit:

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

Other Loans:

Remaining debt consists primarily of long-term mortgages and vehicle loans. The interest rates for other loans ranged from 0% to approximately 6.64% at September 30, 2020. The Organizations' debt has various maturity dates from 2020 through 2049 and is secured by various deeds of trust on real property and equipment.

	2020		
	LSA	LFS	Total
Interest expense	\$ 3,253,973	\$ 64,853	\$ 3,318,826
Amortization of debt issuance costs and discount	<u>59,841</u>	-	<u>59,841</u>
Total interest expense	<u>\$ 3,373,814</u>	<u>\$ 64,853</u>	<u>\$ 3,438,667</u>

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	2019		Total
	LSA	LFS	
Interest expense	\$ 3,701,111	\$ 94,438	\$ 3,795,549
Amortization of debt issuance costs and discount	<u>60,732</u>	-	<u>60,732</u>
Total interest expense	<u>\$ 3,761,843</u>	<u>\$ 94,438</u>	<u>\$ 3,856,281</u>

Future maturities of long-term debt are as follows:

Year ending September 30,	LSA	LFS	Total
2021	\$ 2,973,792	\$ 360,406	\$ 3,334,198
2022	3,076,851	139,664	3,216,515
2023	8,902,254	41,157	8,943,411
2024	16,241,954	23,852	16,265,806
2025	3,538,100	21,686	3,559,786
Thereafter	<u>63,086,556</u>	<u>475,544</u>	<u>63,562,100</u>
	<u>\$ 97,819,507</u>	<u>\$ 1,062,309</u>	<u>\$ 98,881,816</u>

LSA incurred deferred financing costs in the amount of \$2,145,331, \$224,006, \$1,111,022, \$201,521, and \$57,245 in association with the issuance of the above Series Bonds. Amortization expense of \$59,841 and \$60,732 was recognized during 2020 and 2019 to the interest expense line item of the statements of operations, respectively. Accumulated amortization was \$592,285 and \$532,444 for the years ended September 30, 2020 and 2019, respectively.

9. Retirement Plans

LSA has a 401(k) retirement plan which covers all employees who are at least 21 years of age with one or more years of service. LSA's contribution is based on matching 50% of the salary deferral elected by each eligible employee up to a maximum of 2% of each eligible employee's compensation. LSA's contributions for the year ended September 30, 2020 and 2019 were \$285,530 and \$199,200, respectively.

LSA sponsors an IRC Section 457(b) defined retirement plan covering certain classifications of employees meeting eligibility requirements regarding service and age. The accompanying consolidated balance sheets at September 30, 2020 and 2019 includes a liability of \$844,810 and \$763,311, respectively, related to the plan.

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10. Fair Value Measurements

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

<u>2020</u>	<u>Measurements at Reporting Date using</u>			
	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>LSA:</u>				
Measured on a recurring basis:				
Assets:				
Money market funds	\$ 7,960,140	\$ 7,960,140	\$ -	\$ -
Mutual funds:				
Mutual Funds Equity	15,361,125	15,361,125	-	-
Domestic Mutual Funds	968,299	968,299	-	-
Mutual Funds International Equity	9,862,196	9,862,196	-	-
Mutual Funds Balanced	170,457	170,457	-	-
Targeted Allocations	182,372	182,372	-	-
Fixed Income	11,514,112	11,514,112	-	-
Mutual Funds International Bonds	<u>4,839,908</u>	<u>4,839,908</u>	-	-
	<u>50,858,609</u>	<u>50,858,609</u>	-	-
Liabilities:				
Hedging instrument - interest rate swap agreement	<u>(1,285,346)</u>	-	<u>(1,285,346)</u>	-
<u>LFS:</u>				
Measured on a recurring basis:				
Assets:				
Money market funds	100	100	-	-
Mutual funds:				
Mutual Funds Equity	193,654	193,654	-	-
Mutual Funds International Equity	73,926	73,926	-	-
Fixed Income	89,769	89,769	-	-
Mutual Funds International Bonds	<u>38,746</u>	<u>38,746</u>	-	-
	<u>396,195</u>	<u>396,195</u>	-	-
Total	<u>\$ 49,969,458</u>	<u>\$ 51,254,804</u>	<u>\$ (1,285,346)</u>	<u>\$ -</u>

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<u>2019</u>	<u>Measurements at Reporting Date using</u>			
	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>LSA:</u>				
Measured on a recurring basis:				
Assets:				
Money market funds	\$ 6,529,830	\$ 6,529,830	\$ -	\$ -
U.S. treasury notes	988,149	988,149	-	-
Mutual funds:				
Mutual Funds Equity	15,249,722	15,249,722	-	-
Domestic Mutual Funds	575,250	575,250	-	-
Mutual Funds International Equity	9,022,594	9,022,594	-	-
Mutual Funds Balanced	168,915	168,915	-	-
Fixed Income	9,835,529	9,835,529	-	-
Mutual Funds International Bonds	<u>4,340,395</u>	<u>4,340,395</u>	<u>-</u>	<u>-</u>
	<u>46,710,384</u>	<u>46,710,384</u>	<u>-</u>	<u>-</u>
Liabilities:				
Hedging instrument - interest rate swap agreement	<u>(1,221,872)</u>	<u>-</u>	<u>(1,221,872)</u>	<u>-</u>
<u>LFS:</u>				
Measured on a recurring basis:				
Assets:				
Money market funds	100	100	-	-
Mutual funds:				
Mutual Funds Equity	168,261	168,261	-	-
Mutual Funds International Equity	71,208	71,208	-	-
Fixed Income	84,016	84,016	-	-
Mutual Funds International Bonds	<u>37,825</u>	<u>37,825</u>	<u>-</u>	<u>-</u>
	<u>361,410</u>	<u>361,410</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 45,849,922</u>	<u>\$ 47,071,794</u>	<u>\$ (1,221,872)</u>	<u>\$ -</u>

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Level 2 inputs are those inputs that are observable, either directly or indirectly, for the assets or liability other than quoted prices included in Level 1. Level 2 inputs have been valued using an income approach. Level 3 inputs are unobservable, and apply only when there is little or no market activity for the asset or liability. There were no changes in the valuation techniques during the years ended September 30, 2020 or 2019.

The Organizations' recognize transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers of assets between levels in 2020 or 2019.

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

11. Net Assets With Donor Restrictions

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

	2020		
	<u>LSA</u>	<u>LFS</u>	<u>Total</u>
Endowment funds	\$ 6,092,094	\$ 379,808	\$ 6,471,902
Property and equipment	1,062,809	510,367	1,573,176
Operations	<u>908,224</u>	<u>977,193</u>	<u>1,885,417</u>
	<u>\$ 8,063,127</u>	<u>\$ 1,867,368</u>	<u>\$ 9,930,495</u>
	2019		
	<u>LSA</u>	<u>LFS</u>	<u>Total</u>
Endowment funds	\$ 5,790,340	\$ 345,023	\$ 6,135,363
Property and equipment	911,272	887,888	1,799,160
Operations	<u>824,168</u>	<u>76,287</u>	<u>900,455</u>
	<u>\$ 7,525,780</u>	<u>\$ 1,309,198</u>	<u>\$ 8,834,978</u>

Net assets released from restrictions for LSA were \$349,770 and \$2,506,107 for the years ended September 30, 2020 and 2019, respectively. Net assets released from restrictions for LFS were \$284,641 and \$642,341 for the years ended September 30, 2020 and 2019, respectively.

12. Board Designated Assets

At September 30, 2020 and 2019 the Organizations had \$8,778,525 and \$8,051,308 in net assets without donor restrictions classified as board designated funds. The Board has a policy that all estate gifts received by the Organizations will be included in board designated funds with purposes to be determined at a future date.

13. Lease Commitments

LFS has lease commitments under various operating leases for office facilities, and office equipment. Total rental expense under cancelable and noncancelable operating leases was \$628,296 and \$703,405 for the years ended September 30, 2020 and 2019, respectively.

At September 30, 2020, the future minimum lease payments under the noncancelable operating leases are as follows:

2021	\$ 201,132
2022	157,707
2023	138,797
2024	<u>44,289</u>
Total minimum lease payments	<u>\$ 541,925</u>

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

LFS has lease commitments under various capital leases for equipment and vehicles. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the assets. The assets are amortized over the lesser of the related lease term or the estimated useful life. Amortization of the assets for LFS under capital lease was \$15,434 and \$20,666 for the years ended September 30, 2020 and 2019, respectively.

Assets held under the capital leases and the related accumulated amortization at September 30, 2020 and 2019 is as follows:

<u>LFS:</u>	<u>2020</u>	<u>2019</u>
Equipment	\$ 49,988	\$ 49,988
Vehicles	107,900	263,314
Less accumulated amortization	<u>(127,895)</u>	<u>(246,268)</u>
	<u>\$ 29,993</u>	<u>\$ 67,034</u>

The present values of future minimum capital lease payments are as follows:

<u>Year ending September 30,</u>	
2021	\$ 15,126
2022	11,993
2023	<u>4,644</u>
Total minimum lease payments	<u>\$ 31,763</u>

14. Commitments

At September 30, 2020 the Organizations had commitments relating to various construction projects at year end. The estimated cost to complete these projects is approximately \$97 million. The Organizations plan to fund these construction projects with the recently completed 2020 bond issuance.

15. Contingencies

The Organizations self-insure a portion of their employee health benefits exposure up to \$125,000 per employee. An accrual for the self-insurance program is established to provide for estimated claims and losses and applicable legal expenses for claims incurred through September 30, 2020 but not reported. This accrual was determined in conjunction with a health insurance consultant and totaled approximately \$497,000 and \$603,000 at September 30, 2020 and 2019, respectively. The accrual is included in accrued health benefits in the accompanying consolidated balance sheet. Commercial insurance has been obtained for coverage in excess of the self-insured amounts.

During 2013, LSA began participating in a "high deductible" workers' compensation insurance policy. They are responsible for the first dollar claims up to \$100,000 per occurrence or \$500,000 in the aggregate. The accrual for estimated claims incurred through September 30, 2020 and 2019 was approximately \$395,000 and \$321,000, respectively, and is recorded in accounts payable.

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

The Organizations are involved in litigation in the ordinary course of business related to professional liability claims. Management believes all claims will be settled within the limits of insurance coverage. However, the ultimate settlement of these cases and losses, if any, to the Organizations cannot be estimated at this time. Other claims may be asserted arising from past services provided through September 30, 2020. Management believes these claims, if asserted, would be settled within the limits of insurance coverage. General and professional liability coverage is on an occurrence basis for individual claims up to \$1,000,000 per occurrence, with a total annual aggregate of \$3,000,000.

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

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

16. Split Interest Agreements

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

The annuity obligation of approximately \$651,000 and \$688,000 at September 30, 2020 and 2019, respectively, represents the present value of the expected future cash payments to the donors computed over the life expectancy of the donors. LSA made payments totaling \$49,000 during the years ended September 30, 2020 and 2019, respectively under the terms of the agreements.

17. Interest Rate Swap Agreement

LSA has an interest rate swap with a notional amount of \$7,925,000 and \$8,680,000 at September 30, 2020 and 2019, respectively. Under the terms of the swap (which expires in March 2028), LSA pays monthly a fixed interest rate of 4.088% and receives monthly the variable interest rate on the interest rate swap. The estimated fair value of the agreement at September 30, 2020 and 2019 was \$(1,285,346) and \$(1,221,872), respectively, with the change in fair value of the instrument recognized in the accompanying consolidated statement of operations and changes in net assets. LSA assumes no ineffectiveness in the hedging relationship.

On August 7, 2020 LSA purchased an interest rate swap related to the 2020 series bonds with a notional amount of \$74,088,000, which is subject to change. Under the terms of the swap, which is effective beginning February 1, 2022 and expires in September 1, 2025, LSA will pay monthly a fixed interest rate of 2.000% per annum and receive monthly the variable interest rate on the interest rate swap.

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

18. Functional Expenses

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

September 30, 2020						
	Program Services		Administrative and General	Development	Marketing	Total
	Senior Services	Child and Family Services				
Salary & Wages	\$42,930,333	\$ 9,324,345	\$ 7,556,765	\$ 690,954	\$ 502,951	\$ 61,005,348
Fringe Benefits	7,499,251	1,683,442	1,333,433	120,699	87,858	10,724,683
Contract Services	9,271,645	1,481,493	1,431,517	18,883	-	12,203,538
Supplies & Other	18,915,294	7,046,255	3,138,267	108,164	54,282	29,262,262
Bed Assessment	2,347,023	-	-	-	-	2,347,023
Provider Assessment	-	76,981	-	-	-	76,981
Advertising and Recruiting	124,498	27,010	104,186	17,098	702,008	974,800
Depreciation	6,752,016	134,610	75,354	-	-	6,961,980
Interest and Amortization	3,373,814	43,127	21,726	-	-	3,438,667
Total expense	<u>\$91,213,874</u>	<u>\$19,817,263</u>	<u>\$13,661,248</u>	<u>\$ 955,798</u>	<u>\$ 1,347,099</u>	<u>\$126,995,282</u>

September 30, 2019						
	Program Services		Administrative and General	Development	Marketing	Total
	Senior Services	Child and Family Services				
Salary & Wages	\$41,647,170	\$ 7,725,474	\$ 8,584,989	\$ 651,969	\$ 360,630	\$ 58,970,232
Fringe Benefits	7,386,742	1,254,747	1,518,775	115,636	63,963	10,339,863
Contract Services	8,848,356	1,803,430	1,535,290	42,826	-	12,229,902
Supplies & Other	17,154,788	8,405,881	3,126,179	140,951	1,059,460	29,887,259
Bed Assessment	2,357,543	-	-	-	-	2,357,543
Provider Assessment	-	87,833	-	-	-	87,833
Advertising and Recruiting	81,273	34,148	82,703	13,778	237,598	449,500
Depreciation	6,597,764	238,187	76,096	-	-	6,912,047
Interest and Amortization	3,758,370	94,438	810	2,663	-	3,856,281
Total expense	<u>\$87,832,006</u>	<u>\$19,644,138</u>	<u>\$14,924,842</u>	<u>\$ 967,823</u>	<u>\$ 1,721,651</u>	<u>\$125,090,460</u>

19. Subsequent Events

Management has evaluated subsequent events through January 27, 2021, the date which the financial statements were issued.

On October 29, 2020 LSA acquired a 100% equity interest in Dallas High School Apartments for \$1. Dallas High School Apartments is a 33 unit affordable housing community in Dallas, North Carolina. Related to this acquisition, LSA assumed a loan of \$510,000.

20. CARES Act

In response to the COVID-19 pandemic, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law on March 27, 2020. One provision of the CARES Act was the establishment of the Provider Relief Funds, administered by the U.S. Department of Health and Human Services (HHS). The Provider Relief Funds are being distributed to healthcare providers throughout the country to support the battle against the COVID-19 outbreak. During the year ended September 30, 2020, the Organizations have received approximately \$5.2 million in distributions from targeted and general distributions. These funds are intended to reimburse qualifying expenses and lost revenues attributable to COVID-19 and are subject to the terms, conditions, and regulatory requirements set forth by HHS. If the total distributions received by the Organizations exceed the cumulative amount of qualifying expenses and lost revenues attributable to COVID-19 through July 31, 2021, any excess funding may be subject to recoupment. The Provider Relief Funds are accounted for as conditional contributions and related revenues are recognized as conditions are substantially met. During the year ended September 30, 2020 the Organizations recognized \$2.4 million in revenues and other support, which is presented within the federal grants and other line item on the consolidated statement of operations and changes in net assets. \$2.9 million has been deferred within the deferred revenue from grants and other line item on the consolidated balance sheet as of September 30, 2020, and is expected to be recognized in full in fiscal year 2021.

In addition to the terms, conditions, and published regulatory guidance, as of January 27, 2021, HHS has published additional guidance related to the nature and allowability of certain qualifying expenses and methods for determining lost revenues attributable to COVID-19 through the publication of Frequently Asked Questions (FAQs). These HHS Provider Relief Fund FAQs have been subject to significant amendment and revision over the course of the program. Additional guidance from HHS and the U.S. Office of Management and Budget (OMB) is continually being issued, but the nature and extent of such additional forthcoming guidance is uncertain. The Organizations relied on the guidance available during the year ended September 30, 2020 and through January 27, 2021 in determining the amounts of qualifying expenses and lost revenues attributable to COVID-19 and the related recognition of revenue during fiscal 2020. Such determinations required management to make subjective interpretations of the available guidance, and to make assumptions and exercise considerable judgment. Subsequent changes or clarifications in guidance from HHS and OMB could have a material impact on management's estimates and the determination of such amounts. The Provider Relief Funds are subject to audit by HHS which may result in disallowed expenditures which may be subject to recoupment. Such amounts, if any, cannot be determined at this time.



Independent Auditors' Report on Supplementary Information

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

We have audited the consolidated financial statements of Lutheran Services for the Aging, Inc. and Lutheran Family Services in the Carolinas and Affiliates (the "Organization") as of and for the year ended September 30, 2020, and have issued our report thereon dated January 27, 2021, which contained an unmodified opinion on those consolidated financial statements, appears on pages 1 - 2. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The Room and Board Computation on page 37 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole

Dixon Hughes Goodman LLP

Raleigh, NC
January 27, 2021

Lutheran Family Services in the Carolinas
 Supplementary Room and Board Computation
 Year Ended September 30, 2020

Program Type:		CTH II										
Object Code #	Expense Description	Myers Crest	Barger Hill	Victory Point	Stone Haven	Rose Crest	Aull Place	Westridge	Briargate	Briarcliff	Harmony	Total
7305	Food	\$ 17,222	\$ 18,210	\$ 16,532	\$ 17,530	\$ 16,597	\$ 21,146	\$ 13,034	\$ 14,203	\$ 13,393	\$ 21,602	\$ 169,466
7310, 7315, 7320, 7325, 7335, 7505, 7510, 7520, 7525, 7720, 7985	Supplies	17,453	14,373	15,355	10,385	6,179	16,960	14,440	14,421	14,919	14,449	138,936
7515	Telephone	3,016	9,438	3,616	2,889	2,932	4,005	5,219	1,615	6,265	4,055	43,049
7540	Utilities	5,696	5,848	6,023	4,682	7,619	7,785	6,121	5,044	4,760	4,789	58,368
7545	Maintenance	7,739	4,866	19,729	3,187	3,618	8,032	5,556	6,127	4,262	3,614	66,729
7733	Depreciation	129	6,720	9,221	6,309	1,934	9,102	1,705	-	4,050	2,000	41,170
7745	Rent	12,500	17,100	19,503	15,040	15,000	14,340	15,750	15,755	15,755	19,094	159,837
7760	Insurance	3,330	1,913	2,029	3,200	3,084	3,256	3,413	3,810	3,228	4,046	31,310
	Total Direct Room and Board Expenses	67,085	78,468	92,008	63,221	56,964	84,626	65,238	60,976	66,631	73,648	708,866
	Costs Allocated to Room and Board Expenses	10,861	12,704	14,896	10,235	9,223	13,701	10,562	11,924	9,712	10,788	114,606
7645	Administration	\$ 77,946	\$ 91,172	\$ 106,904	\$ 73,466	\$ 66,187	\$ 98,327	\$ 75,800	\$ 72,900	\$ 76,343	\$ 84,436	\$ 823,472
	Total Allowable Room and Board Costs	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4	\$ 40
	Number of Funded Beds in Facility	19,487	22,793	26,726	18,364	16,547	24,582	18,950	18,225	19,086	21,109	20,587
	Average Annual Costs per Bed	\$ 1,624	\$ 1,899	\$ 2,227	\$ 1,530	\$ 1,379	\$ 2,048	\$ 1,579	\$ 1,519	\$ 1,590	\$ 1,759	\$ 1,716
	Average Monthly Costs per Bed											

See Independent Auditors' Report.



Independent Auditors' Report on Consolidating Information

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

We have audited the consolidated financial statements of Lutheran Services for the Aging, Inc. and Lutheran Family Services in the Carolinas and Affiliates (the "Organization") as of and for the year ended September 30, 2020, and have issued our report thereon dated January 27, 2021, which contained an unmodified opinion on those consolidated financial statements, appears on pages 1 - 2. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 39 - 66 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations and changes in net assets of the individual companies, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Dixon Hughes Goodman LLP

Raleigh, NC
January 27, 2021

Lutheran Services for the Aging, Inc. and
 Lutheran Family Services in the Carolinas and Affiliates
 Consolidating Balance Sheets
 September 30, 2020

	Trinity Place Albemarle	Trinity Village Hickory	Trinity Ridge Hickory	Trinity Oaks H&R Salisbury	Trinity Grove Wilmington	Trinity Glen Winston-Salem	Trinity Elms H&R Clemmons	Total Nursing
ASSETS								
Current assets:								
Cash and cash equivalents	\$ 1,134,716	\$ 1,032,899	\$ 1,265,000	\$ 1,514,236	\$ 1,256,514	\$ 1,242,034	\$ 739,106	\$ 8,184,505
Investments	766,593	1,120,805	-	5,581,108	589,723	-	-	8,058,229
Accounts receivable, residents and clients, net of allowance for doubtful accounts of approximately \$1,400,000 and \$1,100,000 in 2020 and 2019, respectively	681,436	1,320,878	1,766,683	1,722,555	1,117,422	1,463,544	752,946	8,825,464
Current portion of other receivables	1,159,411	4,390,081	(1,254,981)	3,022,721	(1,813,963)	(3,700,561)	(1,094,871)	707,817
Inventories	87,091	135,443	144,055	38,526	62,939	107,744	37,451	613,249
Prepaid expenses	(951)	(15,855)	(5,120)	960	12,818	(290)	(122)	(8,560)
Residents' funds	14,085	49,822	22,314	51,854	6,468	64,748	24,076	233,367
Total current assets	3,842,381	8,034,073	1,937,951	11,931,960	1,231,921	(822,801)	458,566	26,614,071
Assets limited as to use:								
Investments - donor-restricted endowment funds	-	-	-	-	-	-	-	-
Investments - temporarily restricted	-	-	-	-	-	-	-	-
Investments - board designated funds	230,920	816,922	-	925,387	-	-	-	1,973,229
Assets limited to use - operating reserve requirement	-	-	-	-	-	-	-	-
Assets limited to use - deposits held in escrow	-	-	-	-	-	-	-	-
Bond funds	-	-	-	-	-	-	-	-
Assets restricted for investment in property and equipment	11,587	-	-	1,004,756	31,761	-	-	1,048,104
Total assets limited as to use	242,507	816,922	-	1,930,143	31,761	-	-	3,021,333
Property and equipment, net	517,708	490,112	629,876	296,912	342,651	522,106	862,510	3,661,875
Assets held for sale	-	-	-	-	-	-	-	-
Other receivables, less current portion, net	-	-	-	-	-	-	-	-
Other assets	-	10,625	-	-	-	-	-	10,625
Total assets	\$ 4,602,596	\$ 9,351,732	\$ 2,567,827	\$ 14,159,015	\$ 1,606,333	\$ (300,695)	\$ 1,321,096	\$ 33,307,904

	Trinity Place Albemarle	Trinity Village Hickory	Trinity Ridge Hickory	Trinity Oaks H&R Salisbury	Trinity Grove Wilmington	Trinity Glen Winston-Salem	Trinity Elms H&R Clemmons	Total Nursing
LIABILITIES AND NET ASSETS								
Current liabilities:								
Current maturities of long-term debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Current maturities of obligation under capital leases	-	-	-	-	-	-	-	-
Current portion of split-interest liability	-	-	-	-	-	-	-	-
Accounts payable, trade	86,940	216,897	228,000	140,467	161,781	174,067	165,919	1,176,071
Accrued salaries and payroll taxes	365,053	744,741	553,191	546,446	455,668	533,309	472,843	3,671,251
Accrued health benefits	36,480	63,888	49,000	44,111	35,174	42,595	37,848	309,096
Accrued interest payable	-	-	-	-	-	-	-	-
Refundable fees - current	-	-	-	-	-	-	-	-
Deferred revenue from grants and other	135,408	301,235	480,755	505,481	531,899	404,776	510,724	2,870,278
Other accrued liabilities	-	-	-	-	-	-	-	-
Residents' funds liability	14,085	49,822	22,314	51,854	6,468	64,748	24,076	233,367
Total current liabilities	639,966	1,376,563	1,333,260	1,288,359	1,190,990	1,219,495	1,211,410	8,260,063
Long-term liabilities:								
Long-term debt, less current maturities	175,843	287,554	-	171,705	49,650	2,069	-	686,821
Long-term maturities of obligation under capital leases	-	-	-	-	-	-	-	-
Refundable fees	-	-	-	14,020	-	-	-	14,020
Deferred revenue from advance fees	-	-	-	-	-	-	-	-
Fair value of interest rate swap agreement	-	-	-	-	-	-	-	-
Split-interest liability	-	-	-	-	-	-	-	-
Total long-term liabilities	175,843	287,554	-	185,725	49,650	2,069	-	700,841
Total liabilities	815,809	1,664,137	1,333,260	1,474,084	1,240,640	1,221,564	1,211,410	8,960,904
Net assets:								
Net Assets without donor restrictions	3,529,368	6,829,037	1,213,869	10,590,128	324,837	(1,529,562)	109,522	21,067,199
Without donor restrictions, undesignated	230,920	816,922	-	925,387	-	-	-	1,973,229
Without donor restrictions, board designated funds	3,760,288	7,645,959	1,213,869	11,515,515	324,837	(1,529,562)	109,522	23,040,428
Total net assets without donor restrictions	26,499	41,636	20,898	1,169,416	40,856	7,303	164	1,306,572
Net assets with donor restrictions	3,786,787	7,687,595	1,234,567	12,684,931	365,693	(1,522,259)	109,686	24,347,000
Total net assets	4,602,596	9,351,732	2,567,827	14,159,015	1,606,333	(300,695)	1,321,096	33,307,904

Lutheran Services for the Aging, Inc. and
 Lutheran Family Services in the Carolinas and Affiliates
 Consolidating Balance Sheets
 September 30, 2020

	Lutheran Home Albemarle Property	Lutheran Home Hickory Property	Lutheran Home Hickory West Property	Lutheran Home Salisbury Property	Lutheran Home Wilmington Property	Lutheran Home Winston-Salem Property	Lutheran Home Forsyth County Property	LSA Elms Property	Lutheran Services Property	Total Property
ASSETS										
Current assets:										
Cash and cash equivalents	\$ 224,188	\$ 308,059	\$ 100	\$ 200,511	\$ 100	\$ 100	\$ 100	\$ 19,238	\$ 314,656	\$ 1,067,052
Investments	886,025	-	1,399,313	3,555,272	925,981	-	394,891	963,736	213,317	8,338,535
Accounts receivable, residents and clients, net of allowance for doubtful accounts of approximately \$1,400,000 and \$1,100,000 in 2020 and 2019, respectively	-	-	-	-	-	-	-	-	-	-
Current portion of other receivables	1,679,055	(689,084)	3,360,844	2,164,814	(3,085,398)	1,036,702	(350,954)	1,358,643	(766,640)	4,707,982
Inventories	-	-	-	-	-	-	-	-	-	-
Prepaid expenses	-	2,327	-	-	-	-	-	-	-	2,327
Residents' funds	-	-	-	-	-	-	-	-	-	-
Total current assets	2,789,268	(378,698)	4,760,257	5,920,587	(2,159,317)	1,036,802	44,037	2,341,617	(238,687)	14,115,896
Assets limited as to use:										
Investments - donor-restricted endowment funds	-	-	-	-	-	-	-	-	-	-
Investments - temporarily restricted	-	-	-	-	-	-	-	-	-	-
Investments - board designated funds	-	-	-	-	-	-	-	-	-	-
Assets limited to use - operating reserve requirement	-	-	-	-	-	-	-	-	-	-
Assets limited to use - deposits held in escrow	-	-	-	-	-	-	-	-	-	-
Bond funds	-	-	-	-	-	-	-	-	-	-
Assets restricted for investment in property and equipment	-	-	-	-	-	-	-	-	-	-
Total assets limited as to use	-	-	-	-	-	-	-	-	-	-
Property and equipment, net	5,724,368	5,606,862	12,449,038	3,931,702	12,079,787	6,473,659	12,133,765	5,929,146	2,246,992	66,575,319
Assets held for sale	-	-	110,800	-	-	-	-	-	-	110,800
Other receivables, less current portion, net	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 8,513,636	\$ 5,228,164	\$ 17,320,095	\$ 9,852,299	\$ 9,920,470	\$ 7,510,461	\$ 12,177,802	\$ 8,270,763	\$ 2,008,325	\$ 80,802,015

	Lutheran Home Albemarle Property	Lutheran Home Hickory Property	Lutheran Home Hickory West Property	Lutheran Home Salisbury Property	Lutheran Home Wilmington Property	Lutheran Home Winston-Salem Property	Lutheran Home Forsyth County Property	LSA Elms Property	Lutheran Services Property	Total Property
LIABILITIES AND NET ASSETS										
Current liabilities:										
Current maturities of long-term debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Current maturities of obligation under capital leases	-	-	-	-	-	-	-	-	-	-
Current portion of split-interest liability	-	-	-	-	-	-	-	-	-	-
Accounts payable, trade	-	-	-	-	-	-	-	-	-	-
Accrued salaries and payroll taxes	-	-	-	-	-	-	-	-	-	-
Accrued health benefits	-	-	-	-	-	-	-	-	-	-
Accrued interest payable	-	-	-	-	-	-	-	-	-	-
Refundable fees - current	-	-	-	-	-	-	-	-	-	-
Deferred revenue from grants and other	-	-	-	-	-	-	-	-	-	-
Other accrued liabilities	-	-	-	-	-	-	-	-	-	-
Residents' funds liability	-	-	-	-	-	-	-	-	-	-
Total current liabilities	-	-	-	-	-	-	-	-	-	-
Long-term liabilities:										
Long-term debt, less current maturities	4,084,579	2,055,851	12,818,868	1,317,359	12,701,525	8,523,705	12,033,832	7,827,928	18,619	61,382,266
Long-term maturities of obligation under capital leases	-	-	-	-	-	-	-	-	-	-
Refundable fees	-	-	-	-	-	-	-	-	-	-
Deferred revenue from advance fees	-	-	-	-	-	-	-	-	-	-
Fair value of interest rate swap agreement	-	-	-	-	-	-	-	-	-	-
Split-interest liability	-	-	-	-	-	-	-	-	-	-
Total long-term liabilities	4,084,579	2,055,851	12,818,868	1,317,359	12,701,525	8,523,705	12,033,832	7,827,928	18,619	61,382,266
Total liabilities	4,084,579	2,055,851	12,818,868	1,317,359	12,701,525	8,523,705	12,033,832	7,827,928	18,619	61,382,266
Net assets:										
Net Assets without donor restrictions	4,429,057	3,172,313	4,501,227	8,534,940	(2,781,055)	(1,013,244)	143,970	442,835	1,989,706	19,419,749
Without donor restrictions, undesignated	-	-	-	-	-	-	-	-	-	-
Without donor restrictions, board designated funds	4,429,057	3,172,313	4,501,227	8,534,940	(2,781,055)	(1,013,244)	143,970	442,835	1,989,706	19,419,749
Total net assets without donor restrictions	4,429,057	3,172,313	4,501,227	8,534,940	(2,781,055)	(1,013,244)	143,970	442,835	1,989,706	19,419,749
Net assets with donor restrictions	-	-	-	-	-	-	-	-	-	-
Total net assets	4,429,057	3,172,313	4,501,227	8,534,940	(2,781,055)	(1,013,244)	143,970	442,835	1,989,706	19,419,749
Total liabilities and net assets	\$ 8,513,636	\$ 5,228,164	\$ 17,320,095	\$ 9,862,299	\$ 9,920,470	\$ 7,510,461	\$ 12,177,802	\$ 8,270,763	\$ 2,008,325	\$ 80,802,015

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	Trinity Oaks RC Salisbury	Trinity View Arden	LRC - Wilmington	Trinity Elms IL Clemmons	Total Retirement
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 399,479	\$ 324,375	\$ 205,310	\$ 674,737	\$ 1,603,901
Investments	(502,473)	1,065,297	75,603	-	638,427
Accounts receivable, residents and clients, net of allowance for doubtful accounts of approximately \$1,400,000 and \$1,100,000 in 2020 and 2019, respectively	176,621	(6,408)	-	16,461	186,674
Current portion of other receivables	(1,973,147)	2,241,043	(8,021,307)	(27,579)	(7,780,990)
Inventories	41,286	23,115	-	-	64,401
Prepaid expenses	3,046	-	565	-	3,611
Residents' funds	-	-	-	-	-
Total current assets	(1,855,188)	3,647,422	(7,739,829)	663,619	(5,283,976)
Assets limited as to use:					
Investments - donor-restricted endowment funds	-	-	-	-	-
Investments - temporarily restricted	-	-	-	-	-
Investments - board designated funds	946,120	18,637	-	-	964,757
Assets limited to use - operating reserve requirement	1,575,000	-	-	-	1,575,000
Assets limited to use - deposits held in escrow	-	-	4,024,259	-	4,024,259
Bond funds	-	-	-	-	-
Assets restricted for investment in property and equipment	-	-	-	-	-
Total assets limited as to use	2,521,120	18,637	4,024,259	-	6,564,016
Property and equipment, net	20,420,185	3,091,501	14,791,410	10,436,272	48,739,368
Assets held for sale	-	-	-	-	-
Other receivables, less current portion, net	-	-	-	-	-
Other assets	-	-	-	-	-
Total assets	\$ 21,086,117	\$ 6,757,560	\$ 11,075,840	\$ 11,099,891	\$ 50,019,408

	Trinity Oaks RC Salisbury	Trinity View Arden	LRC - Wilmington	Trinity Elms IL Clemmons	Total Retirement
LIABILITIES AND NET ASSETS					
Current liabilities:					
Current maturities of long-term debt	\$ -	\$ -	\$ -	\$ 188,792	\$ 188,792
Current maturities of obligation under capital leases	-	-	-	-	-
Current portion of split-interest liability	-	-	-	-	-
Accounts payable, trade	307,100	38,232	26,874	1,654	373,860
Accrued salaries and payroll taxes	325,190	149,611	67,164	6,895	548,860
Accrued health benefits	25,235	8,471	2,005	-	35,711
Accrued interest payable	-	-	-	-	-
Refundable fees - current	639,861	-	-	-	639,861
Deferred revenue from grants and other	-	-	-	-	-
Other accrued liabilities	-	-	-	-	-
Residents' funds liability	-	-	-	-	-
Total current liabilities	<u>1,297,366</u>	<u>196,314</u>	<u>96,043</u>	<u>197,341</u>	<u>1,787,064</u>
Long-term liabilities:					
Long-term debt, less current maturities	4,126,404	1,846,199	11,550,932	10,676,258	28,199,793
Long-term maturities of obligation under capital leases	-	-	-	-	-
Refundable fees	6,728,305	950	4,028,376	112,887	10,870,518
Deferred revenue from advance fees	7,070,054	-	-	-	7,070,054
Fair value of interest rate swap agreement	-	-	-	-	-
Split-interest liability	-	-	-	-	-
Total long-term liabilities	<u>17,924,763</u>	<u>1,847,149</u>	<u>15,579,308</u>	<u>10,789,145</u>	<u>46,140,365</u>
Total liabilities	19,222,149	2,043,463	15,675,351	10,986,486	47,927,449
Net assets:					
Net Assets without donor restrictions	-	-	-	-	-
Without donor restrictions, undesignated	895,907	4,678,627	(4,599,511)	113,405	1,088,428
Without donor restrictions, board designated funds	946,120	18,637	-	-	964,757
Total net assets without donor restrictions	<u>1,842,027</u>	<u>4,697,264</u>	<u>(4,599,511)</u>	<u>113,405</u>	<u>2,053,185</u>
Net assets with donor restrictions	21,941	16,833	-	-	38,774
Total net assets	<u>1,863,968</u>	<u>4,714,097</u>	<u>(4,599,511)</u>	<u>113,405</u>	<u>2,091,959</u>
Total liabilities and net assets	\$ <u>21,086,117</u>	\$ <u>6,757,560</u>	\$ <u>11,075,840</u>	\$ <u>11,099,891</u>	\$ <u>50,019,408</u>

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	Trinity Elms AL Clemmons	Trinity Living Center Salisbury	Trinity at Home Salisbury	LSA Pharmacy Salisbury	Total Other Operations
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 487,960	\$ 94,153	\$ 172,159	\$ 405,340	\$ 1,159,612
Investments	2,287,278	158,119	-	2,379,783	4,825,180
Accounts receivable, residents and clients, net of allowance for doubtful accounts of approximately \$1,400,000 and \$1,100,000 in 2020 and 2019, respectively	134,988	178,625	118,905	326,271	758,789
Current portion of other receivables	2,147,341	119,159	(22,723)	8,526,163	10,769,940
Inventories	16,664	-	-	564,744	581,408
Prepaid expenses	(4,899)	-	674	(218)	(4,443)
Residents' funds	8,061	-	-	-	8,061
Total current assets	5,077,393	550,056	269,015	12,202,083	18,098,547
Assets limited as to use:					
Investments - donor-restricted endowment funds	-	-	-	-	-
Investments - temporarily restricted	-	-	-	-	-
Investments - board designated funds	-	-	-	-	-
Assets limited to use - operating reserve requirement	-	-	-	-	-
Assets limited to use - deposits held in escrow	-	-	-	-	-
Bond funds	-	-	-	-	-
Assets restricted for investment in property and equipment	-	-	-	-	-
Total assets limited as to use	-	-	-	-	-
Property and equipment, net	157,919	11,397	2,100	67,892	239,308
Assets held for sale	-	-	-	-	-
Other receivables, less current portion, net	-	-	-	-	-
Other assets	-	-	-	-	-
Total assets	\$ 5,235,312	\$ 561,453	\$ 271,115	\$ 12,269,975	\$ 18,337,855

	Trinity Elms AL Clemmons	Trinity Living Center Salisbury	Trinity at Home Salisbury	LSA Pharmacy Salisbury	Total Other Operations
LIABILITIES AND NET ASSETS					
Current liabilities:					
Current maturities of long-term debt	\$ -	\$ -	\$ -	\$ -	\$ -
Current maturities of obligation under capital leases	-	-	-	-	-
Current portion of split-interest liability	-	-	-	-	-
Accounts payable, trade	28,624	1,618	1,816	34,439	66,497
Accrued salaries and payroll taxes	177,075	34,246	54,498	148,519	414,338
Accrued health benefits	19,667	3,322	2,129	13,389	38,507
Accrued interest payable	-	-	-	-	-
Refundable fees - current	-	-	-	-	-
Deferred revenue from grants and other	-	-	-	-	-
Other accrued liabilities	-	-	-	-	-
Residents' funds liability	8,061	-	-	-	8,061
Total current liabilities	233,427	39,186	58,443	196,347	527,403
Long-term liabilities:					
Long-term debt, less current maturities	41,375	-	-	6,206	47,581
Long-term maturities of obligation under capital leases	-	-	-	-	-
Refundable fees	-	-	-	-	-
Deferred revenue from advance fees	-	-	-	-	-
Fair value of interest rate swap agreement	-	-	-	-	-
Split-interest liability	-	-	-	-	-
Total long-term liabilities	41,375	-	-	6,206	47,581
Total liabilities	274,802	39,186	58,443	202,553	574,984
Net assets:					
Net Assets without donor restrictions	4,959,714	441,643	209,783	12,067,422	17,678,562
Without donor restrictions, undesignated	-	-	-	-	-
Without donor restrictions, board designated funds	-	-	-	-	-
Total net assets without donor restrictions	4,959,714	441,643	209,783	12,067,422	17,678,562
Net assets with donor restrictions	796	80,524	2,889	-	84,309
Total net assets	4,960,510	522,267	212,672	12,067,422	17,762,871
Total liabilities and net assets	\$ 5,235,312	\$ 561,453	\$ 271,115	\$ 12,269,975	\$ 18,337,855

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	LSA	LSA Management	LSA Foundation	LSA Therapy	Trinity Guardian	Total Other
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 531,768	\$ 859,682	\$ 225,634	\$ -	\$ -	\$ 1,617,084
Investments	54,482	2,420,980	2,132,563	-	-	4,608,025
Accounts receivable, residents and clients, net of allowance for doubtful accounts of approximately \$1,400,000 and \$1,100,000 in 2020 and 2019, respectively	-	3,991	-	-	-	3,991
Current portion of other receivables	744,734	(6,127,433)	93,588	1,550,849	-	(3,738,262)
Inventories	-	68,359	-	-	-	68,359
Prepaid expenses	-	156,987	-	-	-	156,987
Residents' funds	-	-	-	-	-	-
Total current assets	1,330,984	(2,617,434)	2,451,785	1,550,849	-	2,716,184
Assets limited as to use:						
Investments - donor-restricted endowment funds	-	-	3,025,291	-	-	3,025,291
Investments - temporarily restricted	-	-	3,066,803	-	-	3,066,803
Investments - board designated funds	5,840,539	-	-	-	-	5,840,539
Assets limited to use - operating reserve requirement	-	-	-	-	-	-
Assets limited to use - deposits held in escrow	-	-	-	-	-	-
Bond funds	-	3,920,335	-	-	-	3,920,335
Assets restricted for investment in property and equipment	-	-	14,705	-	-	14,705
Total assets limited as to use	5,840,539	3,920,335	6,106,799	-	-	15,867,673
Property and equipment, net	545,999	776,831	-	-	-	1,322,830
Assets held for sale	-	-	-	-	-	-
Other receivables, less current portion, net	98,295	-	-	-	-	98,295
Other assets	274,636	9,784,406	-	431,960	-	10,491,002
Total assets	\$ 8,090,453	\$ 11,864,138	\$ 8,558,584	\$ 1,982,809	\$ -	\$ 30,495,984

	LSA	LSA Management	LSA Foundation	LSA Therapy	Trinity Guardian	Total Other
LIABILITIES AND NET ASSETS						
Current liabilities:						
Current maturities of long-term debt	\$ -	\$ 2,785,000	\$ -	\$ -	\$ -	\$ 2,785,000
Current maturities of obligation under capital leases	-	-	-	-	-	-
Current portion of split-interest liability	-	-	49,000	-	-	49,000
Accounts payable, trade	900	955,857	-	-	-	956,757
Accrued salaries and payroll taxes	-	676,318	-	-	-	676,318
Accrued health benefits	-	29,758	-	-	-	29,758
Accrued interest payable	-	268,476	5,281	-	-	273,757
Refundable fees - current	-	38,839	-	-	-	38,839
Deferred revenue from grants and other	-	1,043,357	-	-	-	1,043,357
Other accrued liabilities	-	-	-	-	-	-
Residents' funds liability	-	-	-	-	-	-
Total current liabilities	900	5,797,605	54,281	-	-	5,852,786
Long-term liabilities:						
Long-term debt, less current maturities	-	1,349,356	-	-	-	1,349,356
Long-term maturities of obligation under capital leases	-	-	-	-	-	-
Refundable fees	-	-	-	-	-	-
Deferred revenue from advance fees	-	-	-	-	-	-
Fair value of interest rate swap agreement	-	1,285,346	-	-	-	1,285,346
Split-interest liability	-	-	601,855	-	-	601,855
Total long-term liabilities	-	2,634,702	601,855	-	-	3,236,557
Total liabilities	900	8,432,307	656,136	-	-	9,089,343
Net assets:						
Net Assets without donor restrictions						
Without donor restrictions, undesignated	1,824,783	3,430,713	1,694,325	1,982,809	-	8,932,630
Without donor restrictions, board designated funds	5,840,539	-	-	-	-	5,840,539
Total net assets without donor restrictions	7,665,322	3,430,713	1,694,325	1,982,809	-	14,773,169
Net assets with donor restrictions	424,231	1,118	6,208,123	-	-	6,633,472
Total net assets	8,089,553	3,431,831	7,902,448	1,982,809	-	21,406,641
Total liabilities and net assets	\$ 8,090,453	\$ 11,864,138	\$ 8,558,584	\$ 1,982,809	\$ -	\$ 30,495,984

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	LFS Real Properties	LFS in the Carolinas Child and Family	Total LFS
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 87,406	\$ 1,803,429	\$ 1,890,835
Investments	-	16,387	16,387
Accounts receivable, residents and clients, net of allowance for doubtful accounts of approximately \$1,400,000 and \$1,100,000 in 2020 and 2019, respectively	-	2,540,903	2,540,903
Current portion of other receivables	1,203,959	(1,271,150)	(67,191)
Inventories	-	-	-
Prepaid expenses	-	139,250	139,250
Residents' funds	-	-	-
Total current assets	<u>\$ 1,291,365</u>	<u>\$ 3,228,819</u>	<u>\$ 4,520,184</u>
Assets limited as to use:			
Investments - donor-restricted endowment funds	-	241,233	241,233
Investments - temporarily restricted	-	138,575	138,575
Investments - board designated funds	-	-	-
Assets limited to use - operating reserve requirement	-	-	-
Assets limited to use - deposits held in escrow	-	-	-
Bond funds	-	-	-
Assets restricted for investment in property and equipment	-	510,367	510,367
Total assets limited as to use	<u>-</u>	<u>890,175</u>	<u>890,175</u>
Property and equipment, net	1,162,715	343,358	1,506,073
Assets held for sale	-	-	-
Other receivables, less current portion, net	-	470,594	470,594
Other assets	-	37,810	37,810
Total assets	<u>\$ 2,454,080</u>	<u>\$ 4,970,766</u>	<u>\$ 7,424,836</u>

	LFS Real Properties	LFS in the Carolinas Child and Family	Total LFS
LIABILITIES AND NET ASSETS			
Current liabilities:			
Current maturities of long-term debt	\$ 30,120	\$ 330,286	\$ 360,406
Current maturities of obligation under capital leases	-	15,126	15,126
Current portion of split-interest liability	-	-	-
Accounts payable, trade	2,507	4,501,536	4,504,043
Accrued salaries and payroll taxes	-	1,213,197	1,213,197
Accrued health benefits	-	83,655	83,655
Accrued interest payable	1,158	28,908	30,066
Refundable fees - current	-	553,642	553,642
Deferred revenue from grants and other	-	305,031	305,031
Other accrued liabilities	-	-	-
Residents' funds liability	-	-	-
Total current liabilities	<u>33,785</u>	<u>7,031,381</u>	<u>7,065,166</u>
Long-term liabilities:			
Long-term debt, less current maturities	520,843	181,060	701,903
Long-term maturities of obligation under capital leases	-	15,938	15,938
Refundable fees	-	-	-
Deferred revenue from advance fees	-	-	-
Fair value of interest rate swap agreement	-	-	-
Split-interest liability	-	-	-
Total long-term liabilities	<u>520,843</u>	<u>196,998</u>	<u>717,841</u>
Total liabilities	554,628	7,228,379	7,783,007
Net assets:			
Net Assets without donor restrictions	1,899,452	(4,124,991)	(2,225,539)
Without donor restrictions, undesignated	-	-	-
Without donor restrictions, board designated funds	-	-	-
Total net assets without donor restrictions	<u>1,899,452</u>	<u>(4,124,991)</u>	<u>(2,225,539)</u>
Net assets with donor restrictions	-	1,867,368	1,867,368
Total net assets	<u>1,899,452</u>	<u>(2,257,623)</u>	<u>(358,171)</u>
Total liabilities and net assets	\$ 2,454,080	\$ 4,970,756	\$ 7,424,836

Lutheran Services for the Aging, Inc. and
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	Total LSA	Total LFS	Eliminations	Total	Obligated Group*
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 13,632,154	\$ 1,890,835	\$ -	\$ 15,522,989	\$ 13,459,995
Investments	26,468,396	16,387	-	26,484,783	26,468,396
Accounts receivable, residents and clients, net of allowance for doubtful accounts of approximately \$1,400,000 and \$1,100,000 in 2020 and 2019, respectively	9,774,918	2,540,903	-	12,315,821	9,656,013
Current portion of other receivables	4,666,487	(67,191)	(2,944,965)	1,654,331	3,138,361
Inventories	1,327,417	-	-	1,327,417	1,327,417
Prepaid expenses	149,922	139,250	-	289,172	149,248
Residents' funds	241,428	-	-	241,428	241,428
Total current assets	56,260,722	4,520,184	(2,944,965)	57,835,941	54,440,858
Assets limited as to use:					
Investments - donor-restricted endowment funds	3,025,291	241,233	-	3,266,524	3,025,291
Investments - temporarily restricted	3,066,803	138,575	-	3,205,378	3,066,803
Investments - board designated funds	8,778,525	-	-	8,778,525	8,778,525
Assets limited to use - operating reserve requirement	1,575,000	-	-	1,575,000	1,575,000
Assets limited to use - deposits held in escrow	4,024,259	-	-	4,024,259	4,024,259
Bond funds	3,920,335	-	-	3,920,335	3,920,335
Assets restricted for investment in property and equipment	1,062,809	510,367	-	1,573,176	1,062,809
Total assets limited as to use	25,453,022	890,175	-	26,343,197	25,453,022
Property and equipment, net	120,538,700	1,506,073	-	122,044,773	120,538,600
Assets held for sale	110,800	-	-	110,800	110,800
Other receivables, less current portion, net	98,295	470,594	-	568,889	98,295
Other assets	10,501,627	37,810	-	10,539,437	10,069,667
Total assets	\$ 212,963,166	\$ 7,424,836	\$ (2,944,965)	\$ 217,443,037	\$ 210,709,242

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

	Total LSA	Total LFS	Eliminations	Total	Obligated Group*
LIABILITIES AND NET ASSETS					
Current liabilities:					
Current maturities of long-term debt	\$ 2,973,792	\$ 360,406	\$ -	\$ 3,334,198	\$ 2,973,792
Current maturities of obligation under capital leases	-	15,126	-	15,126	-
Current portion of split-interest liability	49,000	-	-	49,000	49,000
Accounts payable, trade	2,573,185	4,504,043	(2,944,965)	4,132,263	2,571,369
Accrued salaries and payroll taxes	5,310,767	1,213,197	-	6,523,964	5,256,269
Accrued health benefits	413,072	83,655	-	496,727	410,943
Accrued interest payable	273,757	30,066	-	303,823	273,757
Refundable fees - current	639,861	-	-	639,861	639,861
Deferred revenue from grants and other	2,909,117	553,642	-	3,462,759	2,909,117
Other accrued liabilities	1,043,357	305,031	-	1,348,388	1,043,357
Residents' funds liability	241,428	-	-	241,428	241,428
Total current liabilities	16,427,336	7,065,166	(2,944,965)	20,547,537	16,368,893
Long-term liabilities:					
Long-term debt, less current maturities	91,665,817	701,903	-	92,367,720	91,665,817
Long-term maturities of obligation under capital leases	-	15,938	-	15,938	-
Refundable fees	10,884,538	-	-	10,884,538	10,884,538
Deferred revenue from advance fees	7,070,054	-	-	7,070,054	7,070,054
Fair value of interest rate swap agreement	1,285,346	-	-	1,285,346	1,285,346
Split-interest liability	601,855	-	-	601,855	601,855
Total long-term liabilities	111,507,610	717,841	-	112,225,451	111,507,610
Total liabilities	127,934,946	7,783,007	(2,944,965)	132,772,988	127,876,503
Net assets:					
Net Assets without donor restrictions	68,186,568	(2,225,539)	-	65,961,029	65,993,976
Without donor restrictions, undesignated	8,778,525	-	-	8,778,525	8,778,525
Without donor restrictions, board designated funds	76,965,093	(2,225,539)	-	74,739,554	74,772,500
Total net assets without donor restrictions	8,063,127	1,867,368	-	9,930,495	8,060,238
Net assets with donor restrictions	85,028,220	(358,171)	-	84,670,049	82,832,739
Total net assets	\$ 212,963,166	\$ 7,424,836	\$ (2,944,965)	\$ 217,443,037	\$ 210,709,242

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

Lutheran Services for the Aging, Inc. and
 Lutheran Family Services in the Carolinas and Affiliates
 Consolidating Statements of Operations and Changes in Net Assets (Deficit)
 Year Ended September 30, 2020

	Trinity Place Albemarle	Trinity Village Hickory	Trinity Ridge Hickory	Trinity Oaks H&R Salisbury	Trinity Grove Wilmington	Trinity Glen Winston-Salem	Trinity Elms H&R Clemmons	Total Nursing
Change in net assets without donor restrictions:								
Revenues and other support:								
Net service revenue	\$ 8,084,170	\$ 14,267,146	\$ 12,731,246	\$ 12,172,558	\$ 11,251,488	\$ 11,055,618	\$ 9,918,273	\$ 79,480,499
Amortization of deferred entrance fees	-	-	-	-	-	-	-	-
Service fees - state, county and other	-	-	-	-	-	-	-	-
Federal grants and other	386,344	450,912	277,959	230,530	162,370	339,725	150,330	1,998,170
Net assets released from restrictions for operating purposes	2,883	3,173	10,778	32,950	3,153	8,136	2,789	63,862
Management fees	-	-	-	-	-	-	-	-
Other revenue	38,486	26,955	48,708	45,827	18,643	19,965	43,970	241,554
Total revenue	8,511,883	14,748,186	13,068,691	12,481,865	11,435,654	11,422,444	10,115,362	81,784,085
Expenses:								
Salaries and wages	3,896,965	7,344,811	5,382,766	5,559,718	4,915,619	5,152,073	4,749,267	37,001,219
Employee benefits	724,704	1,327,533	950,917	941,233	829,210	889,042	824,946	6,487,585
Supplies and other	3,150,792	5,560,948	4,993,002	4,987,978	4,931,847	4,241,679	3,837,432	31,713,678
Medicaid bed assessment	285,296	401,166	458,554	-	374,476	438,923	388,608	2,347,023
Marketing expense	13,938	12,130	20,873	39,477	57,111	11,780	3,543	158,852
Depreciation and amortization	86,362	134,552	161,986	83,059	104,270	147,349	148,824	866,402
Interest expense	4,080	6,672	-	3,984	1,152	48	-	15,936
Total operating costs and expenses	8,162,137	14,787,812	11,968,098	11,625,449	11,213,685	10,880,894	9,952,620	78,590,695
Operating income (loss)	349,746	(39,626)	1,100,593	856,416	221,969	541,550	162,742	3,193,390
Nonoperating gains (losses):								
Investment income	48,031	81,774	16	331,521	32,639	33	19	494,033
Unrealized gains (losses) on investments	43,307	91,439	-	270,947	22,892	-	-	428,585
Net gain (loss) on disposal of property and equipment	500	1,090	-	-	-	-	200	1,790
Market value adjustment on swap agreement	-	-	-	-	-	-	-	-
Contributions	44,220	22,972	44,295	137,564	8,315	44,562	5,835	307,763
Intercompany	2,508	2,872	-	1,231	645	(364)	-	6,892
Total nonoperating gains (losses)	138,566	200,147	44,311	741,263	64,491	44,231	6,054	1,239,063
Excess of revenues over expenses	488,312	160,521	1,144,904	1,597,679	286,460	585,781	168,796	4,432,453

Lutheran Services for the Aging, Inc. and
Lutheran Family Services in the Carolinas and Affiliates
Consolidating Statements of Operations and Changes in Net Assets (Deficit)
Year Ended September 30, 2020

(Continued)

	Trinity Place Albemarle	Trinity Village Hickory	Trinity Ridge Hickory	Trinity Oaks H&R Salisbury	Trinity Grove Wilmington	Trinity Glen Winston-Salem	Trinity Elms H&R Clemmons	Total Nursing
Excess of revenue over expenses	\$ 488,312	\$ 160,521	\$ 1,144,904	\$ 1,597,679	\$ 286,460	\$ 585,781	\$ 168,796	\$ 4,432,453
Other changes net assets without donor restrictions:								
Net assets released from restrictions for capital	4,850	6,485	-	-	-	-	-	11,335
Change in net assets without donor restrictions:	<u>493,162</u>	<u>167,006</u>	<u>1,144,904</u>	<u>1,597,679</u>	<u>286,460</u>	<u>585,781</u>	<u>168,796</u>	<u>4,443,788</u>
Changes in net assets with donor restrictions:								
Contributions and grants	22,645	29,650	17,795	141,898	34,656	13,205	2,795	262,444
Investment income	-	-	-	-	-	-	-	-
Unrealized gains (losses) on investments	-	-	-	-	-	-	-	-
Intercompany	-	-	-	-	-	-	-	-
Net assets released from restrictions	(7,733)	(9,658)	(10,778)	(32,950)	(3,153)	(8,136)	(2,789)	(75,197)
Change in net assets with donor restrictions:	<u>14,912</u>	<u>19,992</u>	<u>7,017</u>	<u>108,748</u>	<u>31,503</u>	<u>5,069</u>	<u>6</u>	<u>187,247</u>
Change in net assets	508,074	186,988	1,151,921	1,706,427	317,963	590,850	168,802	4,631,035
Net assets at beginning of year	3,278,713	7,500,597	82,646	10,978,504	47,730	(2,113,109)	(59,116)	19,715,965
Net assets at end of year	<u>\$ 3,786,787</u>	<u>\$ 7,687,585</u>	<u>\$ 1,234,567</u>	<u>\$ 12,684,931</u>	<u>\$ 365,693</u>	<u>\$ (1,522,259)</u>	<u>\$ 109,686</u>	<u>\$ 24,347,000</u>

Lutheran Services for the Aging, Inc. and
 Lutheran Family Services in the Carolinas and Affiliates
 Consolidating Statements of Operations and Changes in Net
 Year Ended September 30, 2020

	Lutheran Home Albany Property	Lutheran Home Hickory Property	Lutheran Home Hickory West Property	Lutheran Home Salisbury Property	Lutheran Home Wilmington Property	Lutheran Home Winston-Salem Property	Lutheran Home Forsyth County Property	LSA Elms Property	Lutheran Services Property	Total Property
Change in net assets without donor restrictions:										
Revenues and other support:										
Net service revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization of deferred entrance fees	-	-	-	-	-	-	-	-	-	-
Service fees - state, county and other	-	-	-	-	-	-	-	-	-	-
Federal grants and other	-	-	-	-	-	-	-	-	-	-
Net assets released from restrictions for operating purposes	-	-	-	-	-	-	-	-	-	-
Management fees	-	-	-	-	-	-	-	-	-	-
Other revenue	385,000	600,000	820,000	676,858	765,793	370,000	700,000	885,000	138,000	5,340,651
Total revenue	385,000	600,000	820,000	676,858	765,793	370,000	700,000	885,000	138,000	5,340,651
Expenses:										
Salaries and wages	-	-	-	-	-	-	-	-	100	100
Employee benefits	-	-	-	-	-	-	-	-	-	-
Supplies and other	17,227	17,880	26,196	72,899	48,612	22,853	39,149	12,719	28,706	286,241
Medicaid bed assessment	-	-	-	-	-	-	-	-	-	-
Marketing expense	-	-	-	-	-	-	-	-	-	-
Depreciation and amortization	242,834	378,021	459,394	257,569	292,937	346,566	415,315	312,479	105,924	2,811,039
Interest expense	25,824	135,752	488,918	6,639	681,529	457,232	279,200	416,938	432	2,492,464
Total operating costs and expenses	285,885	531,653	974,508	337,107	1,023,078	826,651	733,664	742,136	135,162	5,589,844
Operating income (loss)	99,115	68,347	(154,508)	339,751	(257,285)	(456,651)	(33,664)	142,864	2,838	(249,193)
Nonoperating gains (losses):										
Investment income	49,032	-	77,436	334,757	51,243	-	21,854	53,332	11,805	599,459
Unrealized gains (losses) on investments	34,395	-	54,320	-	35,946	-	15,329	37,411	8,281	185,682
Net gain (loss) on disposal of property and equipment	-	-	-	-	-	-	-	-	-	-
Market value adjustment on swap agreement	-	-	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-	-	-
Intercompany	4,652	42,820	85,059	561	-	(906)	154,659	91,769	608	379,222
Total nonoperating gains (losses)	88,079	42,820	216,815	335,318	87,189	(906)	191,842	182,512	20,694	1,164,363
Excess of revenues over expenses	187,194	111,167	62,307	675,069	(170,096)	(457,557)	158,178	325,376	23,532	915,170

Lutheran Services for the Aging, Inc. and
 Lutheran Family Services in the Carolinas and Affiliates
 Consolidating Statements of Operations and Changes in Net
 Year Ended September 30, 2020

(Continued)

	Lutheran Home Albemarle Property	Lutheran Home Hickory Property	Lutheran Home Hickory West Property	Lutheran Home Salisbury Property	Lutheran Home Wilmington Property	Lutheran Home Winston-Salem Property	Lutheran Home Forsyth County Property	LSA Elms Property	Lutheran Services Property	Total Property
Excess of revenue over expenses	\$ 187,194	\$ 111,167	\$ 62,307	\$ 675,069	\$ (170,096)	\$ (457,557)	\$ 158,178	\$ 325,376	\$ 23,532	\$ 915,170
Other changes net assets without donor restrictions:										
Net assets released from restrictions for capital	-	-	-	-	-	-	-	-	-	-
Change in net assets without donor restrictions:	187,194	111,167	62,307	675,069	(170,096)	(457,557)	158,178	325,376	23,532	915,170
Changes in net assets with donor restrictions:										
Contributions and grants	-	-	-	-	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	-	-	-	-
Unrealized gains (losses) on investments	-	-	-	-	-	-	-	-	-	-
Intercompany	-	-	-	-	-	-	-	-	-	-
Net assets released from restrictions	-	-	-	-	-	-	-	-	-	-
Change in net assets with donor restrictions:										
Change in net assets	187,194	111,167	62,307	675,069	(170,096)	(457,557)	158,178	325,376	23,532	915,170
Net assets at beginning of year	4,241,863	3,061,146	4,438,920	7,859,871	(2,610,959)	(555,687)	(14,208)	117,459	1,966,174	18,504,579
Net assets at end of year	\$ 4,429,057	\$ 3,172,313	\$ 4,501,227	\$ 8,534,940	\$ (2,781,055)	\$ (1,013,244)	\$ 143,970	\$ 442,835	\$ 1,989,706	\$ 19,419,749

Lutheran Services for the Aging, Inc. and
 Lutheran Family Services in the Carolinas and Affiliates
 Consolidating Statements of Operations and Changes in Net
 Year Ended September 30, 2020

	Trinity Oaks RC Salisbury	Trinity View Arden	LRC - Wilmington	Trinity Elms IL Clemmons	Total Retirement
Change in net assets without donor restrictions:					
Revenues and other support:					
Net service revenue	\$ 8,464,300	\$ 3,425,954	\$ -	\$ 1,224,535	\$ 13,114,789
Amortization of deferred entrance fees	1,601,564	13,125	-	7,450	1,622,139
Service fees - state, county and other	-	-	-	-	-
Federal grants and other	-	-	-	-	-
Net assets released from restrictions for operating purposes	8,624	-	-	-	8,624
Management fees	-	-	-	-	-
Other revenue	100,349	10,132	-	-	110,481
Total revenue	10,174,837	3,449,211	-	1,231,985	14,856,033
Expenses:					
Salaries and wages	2,927,809	1,290,295	300,880	136,029	4,655,013
Employee benefits	505,639	213,592	53,587	19,460	792,278
Supplies and other	3,053,717	1,087,481	19,321	227,781	4,388,300
Medicaid bed assessment	-	-	-	-	-
Marketing expense	154,872	115,213	421,650	2,954	694,689
Depreciation and amortization	2,047,935	325,868	21,634	311,228	2,706,665
Interest expense	278,840	120,836	108,927	330,205	838,808
Total operating costs and expenses	8,968,812	3,153,285	925,999	1,027,657	14,075,753
Operating income (loss)	1,206,025	295,926	(925,999)	204,328	780,280
Nonoperating gains (losses):					
Investment income	82,271	59,403	35,622	-	177,296
Unrealized gains (losses) on investments	97,145	42,447	-	-	139,592
Net gain (loss) on disposal of property and equipment	-	-	-	-	-
Market value adjustment on swap agreement	-	-	-	-	-
Contributions	4,580	280	-	-	4,860
Intercompany	84,070	37,230	1,135	(90,923)	31,512
Total nonoperating gains (losses)	268,066	139,360	36,757	(90,923)	353,260
Excess of revenues over expenses	1,474,091	435,286	(889,242)	113,405	1,133,540

Lutheran Services for the Aging, Inc. and
 Lutheran Family Services in the Carolinas and Affiliates
 Consolidating Statements of Operations and Changes in Net Assets
 Year Ended September 30, 2020

(Continued)

	Trinity Oaks RC Salisbury	Trinity View Arden	LRC - Wilmington	Trinity Elms IL Clemmons	Total Retirement
Excess of revenue over expenses	\$ 1,474,091	\$ 435,286	\$ (889,242)	\$ 113,405	\$ 1,133,540
Other changes net assets without donor restrictions:					
Net assets released from restrictions for capital	11,826	-	-	-	11,826
Change in net assets without donor restrictions:	1,485,917	435,286	(889,242)	113,405	1,145,366
Changes in net assets with donor restrictions:					
Contributions and grants	20,690	15,000	-	-	35,690
Investment income	-	-	-	-	-
Unrealized gains (losses) on investments	-	-	-	-	-
Intercompany	-	-	-	-	-
Net assets released from restrictions	(20,450)	-	-	-	(20,450)
Change in net assets with donor restrictions:	240	15,000	-	-	15,240
Change in net assets	1,486,157	450,286	(889,242)	113,405	1,160,606
Net assets at beginning of year	377,811	4,263,811	(3,710,269)	-	931,353
Net assets at end of year	\$ 1,863,988	\$ 4,714,097	\$ (4,599,511)	\$ 113,405	\$ 2,091,959

Lutheran Services for the Aging, Inc. and
 Lutheran Family Services in the Carolinas and Affiliates
 Consolidating Statements of Operations and Changes in Net
 Year Ended September 30, 2020

	Trinity Elms AL Clemmons	Trinity Living Center Salisbury	Trinity at Home Salisbury	LSA Pharmacy Salisbury	Total Other Operations
Change in net assets without donor restrictions:					
Revenues and other support:					
Net service revenue	\$ 4,765,601	\$ 319,082	\$ -	\$ 7,933,461	\$ 13,018,144
Amortization of deferred entrance fees	-	-	-	-	-
Service fees - state, county and other	-	-	-	-	-
Federal grants and other	104,380	64,911	-	-	169,291
Net assets released from restrictions for operating purposes	478	13,108	921	-	14,507
Management fees	-	-	-	-	-
Other revenue	14,068	11,757	1,103,647	-	1,129,472
Total revenue	4,884,527	408,858	1,104,568	7,933,461	14,331,414
Expenses:					
Salaries and wages	1,923,246	277,950	818,530	1,426,102	4,445,828
Employee benefits	379,828	56,301	101,281	250,906	788,316
Supplies and other	2,088,885	190,366	93,766	5,359,177	7,732,194
Medicaid bed assessment	-	-	-	-	-
Marketing expense	3,238	6,119	12,715	-	22,072
Depreciation and amortization	41,972	2,499	600	28,099	73,170
Interest expense	960	-	-	144	1,104
Total operating costs and expenses	4,438,129	533,235	1,026,892	7,064,428	13,062,684
Operating income (loss)	446,398	(124,377)	77,676	869,033	1,268,730
Nonoperating gains (losses):					
Investment income	126,576	8,757	-	131,694	267,027
Unrealized gains (losses) on investments	88,790	6,138	-	92,381	187,309
Net gain (loss) on disposal of property and equipment	-	-	-	-	-
Market value adjustment on swap agreement	-	-	-	-	-
Contributions	2,312	96,271	300	-	98,883
Intercompany	740	-	-	949	1,689
Total nonoperating gains (losses)	218,418	111,166	300	225,024	554,908
Excess of revenues over expenses	664,816	(13,211)	77,976	1,094,057	1,823,638

	Trinity Elms AL Clemmons	Trinity Living Center Salisbury	Trinity at Home Salisbury	LSA Pharmacy Salisbury	Total Other Operations
Excess of revenue over expenses	\$ 664,816	\$ (13,211)	\$ 77,976	\$ 1,094,057	\$ 1,823,638
Other changes net assets without donor restrictions:					
Net assets released from restrictions for capital	13,112	-	-	-	13,112
Change in net assets without donor restrictions:	<u>677,928</u>	<u>(13,211)</u>	<u>77,976</u>	<u>1,094,057</u>	<u>1,836,750</u>
Changes in net assets with donor restrictions:					
Contributions and grants	13,112	30,500	1,100	-	44,712
Investment income	-	-	-	-	-
Unrealized gains (losses) on investments	-	-	-	-	-
Intercompany	-	-	-	-	-
Net assets released from restrictions	(13,590)	(13,108)	(921)	-	(27,619)
Change in net assets with donor restrictions:	<u>(478)</u>	<u>17,392</u>	<u>179</u>	<u>-</u>	<u>17,093</u>
Change in net assets	677,450	4,181	78,155	1,094,057	1,853,843
Net assets at beginning of year	4,283,060	518,086	134,517	10,973,365	15,909,028
Net assets at end of year	<u>\$ 4,960,510</u>	<u>\$ 522,267</u>	<u>\$ 212,672</u>	<u>\$ 12,067,422</u>	<u>\$ 17,762,871</u>

Lutheran Services for the Aging, Inc. and
Lutheran Family Services in the Carolinas and Affiliates
Consolidating Statements of Operations and Changes in Net
Assets
Year Ended September 30, 2020

	LSA	LSA Management	LSA Foundation	LSA Therapy	Trinity Guardian	Total Other
Change in net assets without donor restrictions:						
Revenues and other support:						
Net service revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization of deferred entrance fees	-	-	-	-	-	-
Service fees - state, county and other	-	-	-	-	-	-
Federal grants and other	-	-	-	-	-	-
Net assets released from restrictions for operating purposes	19,288	152,380	54,836	-	-	226,504
Management fees	-	7,719,717	-	-	-	7,719,717
Other revenue	21,484	40,343	1,008	-	-	62,835
Total revenue	40,772	7,912,440	55,844	-	-	8,009,056
Expenses:						
Salaries and wages	-	4,689,076	-	-	-	4,689,076
Employee benefits	-	806,205	-	-	-	806,205
Supplies and other	70,921	1,909,180	14,409	-	-	1,994,510
Medicaid bed assessment	-	-	-	-	-	-
Marketing expense	-	69,476	-	-	-	69,476
Depreciation and amortization	4,738	365,355	-	-	-	370,093
Interest expense	7,424	18,078	-	-	-	25,502
Total operating costs and expenses	83,083	7,857,370	14,409	-	-	7,954,862
Operating income (loss)	(42,311)	55,070	41,435	-	-	54,194
Nonoperating gains (losses):						
Investment income	172,473	1,127,014	121,620	500,652	-	1,921,759
Unrealized gains (losses) on investments	344,790	(120,905)	81,036	-	-	304,921
Net gain (loss) on disposal of property and equipment	-	-	-	-	-	-
Market value adjustment on swap agreement	-	(63,474)	(13,256)	-	-	(63,474)
Contributions	65,994	3,920	-	-	-	56,658
Intercompany	-	(419,315)	-	-	-	(419,315)
Total nonoperating gains (losses)	583,257	527,240	189,400	500,652.00	-	1,800,549
Excess of revenues over expenses	540,946	582,310	230,835	500,652.00	-	1,854,743

Lutheran Services for the Aging, Inc. and
 Lutheran Family Services in the Carolinas and Affiliates
 Consolidating Statements of Operations and Changes in Net
 Assets
 Year Ended September 30, 2020

(Continued)

	LSA	LSA Management	LSA Foundation	LSA Therapy	Trinity Guardian	Total Other
Excess of revenue over expenses	\$ 540,946	\$ 582,310	\$ 230,835	\$ 500,652	\$ -	\$ 1,854,743
Other changes net assets without donor restrictions:						
Net assets released from restrictions for capital	-	-	-	-	-	-
Change in net assets without donor restrictions:	540,946	582,310	230,835	500,652	-	1,854,743
Changes in net assets with donor restrictions:						
Contributions and grants	25,777	152,630	39,443	-	-	217,850
Investment income	-	-	606,646	-	-	606,646
Unrealized gains (losses) on investments	-	-	(280,225)	-	-	(280,225)
Intercorpany	-	-	-	-	-	-
Net assets released from restrictions	(19,288)	(152,380)	(54,836)	-	-	(226,504)
Change in net assets with donor restrictions:	6,489	250	311,028	-	-	317,767
Change in net assets	547,435	582,560	541,863	500,652	-	2,172,510
Net assets at beginning of year	7,542,118	2,849,271	7,360,585	1,482,157	-	19,234,131
Net assets at end of year	\$ 8,089,553	\$ 3,431,831	\$ 7,902,448	\$ 1,982,809	\$ -	\$ 21,406,641

Lutheran Services for the Aging, Inc. and
 Lutheran Family Services in the Carolinas and Affiliates
 Consolidating Statements of Operations and Changes in Net
 Year Ended September 30, 2020

	LFS Real Properties	LFS in the Carolinas Child and Family	Total LFS
Changes in net assets without donor restrictions:			
Revenues and other support:			
Net service revenue	\$ -	\$ 7,981,668	\$ 7,981,668
Amortization of deferred entrance fees	-	-	-
Service fees - state, county and other	-	11,728,592	11,728,592
Federal grants and other	-	2,451,564	2,451,564
Net assets released from restrictions for operating purposes	-	284,641	284,641
Management fees	-	-	-
Other revenue	142,091	512,696	654,787
Total revenue	142,091	22,959,161	23,101,252
Expenses:			
Salaries and wages	4,066	10,210,046	10,214,112
Employee benefits	-	1,850,299	1,850,299
Supplies and other	34,985	11,404,234	11,439,219
Medicaid bed assessment	-	76,981	76,981
Marketing expense	-	29,711	29,711
Depreciation and amortization	67,564	67,047	134,611
Interest expense	28,939	35,914	64,853
Total operating costs and expenses	135,554	23,674,232	23,809,786
Operating income (loss)	6,537	(715,071)	(708,534)
Nonoperating gains (losses):			
Investment income	68	-	68
Unrealized gains (losses) on investments	-	-	-
Net gain (loss) on disposal of property and equipment	-	(1,185)	(1,185)
Market value adjustment on swap agreement	-	-	-
Contributions	13,114	683,150	696,264
Intercompany	-	-	-
Total nonoperating gains (losses)	13,182	681,965	695,147
Excess of revenues over expenses	19,719	(33,106)	(13,387)

	LFS Real Properties	LFS in the Carolinas Child and Family	Total LFS
Excess of revenue over expenses	\$ 19,719	\$ (33,106)	\$ (13,387)
Other changes net assets without donor restrictions:			
Net assets released from restrictions for capital	-	-	-
Change in net assets without donor restrictions:	<u>19,719</u>	<u>(33,106)</u>	<u>(13,387)</u>
Changes in net assets with donor restrictions:			
Contributions and grants	-	808,026	808,026
Investment income	-	7,673	7,673
Unrealized gains (losses) on investments	-	27,112	27,112
Intercompany	-	-	-
Net assets released from restrictions	-	(284,641)	(284,641)
Change in net assets with donor restrictions:	<u>-</u>	<u>558,170</u>	<u>558,170</u>
Change in net assets	19,719	525,064	544,783
Net assets at beginning of year	1,879,733	(2,782,687)	(902,954)
Net assets at end of year	<u>\$ 1,899,452</u>	<u>\$ (2,257,623)</u>	<u>\$ (358,171)</u>

Lutheran Services for the Aging, Inc. and
Lutheran Family Services in the Carolinas and Affiliates
Consolidating Statements of Operations and Changes in Net
Year Ended September 30, 2020

	Total LSA	Total LFS	Eliminations	Total	Obligated Group*
Changes in net assets without donor restrictions:					
Revenues and other support:					
Net service revenue	\$ 105,613,432	\$ 7,981,668	\$ (3,463,170)	\$ 110,131,930	\$ 102,150,262
Amortization of deferred entrance fees	1,622,139	-	-	1,622,139	1,622,139
Service fees - state, county and other	-	11,728,592	-	11,728,592	-
Federal grants and other	2,167,461	2,451,564	-	4,619,025	2,167,461
Net assets released from restrictions	-	-	-	-	-
Management fees	313,497	284,641	-	598,138	312,576
Other revenue	7,719,717	-	(7,251,572)	468,145	2,641,658
Total revenue	6,884,993	654,787	(5,373,600)	2,166,180	479,746
	124,321,239	23,101,252	(16,088,342)	131,334,149	109,373,842
Expenses:					
Salaries and wages	50,791,236	10,214,112	-	61,005,348	49,972,706
Employee benefits	8,874,384	1,850,299	-	10,724,683	8,773,103
Supplies and other	46,114,923	11,439,219	(16,088,342)	41,465,800	32,178,328
Medicaid bed assessment	2,347,023	76,981	-	2,424,004	2,347,023
Marketing expense	945,089	29,711	-	974,800	932,374
Depreciation and amortization	6,827,369	134,611	-	6,961,980	6,826,769
Interest expense	3,373,814	64,853	-	3,438,667	3,373,814
Total operating costs and expenses	119,273,838	23,809,786	(16,088,342)	126,995,282	104,404,117
Operating income (loss)	5,047,401	(708,534)	-	4,338,867	4,969,725
Nonoperating gains (losses):					
Investment income	3,459,574	68	-	3,459,642	2,958,922
Unrealized gains (losses) on investments	1,246,089	-	-	1,246,089	1,246,089
Net gain (loss) on disposal of property and equipment	-	(1,185)	-	605	1,790
Market value adjustment on swap agreement	(63,474)	-	-	(63,474)	(63,474)
Contributions	468,164	696,264	-	1,164,428	467,864
Intercompany	-	-	-	-	-
Total nonoperating gains (losses)	5,112,143	695,147	-	5,807,290	4,611,191
Excess of revenues over expenses	10,159,544	(13,387)	-	10,146,157	9,580,916

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

Lutheran Services for the Aging, Inc. and
Lutheran Family Services in the Carolinas and Affiliates
Consolidating Statements of Operations and Changes in Net
Assets
Year Ended September 30, 2020

(Continued)

	Total LSA	Total LFS	Eliminations	Total	Obligated Group*
Excess of revenue over expenses	\$ 10,159,544	\$ (13,387)	\$ -	\$ 10,146,157	\$ 9,580,916
Other changes net assets without donor restrictions:					
Net assets released from restrictions for capital	36,273	-	-	36,273	-
Change in net assets without donor restrictions:	10,195,817	(13,387)	-	10,182,430	9,617,189
Changes in net assets with donor restrictions:					
Contributions and grants	560,696	808,026	-	1,368,722	559,596
Investment income	606,646	7,673	-	614,319	606,646
Unrealized gains (losses) on investments	(280,225)	27,112	-	(253,113)	(280,225)
Intercorpany	-	-	-	-	-
Net assets released from restrictions	(349,770)	(284,641)	-	(634,411)	(348,849)
Change in net assets with donor restrictions:	537,347	558,170	-	1,095,517	537,168
Change in net assets	10,733,164	544,783	-	11,277,947	10,154,357
Net assets at beginning of year	74,295,056	(902,954)	-	73,392,102	72,678,382
Net assets at end of year	\$ 85,028,220	\$ (358,171)	\$ -	\$ 84,670,049	\$ 82,832,739

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

Attachment 3

Certified Forecast Financial
Statements

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

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

**FOR THE YEARS ENDING SEPTEMBER 30, 2021 THROUGH
SEPTEMBER 30, 2025**



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INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Board of Trustees

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

Management is responsible for the accompanying projected combined financial statements of Lutheran Retirement Center – Salisbury, Inc., Lutheran Home at Trinity Oaks, Inc., and Lutheran Home at Trinity Oaks Property, Inc., collectively d/b/a Trinity Oaks (“Trinity Oaks”), which comprise the projected combined balance sheets as of September 30, 2021, 2022, 2023, 2024, and 2025, and the related projected combined statements of operations and changes in net assets, and cash flows for the years then ending, and the related summary of significant projection assumptions and accounting policies in accordance with the guidelines for presentation of a financial projection established by the American Institute of Certified Public Accountants (AICPA). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the projected financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these projected financial statements or the assumptions. Furthermore, even if Trinity Oaks is able to achieve the hypothetical assumptions as noted in Management’s Summary of Significant Projection Assumptions and Accounting Policies on page 5 (the “Hypothetical Assumptions”), there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

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

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Charlotte, North Carolina
February 16, 2021

LUTHERAN RETIREMENT CENTER – SALISBURY, INC.
LUTHERAN HOME AT TRINITY OAKS, INC.
LUTHERAN HOME AT TRINITY OAKS PROPERTY, INC.
COLLECTIVELY D/B/A TRINITY OAKS
PROJECTED COMBINED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
ASSUMING THE HYPOTHETICAL ASSUMPTIONS ON PAGE 5
FOR THE YEARS ENDING SEPTEMBER 30,
(In Thousands of Dollars)

	2021	2022	2023	2024	2025
Operating Revenue					
Net Patient Service Revenues:					
Monthly Fee Revenues	\$ 5,880	\$ 6,159	\$ 6,340	\$ 6,528	\$ 6,720
Health Care Revenues - Assisted Living and Nursing	14,332	14,641	14,951	15,268	15,593
Amortization of Deferred Entrance Fees	1,691	1,907	2,137	2,347	2,560
Federal Grants and Other	609	-	-	-	-
Net Assets Released from Restriction for Operating Purposes	-	-	-	-	-
Other Operating Revenue	177	182	187	193	199
Total Revenue	22,689	22,889	23,615	24,336	25,072
Expenses					
Health Care	7,310	7,529	7,755	7,988	8,228
Operations:					
Maintenance	571	589	606	624	643
Utilities	672	692	713	735	757
Laundry	252	260	267	275	284
Housekeeping	655	675	695	716	738
Groundskeeping	235	242	250	257	265
Security	168	173	178	184	189
Dietary	2,857	2,943	3,031	3,122	3,216
Activities, Transportation, and Ministry	706	727	749	771	794
Administrative	3,934	3,479	3,584	3,692	3,801
Management Fees	1,022	1,007	1,031	1,056	1,082
Depreciation	2,625	2,803	2,980	3,142	3,305
Interest Expense and Amortization	250	329	337	325	306
Total Operating Costs and Expenses	21,257	21,448	22,176	22,887	23,608
Operating Income	1,432	1,441	1,439	1,449	1,464
Non-Operating Gains:					
Investment Income	326	337	383	426	466
Contributions	56	58	60	61	63
Total Non-Operating Income	382	395	443	487	529
Excess of Revenues over Expenses	1,814	1,836	1,882	1,936	1,993
Changes in Net Assets Under Donor Restrictions					
Contributions and Grants	-	-	-	-	-
Net Assets Released from Restriction	-	-	-	-	-
Total Change in Net Assets Under Donor Restrictions	-	-	-	-	-
Changes in Net Assets	1,814	1,836	1,882	1,936	1,993
Net Assets at Beginning of Year	23,084	24,898	26,734	28,616	30,552
Net Assets at End of Year	\$ 24,898	\$ 26,734	\$ 28,616	\$ 30,552	\$ 32,545

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

**LUTHERAN RETIREMENT CENTER – SALISBURY, INC.
LUTHERAN HOME AT TRINITY OAKS, INC.
LUTHERAN HOME AT TRINITY OAKS PROPERTY, INC.
COLLECTIVELY D/B/A TRINITY OAKS
PROJECTED COMBINED STATEMENTS OF CASH FLOWS
ASSUMING THE HYPOTHETICAL ASSUMPTIONS ON PAGE 5
FOR THE YEARS ENDING SEPTEMBER 30,
(In Thousands of Dollars)**

	2021	2022	2023	2024	2025
Cash Flows from Operating Activities:					
Changes in Net Assets	\$ 1,814	\$ 1,836	\$ 1,882	\$ 1,936	\$ 1,993
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:					
Depreciation	2,625	2,803	2,980	3,142	3,305
Amortization of Debt Issuance Costs and Premium	4	4	4	4	4
Amortization of Deferred Entrance Fees	(1,691)	(1,907)	(2,137)	(2,347)	(2,560)
Receipt of Non-Refundable Entrance Fees	1,737	2,394	1,882	2,045	1,913
Changes in Assets and Liabilities:					
Accounts Receivable, Residents and Clients	56	(54)	(45)	(46)	(47)
Other Current Assets	(28)	(3)	(3)	(2)	(3)
Accounts Payable and Other Accrued Liabilities	48	28	43	46	46
Accrued Interest Payable	18	(2)	(1)	(2)	(1)
Deferred Revenue from Grants and Other	(505)	-	-	-	-
Net Cash Provided by Operating Activities	4,078	5,099	4,605	4,776	4,650
Cash Flows from Investment Activities:					
Routine Purchases of Property and Equipment	(3,178)	(1,916)	(1,625)	(1,625)	(1,625)
Change in Investments, Net	1,275	(1,681)	(1,296)	(1,452)	(1,099)
Change in Assets Whose Use is Limited, Net	(227)	(38)	(52)	(53)	(54)
Net Cash Used in Investment Activities	(2,130)	(3,635)	(2,973)	(3,130)	(2,778)
Cash Flows from Financing Activities:					
Allocated Payments of Long-Term Debt	(266)	(274)	(286)	(315)	(454)
Receipt of Refundable Entrance Fees	279	385	302	329	308
Refunds of Refundable Fees	(1,677)	(1,577)	(1,577)	(1,577)	(1,577)
Net Cash Provided by (Used in) Financing Activities	(1,664)	(1,466)	(1,561)	(1,563)	(1,723)
Change in Cash and Cash Equivalents	284	(2)	71	83	149
Cash, Cash Equivalents and Restricted Cash, Beginning of Year	3,171	3,455	3,453	3,524	3,607
Cash, Cash Equivalents, and Restricted Cash, End of Year	\$ 3,455	\$ 3,453	\$ 3,524	\$ 3,607	\$ 3,756
Supplemental Disclosure of Cash Flow Information:					
Cash Paid During the Year for Interest, Net of Amounts Capitalized	\$ 247	\$ 327	\$ 334	\$ 323	\$ 303

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

LUTHERAN RETIREMENT CENTER – SALISBURY, INC.
LUTHERAN HOME AT TRINITY OAKS, INC.
LUTHERAN HOME AT TRINITY OAKS PROPERTY, INC.
COLLECTIVELY D/B/A TRINITY OAKS
PROJECTED COMBINED BALANCE SHEETS
ASSUMING THE HYPOTHETICAL ASSUMPTIONS ON PAGE 5
AT SEPTEMBER 30,
(In Thousands of Dollars)

	2021	2022	2023	2024	2025
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 2,216	\$ 2,208	\$ 2,273	\$ 2,341	\$ 2,411
Investments	7,359	9,040	10,336	11,788	12,887
Current Portion of Assets Limited as to Use	182	188	194	209	288
Accounts Receivable, Residents, and Clients, Net of Allowance for Doubtful Accounts	1,843	1,897	1,942	1,988	2,035
Other Receivable	102	102	102	102	102
Inventories	112	115	118	120	123
Residents' Funds	52	52	52	52	52
Total Current Assets	11,866	13,602	15,017	16,600	17,898
Assets Limited as to Use:					
Investments - Board Designated Funds	1,872	1,872	1,872	1,872	1,872
Assets Limited as to Use - Operating Reserve Requirement	1,802	1,840	1,892	1,945	1,999
Bond Funds	182	188	194	209	288
Assets Restricted for Investments in Property and Equipment	1,005	1,005	1,005	1,005	1,005
Total Assets Limited as to Use	4,861	4,905	4,963	5,031	5,164
Less: Current Portion	(182)	(188)	(194)	(209)	(288)
	4,679	4,717	4,769	4,822	4,876
Receivable from Affiliate	3,112	3,112	3,112	3,112	3,112
Property and Equipment, Net	25,202	24,315	22,960	21,443	19,763
Total Assets	\$ 44,859	\$ 45,746	\$ 45,858	\$ 45,977	\$ 45,649
LIABILITIES AND NET ASSETS					
Current Liabilities					
Current Maturities of Long-Term Debt	\$ 274	\$ 286	\$ 315	\$ 454	\$ 473
Accounts Payable, Trade	453	452	465	479	493
Accrued Salaries and Payroll Taxes	911	938	966	995	1,025
Accrued Health Benefits	74	76	78	82	83
Accrued Interest Payable	18	16	15	13	12
Refundable Fees - Current	640	640	640	640	640
Residents' Funds Liability	52	52	52	52	52
Total Current Liabilities	2,422	2,460	2,531	2,715	2,778
Long-Term Liabilities:					
Long-Term Debt, Less Current Maturities and Debt Issuance Costs	5,079	4,797	4,486	4,036	3,567
Refundable Fees	5,344	4,152	2,877	1,629	360
Deferred Revenue from Advance Fees	7,116	7,603	7,348	7,045	6,399
Total Long-Term Liabilities	17,539	16,552	14,711	12,710	10,326
Total Liabilities	19,961	19,012	17,242	15,425	13,104
Net Assets:					
Net Assets Without Donor Restriction					
Unrestricted, Undesignated	21,835	23,671	25,553	27,489	29,482
Unrestricted, Board Designated Funds	1,872	1,872	1,872	1,872	1,872
Total Net Assets Without Donor Restriction	23,707	25,543	27,425	29,361	31,354
Net Assets With Donor Restriction					
Total Net Assets	1,191	1,191	1,191	1,191	1,191
Total Liabilities and Net Assets	\$ 44,859	\$ 45,746	\$ 45,858	\$ 45,977	\$ 45,649

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

Summary of Significant Projection Assumptions and Accounting Policies

INTRODUCTION

Basis of Presentation

This financial projection presents, to the best of management's ("Management") knowledge and belief Lutheran Retirement Center – Salisbury, Inc., Lutheran Home at Trinity Oaks, Inc., and Lutheran Home at Trinity Oaks Property, Inc., collectively d/b/a Trinity Oaks ("Trinity Oaks"), expected combined balance sheets, combined statements of operations and changes in net assets and combined cash flows as of September 30, 2021, 2022, 2023, 2024, and 2025 and for each of the years then ending (the "Projection" or the "Projection Period").

Accordingly, the projection reflects Management's judgment as of February 16, 2021, the date of this projection, of the expected conditions and its expected course of action during the projection period. The financial projection is based on Management's assumptions concerning future events and circumstances. The assumptions disclosed herein are those that Management believes are significant to the projection or are key factors upon which the financial results of Trinity Oaks depends.

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

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

- The World Health Organization declared the spread of the Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to Trinity Oaks, COVID-19 may impact various parts of its 2021 operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of healthcare personnel, or loss of revenue due to reductions in certain revenue streams. The full impact of COVID-19 is unknown and cannot be reasonably estimated as of the date of this Projection. Management has projected that its skilled nursing occupancies would recover to historical operating levels in the fiscal year ending September 30, 2022. Management has not projected that its access to labor would be materially adversely impacted by COVID-19. In addition, Management has projected utilizing the remaining \$505,481 of provider relief funds in fiscal year 2021 on expenses related to preventing, preparing for, or responding to the COVID-19 pandemic.

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

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

Summary of Significant Projection Assumptions and Accounting Policies

BACKGROUND INFORMATION (CONTINUED)

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

LSA began operations in 1962 as North Carolina Lutheran Homes, growing from a small nursing home in Hickory to seven nursing homes, two retirement communities, an assisted living facility, an adult day services operation, a pharmacy, a home care agency and a foundation. LSA has also partnered with four agencies to provide services to seniors through Program of All-Inclusive Care for the Elderly (PACE) programs. These agencies and locations are PACE of the Southern Piedmont in Charlotte, North Carolina, PACE of the Triad in Greensboro, North Carolina, PACE at home in Hickory, North Carolina, and Senior TLC in Gastonia, North Carolina.

The Obligated Group consists of the following:

Table 1
LSA Obligated Group

Operating Entities	Corresponding Property Corporation	Location	Independent Living	Assisted Living	Skilled Nursing	Total
<u>Parent Corporation</u>						
Lutheran Services for the Aging, Inc.	-	Salisbury, NC				
<u>Nursing</u>						
Lutheran Home - Hickory West, Inc. (Trinity Ridge)	Lutheran Home Hickory West Property, Inc.	Hickory, NC Wilmington, NC	-	-	120	120
Lutheran Home - Winston-Salem, Inc. (Trinity Glen)	Lutheran Home Winston-Salem Property, Inc.	Winston-Salem, NC	-	-	100	100
Lutheran Home - Albemarle, Inc. (Trinity Place) ⁽¹⁾	Lutheran Home Albemarle Property, Inc.	Albemarle, NC	-	27	76	103
Lutheran Home - Hickory, Inc. (Trinity Village)	Lutheran Home Hickory Property, Inc.	Hickory, NC	-	90	104	194
<u>Assisted Living / Nursing</u>						
Lutheran Retirement Center at Lutheridge, Inc. (Trinity View) ⁽²⁾	-	Arden, NC	78	24	-	102
Lutheran Retirement Center - Salisbury, Inc. (Trinity Oaks retirement) ⁽³⁾	-	Salisbury, NC	167	38	-	205
Lutheran Home at Trinity Oaks, Inc. (Trinity Oaks health & rehab) ⁽³⁾	Lutheran Home at Trinity Oaks Property, Inc.	Salisbury, NC	12	12	115	139
Lutheran Home - Forsyth County, Inc. (Trinity Elms health & rehab) ⁽⁴⁾	Lutheran Home Forsyth County Property, Inc.	Clemmons, NC	-	-	100	100
LSA Elms at Tanglewood, Inc. (Trinity Elms assisted living) ⁽⁴⁾⁽⁵⁾	LSA Elms Property, Inc.	Clemmons, NC	-	104	-	104
Lutheran Retirement Center - Clemmons, Inc. (Trinity Elms retirement) ⁽⁴⁾	-	Clemmons, NC	54	-	-	54
Lutheran Retirement Center - Wilmington, Inc. (Trinity Landing) ⁽⁶⁾	-	Wilmington, NC	184	-	-	184
<u>Other</u>						
Abundant Living Adult Day Services, Inc.	Lutheran Services Property, Inc.	Salisbury, NC	-	-	-	-
LSA Management, Inc.	-	Salisbury, NC	-	-	-	-
LSA Pharmacy, Inc.	-	Salisbury, NC	-	-	-	-
The Foundation for Abundant Living	-	Salisbury, NC	-	-	-	-
Total			495	295	732	1,522

Source: Management

See Independent Accountants' Compilation Report

Summary of Significant Projection Assumptions and Accounting Policies

BACKGROUND INFORMATION (CONTINUED)

Notes to Table 1:

- (1) In January 2020, the number of assisted living beds at Trinity Place increased from 10 to 27.
- (2) Although Trinity View is licensed for 24 assisted living units, the facility consistently operates only 20 units due to using four semi-private rooms as private rooms.
- (3) Lutheran Home at Trinity Oaks, Inc. (Trinity Oaks health and rehab) and Lutheran Retirement Center – Salisbury, Inc. (Trinity Oaks) operate together as a North Carolina licensed “continuing care retirement community.”
- (4) Trinity Elms health and rehab and Trinity Elms assisted living are a nursing facility and an assisted living facility, respectively, that are applying to operate together with the independent living units owned by Lutheran Retirement Center – Clemmons, Inc. (Trinity Elms retirement) as a North Carolina licensed “continuing care retirement community.”
- (5) Although Trinity Elms is licensed for 104 assisted living units, the facility typically operates only 89 units due to using some semi-private rooms as private rooms.
- (6) Lutheran Retirement Center – Wilmington, Inc. owns the 50-acre parcel of land where the Project will be constructed with a portion of the proceeds of the Series 2020A Bonds. Management pursued and obtained the Series 2020A Bonds for the purpose of this expansion community and as such, Management has included the 184 independent living units in the above table. Trinity Landing and Trinity Grove will operate together as a North Carolina licensed “continuing care retirement community”.

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

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

Overview of Services Provided by Trinity Oaks

Trinity Oaks retirement

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

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

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

See Independent Accountants’ Compilation Report

Summary of Significant Projection Assumptions and Accounting Policies

BACKGROUND INFORMATION (CONTINUED)

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

Trinity Oaks health and rehab

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

Health Care Services

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

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

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

Summary of Significant Projection Assumptions and Accounting Policies

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Cash and Cash Equivalents

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

Restricted cash is included with cash and cash equivalents in the projected combined statements of cash flows. The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the projected combined balance sheets that sum to the total amounts shown in the projected combined statements of cash flows for the periods ending September 30, 2021, 2022, 2023, 2024, and 2025.

	As of September 30,				
	2021	2022	2023	2024	2025
Cash and Cash Equivalents	\$ 2,216	\$ 2,208	\$ 2,273	\$ 2,341	\$ 2,411
Residents' Funds	52	52	52	52	52
Assets Limited as to Use					
Bond Funds	182	188	194	209	288
Assets Restricted by Donor for Investment in Property and Equipment	1,005	1,005	1,005	1,005	1,005
Total Cash, Cash Equivalents and Restricted Cash Shown in					
Projected Combined Statements of Cash Flows	\$ 3,455	\$ 3,453	\$ 3,524	\$ 3,607	\$ 3,756

Investments

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

Net Service Fees

Net service fees for Trinity Oaks are reported at the estimated net realizable amounts from residents, third party payors and others for services rendered. Trinity Oaks provides services to patients covered under the Medicaid and Medicare programs.

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

Trinity Oaks perform an evaluation of the collectability of net revenues recorded and records an allowance for doubtful accounts. Provisions for doubtful accounts is primarily estimated based on cash collection analysis by payor classification and the age of the account. When considering the adequacy of allowances for doubtful accounts, receivable balances are routinely reviewed in conjunction with historical collection rates, industry trends, and other business and economic conditions that might reasonably be expected to affect the collectability of accounts.

Summary of Significant Projection Assumptions and Accounting Policies

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounts receivable are written off after collection efforts have been pursued in accordance with established policies and procedures.

Revenue Recognition

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

Monthly service fees:

The residency agreement that residents sign require an advanced fee and monthly fees based upon the type of space they are applying for. Resident fee revenue for recurring and routine monthly services is generally billed monthly in advance. Payment terms are usually due within 30 days. The services provided encompass social, recreational, dining along with assisted living and nursing care and these performance obligations are earned each month. Under ASC Topic 606, Management has determined that the performance obligation for the standing obligation to provide the appropriate level of care is the predominant component and does not contain a lease component under ASC Topic 840. Resident fee revenue for non-routine or additional services are billed monthly in arrears and recognized when the service is provided.

Entrance fees:

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

Net Patient Service Revenue:

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

Assets Limited as to Use

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

Summary of Significant Projection Assumptions and Accounting Policies

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Debt Issuance Costs

Debt issuance costs are being amortized using the straight-line method, which approximates the effective interest method, over the term of the related financing agreement.

As noted hereinafter, the debt issuance costs for the Series 2017 Bonds and Series 2020A Bonds are carried on the financial records of LSA Management, Inc. and all related amortization expense associated with the amortization of the debt issuance costs are allocated through intercompany accounts and the amortization of which is included as a component of interest expense on the projected combined statements of operations and changes in net assets.

Property and Equipment

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

Compensation Absences

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

Refundable Fees and Deferred Revenue from Advance Fees

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

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

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

Summary of Significant Projection Assumptions and Accounting Policies

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets With Donor Restrictions

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

Excess of Revenue Over Expenses

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

Donor-Restricted Gifts

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

Advertising Costs

Advertising costs are charged to operations when incurred.

Long-Lived Assets

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

Income Taxes

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

Summary of Significant Projection Assumptions and Accounting Policies

MANAGEMENT'S BASIS FOR PROJECTION OF REVENUE

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

Net resident service revenue is composed of:

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

Projected Occupancy Levels

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

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

Location	Facility Name	2021	2022	2023	2024	2025
Salisbury	Trinity Oaks retirement	92%	95%	95%	95%	95%
Salisbury	Trinity Oaks health and rehab	99%	99%	99%	99%	99%
	Weighted-average	93%	95%	95%	95%	95%

Source: Management

Management has projected second person occupancy percentages of 29% for Trinity Oaks retirement and 0% for Trinity Oaks health and rehab for each year of the Projection Period.

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

Location	Facility Name	2021	2022	2023	2024	2025
Salisbury	Trinity Oaks retirement	98%	98%	98%	98%	98%
Salisbury	Trinity Oaks health and rehab	98%	98%	98%	98%	98%
	Weighted-average	98%	98%	98%	98%	98%

Source: Management

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

Location	Facility Name	2021	2022	2023	2024	2025
Salisbury	Trinity Oaks health and rehab	84%	93%	93%	93%	93%

Source: Management

Summary of Significant Projection Assumptions and Accounting Policies

MANAGEMENT'S BASIS FOR PROJECTION OF REVENUE (CONTINUED)

Projected Entrance Fees, Monthly Fees and Daily Fees Increases

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

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

	2021	2022	2023	2024	2025
Nursing					
Private Pay	n/a ⁽¹⁾	3.00%	3.00%	3.00%	3.00%
Insurance	n/a ⁽¹⁾	3.00%	3.00%	3.00%	3.00%
Medicare	n/a ⁽¹⁾	2.00%	2.00%	2.00%	2.00%
Medicaid/Hospice	n/a ⁽¹⁾	1.00%	1.00%	1.00%	1.00%
Assisted Living					
Private Pay	n/a ⁽¹⁾	3.00%	3.00%	3.00%	3.00%
Medicaid / State Special Assistance	n/a ⁽¹⁾	0.00%	0.00%	0.00%	0.00%
Independent Living					
Monthly Service Fee	n/a ⁽¹⁾	3.00%	3.00%	3.00%	3.00%
Entrance Fee	n/a ⁽¹⁾	1.00%	1.00%	1.00%	1.00%

Source: Management

Note (1) Existing facility rates in 2021 dollars. Inflation begins in following year.

Assisted Living Fees

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

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

Facility Name	2021	2022	2023	2024	2025
Payer Mix					
Trinity Oaks					
Private Pay	\$ 188.00	\$ 193.64	\$ 199.45	\$ 205.43	\$ 211.60
Medicaid / State Special Assistance	n/a	n/a	n/a	n/a	n/a
Private Pay - Memory Support	n/a	n/a	n/a	n/a	n/a
Trinity Oaks health and rehab					
Private Pay	\$ 193.00	\$ 198.79	\$ 204.75	\$ 210.90	\$ 217.22
Medicaid / State Special Assistance	\$ 38.86	\$ 38.86	\$ 38.86	\$ 38.86	\$ 38.86
Private Pay - Memory Support	\$ 273.00	\$ 281.19	\$ 289.63	\$ 298.31	\$ 307.26

Source: Management

Summary of Significant Projection Assumptions and Accounting Policies

MANAGEMENT’S BASIS FOR PROJECTION OF REVENUE (CONTINUED)

Assisted Living Payer Mix

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

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

Location	Facility Name Payer Mix	2021	2022	2023	2024	2025
Salisbury	Trinity Oaks					
	Private Pay	100%	100%	100%	100%	100%
	Private Pay Memory Support	0%	0%	0%	0%	0%
	Medicaid / State Special Assistance	0%	0%	0%	0%	0%
Salisbury	Trinity Oaks health and rehab					
	Private Pay	9%	9%	9%	9%	9%
	Private Pay Memory Support	91%	91%	91%	91%	91%
	Medicaid / State Special Assistance	0%	0%	0%	0%	0%
Total	Weighted-average					
	Private Pay	78%	78%	78%	78%	78%
	Private Pay Memory Support	22%	22%	22%	22%	22%
	Medicaid / State Special Assistance	0%	0%	0%	0%	0%

Source: Management

Nursing Fees

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

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

Facility Name Payer Mix	2021	2022	2023	2024	2025
Trinity Oaks health and rehab					
Private Pay	\$ 298.00	\$ 306.94	\$ 316.15	\$ 325.63	\$ 335.40
Private Pay - Semi Private	\$ 286.00	\$ 294.58	\$ 303.42	\$ 312.52	\$ 321.90
Insurance	\$ 516.00	\$ 531.48	\$ 547.42	\$ 563.85	\$ 580.76
Medicare	\$ 590.00	\$ 601.80	\$ 613.84	\$ 626.11	\$ 638.63
Medicaid ⁽¹⁾	\$ 228.75	\$ 184.83	\$ 186.68	\$ 188.55	\$ 190.43
Hospice	\$ 183.00	\$ 184.83	\$ 186.68	\$ 188.55	\$ 190.43

Source: Management

Note:

- (1) During the COVID pandemic, the State of North Carolina implemented an increased Medicaid rate structure to enable nursing communities to cover the financial impact of additional COVID related costs. As isolated cases of COVID appear in 2 or more residents/staff at a nursing community, there has been an additional \$86.64 per day for all non-COVID Medicaid residents plus an additional \$561.00 per day for COVID Medicaid residents. The length of the increased rate structure varies on a case by case basis but can approximate 90 days based upon Management’s

Summary of Significant Projection Assumptions and Accounting Policies

MANAGEMENT'S BASIS FOR PROJECTION OF REVENUE (CONTINUED)

experience. The State of North Carolina has indicated the protocols will be in place at least through March 2021; however, Management believes it is likely that they will be extended through the end of the calendar year. For purposes of the Projection, Management has assumed this Medicaid rate impact in fiscal year 2021 only, reverting to normal fee structures beginning in the fiscal year ending September 30, 2022.

Nursing Payer Mix

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

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

Location	Payer Mix	2021	2022	2023	2024	2025
Salisbury	Trinity Oaks health and rehab					
	Private Pay	28%	24%	24%	24%	24%
	Insurance	4%	4%	4%	4%	4%
	Medicare	7%	8%	8%	8%	8%
	Medicaid/Hospice	60%	63%	63%	63%	63%

Source: Management

Independent Living Entrance Fees and Monthly Service Fees

Trinity Oaks Retirement

Below is a table setting forth the Entrance Fee and Monthly Service Fees for Trinity Oaks:

Table 10
Trinity Oaks Retirement Independent Living 2021 Entrance Fees and Monthly Fees

	No. of Units	Square Ft.	Monthly Fee	Entrance Fees		
				Limited-Refund	50% Refund	90% Refund
Apartments:						
Studio	17	504	\$2,041	\$58,350	\$77,976	\$139,508
One Bedroom	18	607	\$2,562	\$68,701	\$91,505	\$163,909
One Bedroom Deluxe	45	695	\$2,742	\$72,141	\$96,011	\$171,866
Two Bedroom	45	955	\$3,272	\$107,681	\$143,752	\$257,006
Cottages	42	1,463 – 2,800	\$3,528	\$139,010	\$185,400	\$324,540
Second Person - Apartments			\$1,125	\$3,981	\$5,305	\$9,548
Second Person - Cottages			\$1,254	\$5,572	\$7,426	\$13,261
Total/Weighted Average	167	1,097	\$2,992	\$96,760	\$129,035	\$229,053

Source: Management

Summary of Significant Projection Assumptions and Accounting Policies

MANAGEMENT'S BASIS FOR PROJECTION OF REVENUE (CONTINUED)

Trinity Oaks Health and Rehab

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

Table 11
Trinity Oaks Health and Rehab Independent Living – 2021 Monthly Fees

Unit Type	No. of Units	Monthly Fee
One Bedroom	7	\$831 - \$857
Two Bedroom	5	\$924 - \$1,156
Total/Weighted Average	12	\$ 926

Source: Management

Entrance Fee Receipts and Refund

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

Table 12
Trinity Oaks Independent Living Projected Entrance Fees, Net
For the Years Ending September 30,
(In Thousands of Dollars)

	2021	2022	2023	2024	2025
Entrance fees received from unit turnover	\$ 2,016	\$ 2,779	\$ 2,184	\$ 2,374	\$ 2,221
Entrance fees refunded from unit turnover	(1,870)	(1,770)	(1,770)	(1,770)	(1,770)
Total entrance fees received, net of refunds	\$ 146	\$ 1,009	\$ 414	\$ 604	\$ 451

Source: Management

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

- 80 percent selecting the Limited-Refund Plan;
- 10 percent selecting the 50% Refund Plan; and
- 10 percent selecting the 90% Refund Plan.

Summary of Significant Projection Assumptions and Accounting Policies

MANAGEMENT'S BASIS FOR PROJECTION OF REVENUE (CONTINUED)

Investment Income

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

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

	2021	2022	2023	2024	2025
Cash and Cash Equivalents	0.25%	0.25%	0.25%	0.25%	0.25%
Trustee Held Funds / Donor Funds	1.00%	1.00%	1.00%	1.00%	1.00%
Investments / Operating Reserve	3.00%	3.00%	3.00%	3.00%	3.00%

Source: Management

Management does not project any unrealized gains/losses from the valuation of investments during the Projection Period for 2021 through 2025.

Contributions

Management has projected contributions based upon historical experience.

Other Revenue Items

During the year ending September 30, 2020, Trinity Oaks received approximately \$788,955 in Public Health Social Services Emergency Funds ("PHSSEF") as a result of the CARES Act during the COVID-19 pandemic. Management has projected that it will utilize the remaining \$505,481 as allowed under the CARES Act and has projected recognizing this into income during the year ending September 30, 2021. This amount is included in the federal grants and other on the combined projected statement of operations and changes in net assets.

In addition, Management has projected the receipt of approximately \$103,000 in other COVID relief funds from the State of North Carolina and the Federal Emergency Management Agency in the fiscal year ending September 30, 2021 and has included these amounts in federal grants and other on the projected combined statement of operations and changes in net assets as Management projects to comply with all term and conditions of these funds to allow for consideration as revenue.

Summary of Significant Projection Assumptions and Accounting Policies

MANAGEMENT'S BASIS FOR PROJECTION OF EXPENSES

Operating Expenses

Operating expenses have been projected to be recognized during the month incurred. Management has projected operating expenses based on the historical operations of Trinity Oaks. In general, operating expenses are projected to increase approximately 3.0 percent annually throughout the Projection Period for inflation.

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

Salaries and Wages

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

Employee Benefits

Benefit costs include payroll taxes and employee benefits including FICA, unemployment taxes, workers' compensation, health insurance, pension plan, incentives and other miscellaneous benefits for Trinity Oaks. These benefit costs have been projected by department based on the historical experience of Trinity Oaks. Management has projected that benefits would approximate 18 percent of wages and salaries during the Projection Period. Management assumes that these costs would increase at approximately 3.0% percent annually for inflation during the Projection Period.

Healthcare

Healthcare costs have been estimated based upon the historical costs of Trinity Oaks, Management's estimates, and industry experience. Management assumes that these costs increase 3.0 percent annually for inflation during the Projection Period.

Nursing facilities in North Carolina are required to pay a bed assessment monthly on all skilled nursing non-Medicare days, which is then received as part of the Medicaid reimbursement. The amount due per bed day can vary based on the number of skilled nursing beds in each facility. Management has projected the Medicaid bed assessment based on its historical experience. Management assumes that the bed assessment will increase 3.0 for inflation during the Projection Period.

Maintenance / Groundskeeping / Security

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

Utilities

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

Summary of Significant Projection Assumptions and Accounting Policies

MANAGEMENT'S BASIS FOR PROJECTION OF EXPENSES (CONTINUED)

Housekeeping / Laundry

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

Dietary

Non-salary related costs of the food services department include Management's estimate of the costs for raw food, contracted services, dietary supplies, equipment, linens and other such costs. Nutrition costs are projected to vary with changes in meal consumptions as a result in changes in occupancy levels and inflation. Management assumes that these costs would vary with changes in occupancy levels as well as Management has assumed the costs for raw food would increase 3.0 percent annually for inflation during the Projection Period and all other non-salary related costs would increase 3.0 percent annually for inflation during the Projection Period.

Activities, Transportation, and Ministry

Activity, transportation, and ministry costs have been estimated based upon the historical costs of Trinity Oaks, Management's estimates, and industry experience. Management assumes that these costs would increase 3.0 percent annually for inflation during the Projection Period.

Administration

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

In addition, Management has projected COVID related expenses of approximately \$555,000. This amount is included in the administrative expenses in the projected combined statements of operations and changes in net assets during the year ending September 30, 2021.

Management Fee

Effective October 1, 2017, Trinity Oaks entered into a Management Services Agreement with LSA Management, Inc. to provide management services on behalf of Trinity Oaks. The Management Services Agreement will be for a term of five years, and at the end of the five-year period, LSA Management, Inc. shall have the option to extend this Agreement for two additional five-year terms or for such shorter period coterminous with the period the Facility is leased or owned by Trinity Oaks. The Management Services Agreement may be immediately terminated if any party is in default under its terms and the default is not cured within the applicable cure period. Management has projected that it would extend the Management Services Agreement upon its expiration.

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

Summary of Significant Projection Assumptions and Accounting Policies

MANAGEMENT'S BASIS FOR PROJECTION OF OTHER ITEMS

Current Assets and Current Liabilities

Cash and Cash Equivalents

Cash and cash equivalent balances for the Projection Period are based on the results of the Projected Combined Statements of Cash Flows and reflect amounts that are highly liquid with a maturity of three months or less. For purposes of presentations, cash and cash equivalent balances are estimated to be approximately 44 days for 2021, 2022, 2023, 2024, and 2025. Amounts in excess of these amounts are classified as investments.

Accounts Receivable, Residents, Net of Allowance for Doubtful Accounts

Accounts receivable, net of allowance for non-collectible accounts, are projected based on historical levels based on 33 days of operating revenues.

Inventories

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

Accounts Payable, Trade

Accounts payable, trade, have been projected based on historical levels for Trinity Oaks based on 9 days of operating expenses.

Accrued Health Benefits

Accrued health benefits have been projected based on historical levels for Trinity Oaks based on 3 days of total salaries and taxes.

Accrued Salaries and Payroll Taxes

Accrued salaries and payroll taxes have been projected based on historical levels for Trinity Oaks based on 37 days of total salaries and taxes.

Refundable Fees – Current

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

Assets Limited as to Use

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

Under Board Designation

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

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

Summary of Significant Projection Assumptions and Accounting Policies

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

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

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

	2021	2022	2023	2024	2025
Projected Total Operating Expenses	\$ 21,257	\$ 21,448	\$ 22,176	\$ 22,887	\$ 23,608
Less:					
Depreciation	(2,625)	(2,803)	(2,980)	(3,142)	(3,305)
Interest Expense and Amortization	(250)	(329)	(337)	(325)	(306)
Projected Operating Expenses of Lutheran Home at Trinity Oaks and Lutheran Home at Trinity Oaks Property, Inc. ⁽¹⁾	(11,637)	(11,408)	(11,743)	(12,091)	(12,447)
Adjusted Operating Expenses	<u>\$ 6,745</u>	<u>\$ 6,908</u>	<u>\$ 7,116</u>	<u>\$ 7,329</u>	<u>\$ 7,550</u>
Include:					
Principal Payment--Trinity Oaks ⁽²⁾	254	262	273	291	303
Interest Payment--Trinity Oaks ⁽²⁾	210	192	178	160	143
Total Operating Costs	<u>\$ 7,209</u>	<u>\$ 7,362</u>	<u>\$ 7,567</u>	<u>\$ 7,780</u>	<u>\$ 7,996</u>
Operating Reserve Percentage ⁽³⁾	25%	25%	25%	25%	25%
Operating Reserve - Lutheran Retirement Center - Salisbury, Inc.	<u>\$ 1,802</u>	<u>\$ 1,840</u>	<u>\$ 1,892</u>	<u>\$ 1,945</u>	<u>\$ 1,999</u>

Source: Management

Notes:

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

(2) Management has allocated to Lutheran Retirement Center - Salisbury, Inc.'s its pro-rata portion of the principal and interest of the Obligated Group's Series 2020A Bonds.

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

IL Available Units	167	167	167	167	167
AL Available Units	38	38	38	38	38
Total Available Units	<u>205</u>	<u>205</u>	<u>205</u>	<u>205</u>	<u>205</u>
IL Occupied Units	154.4	157.9	157.9	157.9	157.9
AL Occupied Units	37.4	37.4	37.4	37.4	37.4
Total Occupied Units	<u>192</u>	<u>195</u>	<u>195</u>	<u>195</u>	<u>195</u>
Occupancy Percentage - Lutheran Retirement Center - Salisbury, Inc.	<u>94%</u>	<u>95%</u>	<u>95%</u>	<u>95%</u>	<u>95%</u>

Investments

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

Property and Equipment

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

See Independent Accountants' Compilation Report

Summary of Significant Projection Assumptions and Accounting Policies

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

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

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

	2021	2022	2023	2024	2025
Land and Land Improvements	\$ 3,664	\$ 3,664	\$ 3,664	\$ 3,664	\$ 3,664
Building and Building Improvements	47,323	48,664	49,801	50,938	52,075
Furnishings and Equipment	6,140	6,715	7,203	7,691	8,179
Construction in Progress	558	558	558	558	558
	57,685	59,601	61,226	62,851	64,476
Less: Accumulated Depreciation	(32,483)	(35,286)	(38,266)	(41,408)	(44,713)
Net Property and Equipment	\$ 25,202	\$ 24,315	\$ 22,960	\$ 21,443	\$ 19,763

Source: Management

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

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

	2021	2022	2023	2024	2025
Capital Expenditures - Routine	\$ 3,178	\$ 1,916	\$ 1,625	\$ 1,625	\$ 1,625

Source: Management

Summary of Significant Projection Assumptions and Accounting Policies

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

Long-Term Debt and Interest Expense

Trinity Oaks is one of several members of LSA that are part of an Obligated Group (the "Obligated Group"). The Obligated Group has a number of existing outstanding debt agreements which Trinity Oaks is subject to. Management has indicated that the long-term debt of the Obligated Group consisted of the following at October 1, 2020:

- \$18,601,132 (Series 2020 Bonds)
 - In August 2020, LSA issued \$115,338,000 tax exempt Health Care Facilities First Mortgage Revenue Refunding Bonds (Lutheran Services for the Aging) Series 2020 Bonds through the North Carolina Medical Care Commission ("Commission") under the Master Trust Indenture and other related agreements. The Obligated Group is able to make draws on the Series 2020 Bonds. The proceeds were used for reimbursement of capital expenditures of certain members of the Obligated Group, to pay certain expenses incurred in connection with the authorization and issuance of the bonds, and for construction of the Trinity Landing Project. The 2020 Bonds mature annually beginning March 1, 2022, in amounts ranging from \$161,000 to \$4,156,000 and bear interest at the bank bought rate of 79% of LIBOR plus 1.77% to 2.65% based on leverage ratio until converted to daily, weekly or adjusted rate for amounts maturing between 2022 and 2025. The 2020 Bonds are secured by the Obligated Group's Deeds of Trust on real property and fixtures under the Master Trust Indenture.
- \$28,203,325 ("Series 2017 Bonds")
 - In March 2017, LSA issued \$33,795,000 tax exempt Health Care Facilities First Mortgage Revenue Refunding Bonds (Lutheran Services for the Aging) Series 2017 Bonds through the North Carolina Medical Care Commission ("Commission") under the Master Trust Indenture and other related agreements. The proceeds were used to refund the outstanding Series 1998 and Series 2012B Bonds and pay certain expenses incurred in connection with the authorization and issuance of the Series 2017 Bonds. The Series 2017 Bonds mature annually on March 1 in amounts ranging from \$870,000 to \$2,345,000 and bear interest at the bank bought rate of 68% of LIBOR plus 1.28% to 1.48% based on leverage ratio until converted to daily, weekly or adjusted rate for amounts maturing between 2018 and 2038. The Series 2017 Bonds are secured by the Obligated Group's Deeds of Trust on real property and fixtures under the Master Trust Indenture.
- \$40,150,000 ("Series 2012A Bonds")
 - In December 2012, LSA issued \$44,790,000 tax-exempt Health Care Facilities First Mortgage Revenue Refunding Bonds (Lutheran Services for the Aging) Series 2012A Bonds through the North Carolina Medical Care Commission under the Master Trust Indenture and other related agreements. The proceeds were used to refund the outstanding Series 2009 and Series 2010 Bonds, as well as other loans and fund debt service reserve fund and issuance costs. The Series 2012A Bonds mature annually on March 1 in amounts ranging from \$220,000 to \$2,885,000 and bear interest at rates between 2.00% and 5.00% for amounts maturing between 2013 and 2042.
- \$10,865,050 Other Loans ("Trinity Elms Note Payable")
 - In December 2018, LSA entered into a loan agreement with a financial institution in the amount of \$11,000,000 for the purpose of the acquisition of the 54 independent living apartments in Clemmons, North Carolina (Trinity Elms retirement). Interest on the outstanding principal is due monthly, commencing on January 1, 2019 at an interest rate of one-month LIBOR plus 1.75%. Beginning January 1, 2020, LSA began paying varying monthly principal payments plus interest. All unpaid principal is due in full on December 6, 2028.

Summary of Significant Projection Assumptions and Accounting Policies

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

Regarding the Series 2012A Bonds and the Trinity Elms Note Payable, Trinity Oaks is not allocated any of the principal, as such, Trinity Oaks is not projected to have any principal and interest payments on the Series 2012A Bonds or the Trinity Elms Note Payable.

The deferred loan costs for the Series 2020A Bonds are carried on the financial records of LSA Management, Inc. and all related amortization expense associated with the amortization of the deferred loan costs are allocated through intercompany accounts. Trinity Oaks presents amortization of deferred financing costs as a component of interest expense on the projected combined statements of operations and changes in net assets. As a result, included in interest expense during each year presented in the Projection Period is approximately \$4,000 of amortization expense on the deferred loan costs.

Regarding the Series 2012A Bonds, Series 2017 Bonds and 2020A Bonds, Management has allocated the principal and interest during the Projection Period as follows:

	<u>Series 2012A Bonds</u>	<u>Series 2017 Bonds</u>	<u>Series 2020A Bonds</u>
Trinity Ridge	0.00%	0.00%	0.00%
Lutheran Home Hickory West Property, Inc.	18.72%	21.89%	0.00%
Trinity Grove	0.00%	0.17%	0.00%
Lutheran Home Wilmington Property, Inc.	36.92%	0.00%	0.00%
Trinity Glen	0.00%	0.01%	0.00%
Lutheran Home Winston-Salem Property, Inc.	25.12%	0.01%	0.00%
Trinity Place	0.00%	0.60%	5.10%
Lutheran Home Albemarle Property, Inc.	0.00%	1.34%	0.00%
Trinity Village	0.00%	0.98%	0.00%
Lutheran Home Hickory Property, Inc.	0.00%	8.05%	0.00%
Trinity View	0.00%	7.43%	0.00%
Trinity Oaks Retirement	0.00%	14.63%	0.00%
Trinity Oaks Health and Rehab	0.00%	0.61%	0.00%
Lutheran Home at Trinity Oaks Property, Inc.	0.00%	0.17%	6.83%
Trinity Elms Health and Rehab	0.00%	0.00%	0.00%
Lutheran Home Forsyth County Property, Inc.	0.00%	42.67%	0.00%
Trinity Elms Assisted Living	0.00%	0.15%	0.00%
LSA Elms Property, Inc.	19.25%	0.36%	0.00%
Trinity Elms Retirement	0.00%	0.00%	0.00%
Trinity Landing	0.00%	0.00%	88.07%
LSA Management, Inc.	0.00%	0.86%	0.00%
LSA Pharmacy, Inc.	0.00%	0.02%	0.00%
LS Property	0.00%	0.06%	0.00%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Fair Value of Interest Rate Swap Agreement

LSA has an interest rate swap with a total notional amount of \$7,925,000 at September 30, 2020 (the "Existing Swap"). Under the terms of the swap (which expires in March 2028), LSA pays monthly a fixed interest rate of 4.088%. LSA receives a floating rate on the interest rate swap based on the SIFMA Municipal Swap Index. The estimated fair value of this agreement at September 30, 2020 was a liability of \$1,285,346. This amount is subsequently reclassified into interest expense as a yield adjustment in the same period in which the related interest on the floating-rate debt obligation affects earnings. As there are no differences between the critical terms of the interest rate swap and the hedged debt obligation, LSA assumes no ineffectiveness in the hedging relationship.

On August 7, 2020, LSA purchased an interest rate swap related to the Series 2020 Bonds (the "Series 2020 Bonds Swap") with a notional amount of \$74,088,000, which is subject to change. Under the terms of the swap, which is effective beginning February 1, 2022 and expires in September 1, 2025, LSA will pay monthly a fixed interest rate of 2.0% per annum and receive monthly the variable interest rate on the interest rate swap.

See Independent Accountants' Compilation Report

Summary of Significant Projection Assumptions and Accounting Policies

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

The Existing Swap and the Series 2020 Bonds Swap are carried on the financial records of LSA Management, Inc. Management has not projected any change in the valuation of the Existing Swap or the Series 2020 Bonds Swap during the Projection Period.

The following table summarizes the existing and proposed debt obligations:

Table 17
Projected Principal Payments
(In Thousands of Dollars)

For the Year Ending September 30,	Series 2017 Bonds	Series 2020A Bonds	Total
2021	\$ 266	\$ -	\$ 266
2022	274	-	274
2023	286	-	286
2024	304	11	315
2025	317	137	454
2026	332	141	473
2027	351	146	497
2028	273	150	423
2029	185	155	340
Thereafter	1,758	530	2,288
Total	\$ 4,346	\$ 1,270	\$ 5,616

Source: Management and the Underwriter

Obligated Group – Security on Long-Term Debt

The Series 2012A Bonds, the Series 2017 Bonds, the Series 2020A Bonds, the Trinity Elms Note Payable, and the swap agreements (collectively, the “Obligations”) were evidenced by the parity obligations issued by the Obligated Group under the Master Indenture. As security for repayment of all obligations issued under the Master Indenture, certain members of the Obligated Group executed and delivered ten deeds of trust, pursuant to which such members of the Obligated Group granted a first lien on the mortgaged property described therein.

Summary of Significant Projection Assumptions and Accounting Policies

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

Table 18
Obligated Group Facilities Pledged as Mortgaged Property

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

Source: Management

Note:

- (1) Lutheran Home at Trinity Oaks and Trinity Oaks operate together as a North Carolina licensed continuing care retirement community.
- (2) Trinity Grove and Trinity Landing will operate together as a North Carolina licensed continuing care retirement community.
- (3) The Obligated Group has applied to operate the nursing, assisted living, and independent living components of the Trinity Elms facilities together as a North Carolina licensed continuing care retirement community.

Other Items

Related Party Transactions

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

Summary of Significant Projection Assumptions and Accounting Policies

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

Receivable from Affiliate

Receivable from affiliate consists of amounts due from other affiliates of LSA. LSA from time to time evaluates the relative cash flow between affiliates and determines how much, if any, of the receivable or payable from (to) affiliate is received or paid. Management has not projected any receipts during the Projection Period.

Risks and Uncertainties

During March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Trinity Oaks, COVID-19 may impact various parts of its 2021 operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of healthcare personnel, or loss of revenue due to reductions in certain revenue streams. Management believes Trinity Oaks is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of the date of this Projection. Management has projected that its skilled nursing occupancies would be impacted by COVID-19 during the fiscal year ending September 30, 2021, but access to labor would not be materially adversely impacted by COVID-19.

Summary of Significant Projection Assumptions and Accounting Policies

MANAGEMENT'S SCHEDULE OF DETAIL OPERATING EXPENSES BY ENTITY

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

For the fiscal year ending September 30, 2021					
	Lutheran Retirement Center - Salisbury, Inc.	Lutheran Home at Trinity Oaks Property, Inc.	Lutheran Home at Trinity Oaks, Inc.	Eliminations	Combined Total Operating Expenses
Expenses					
Health Care	\$ 1,046	\$ -	\$ 6,264	\$ -	\$ 7,310
Operations:					
Maintenance	421	-	150	-	571
Utilities	437	-	235	-	672
Laundry	29	-	223	-	252
Housekeeping	340	-	315	-	655
Groundskeeping	191	-	44	-	235
Security	133	-	35	-	168
Dietary	1,717	-	1,140	-	2,857
Activities, Transportation, and Ministry	436	-	270	-	706
Administrative	1,543	70	2,971	(650)	3,934
Management Fees	452	-	570	-	1,022
Subtotal	6,745	70	12,217	(650)	18,382
Depreciation					2,625
Interest Expense and Amortization					250
Total Operating Costs and Expenses					<u>\$ 21,257</u>

For the fiscal year ending September 30, 2022					
	Lutheran Retirement Center - Salisbury, Inc.	Lutheran Home at Trinity Oaks Property, Inc.	Lutheran Home at Trinity Oaks, Inc.	Eliminations	Combined Total Operating Expenses
Expenses					
Health Care	\$ 1,077	\$ -	\$ 6,452	\$ -	\$ 7,529
Operations:					
Maintenance	434	-	155	-	589
Utilities	451	-	241	-	692
Laundry	30	-	230	-	260
Housekeeping	349	-	326	-	675
Groundskeeping	197	-	45	-	242
Security	137	-	36	-	173
Dietary	1,769	-	1,174	-	2,943
Activities, Transportation, and Ministry	448	-	279	-	727
Administrative	1,590	72	2,487	(670)	3,479
Management Fees	426	-	581	-	1,007
Subtotal	6,908	72	12,006	(670)	18,316
Depreciation					2,803
Interest Expense and Amortization					329
Total Operating Costs and Expenses					<u>\$ 21,448</u>

Summary of Significant Projection Assumptions and Accounting Policies

MANAGEMENT'S SCHEDULE OF DETAIL OPERATING EXPENSES BY ENTITY (CONTINUED)

For the fiscal year ending September 30, 2023					
	Lutheran Retirement Center - Salisbury, Inc.	Lutheran Home at Trinity Oaks Property, Inc.	Lutheran Home at Trinity Oaks, Inc.	Eliminations	Combined Total Operating Expenses
Expenses					
Health Care	\$ 1,110	\$ -	\$ 6,645	\$ -	\$ 7,755
Operations:					
Maintenance	447	-	159	-	606
Utilities	464	-	249	-	713
Laundry	31	-	236	-	267
Housekeeping	359	-	336	-	695
Groundskeeping	203	-	47	-	250
Security	141	-	37	-	178
Dietary	1,822	-	1,209	-	3,031
Activities, Transportation, and Ministry	463	-	286	-	749
Administrative	1,637	74	2,563	(690)	3,584
Management Fees	439	-	592	-	1,031
Subtotal	7,116	74	12,359	(690)	18,859
Depreciation					2,980
Interest Expense and Amortization					337
Total Operating Costs and Expenses					\$ 22,176

For the fiscal year ending September 30, 2024					
	Lutheran Retirement Center - Salisbury, Inc.	Lutheran Home at Trinity Oaks Property, Inc.	Lutheran Home at Trinity Oaks, Inc.	Eliminations	Combined Total Operating Expenses
Expenses					
Health Care	\$ 1,143	\$ -	\$ 6,845	\$ -	\$ 7,988
Operations:					
Maintenance	460	-	164	-	624
Utilities	478	-	257	-	735
Laundry	32	-	243	-	275
Housekeeping	370	-	346	-	716
Groundskeeping	209	-	48	-	257
Security	145	-	39	-	184
Dietary	1,876	-	1,246	-	3,122
Activities, Transportation, and Ministry	477	-	294	-	771
Administrative	1,687	76	2,639	(710)	3,692
Management Fees	452	-	604	-	1,056
Subtotal	7,329	76	12,725	(710)	19,420
Depreciation					3,142
Interest Expense and Amortization					325
Total Operating Costs and Expenses					\$ 22,887

See Independent Accountants' Compilation Report

Summary of Significant Projection Assumptions and Accounting Policies

**MANAGEMENT'S SCHEDULE OF DETAIL OPERATING EXPENSES BY ENTITY
(CONTINUED)**

For the fiscal year ending September 30, 2025					
	Lutheran Retirement Center - Salisbury, Inc.	Lutheran Home at Trinity Oaks Property, Inc.	Lutheran Home at Trinity Oaks, Inc.	Eliminations	Combined Total Operating Expenses
Expenses					
Health Care	\$ 1,178	\$ -	\$ 7,050	\$ -	\$ 8,228
Operations:					
Maintenance	474	-	169	-	643
Utilities	492	-	265	-	757
Laundry	33	-	251	-	284
Housekeeping	381	-	357	-	738
Groundskeeping	215	-	50	-	265
Security	150	-	39	-	189
Dietary	1,933	-	1,283	-	3,216
Activities, Transportation, and Ministry	491	-	303	-	794
Administrative	1,737	78	2,718	(732)	3,801
Management Fees	466	-	616	-	1,082
Subtotal	7,550	78	13,101	(732)	19,997
Depreciation					3,305
Interest Expense and Amortization					306
Total Operating Costs and Expenses					<u>\$ 23,608</u>

Attachment 4

Interim Financials
(January 31, 2021)

Lutheran Services Carolinas
Senior Services
Balance Sheet
Oaks Locations Consolidated
For the Three Months Ending December 31, 2020

Assets

Current Assets

Cash and cash equivalents	2,923,483
Investments	9,625,623
Receivables - Net of allowance	1,913,385
Other	3,031,511
Inventories	79,811
Prepaid expenses	24,380
Assets Limited - Residents	51,854

Total Current Assets ----- **17,650,047**

Non-Current Assets Limited As to Use

Board Designated Funds	2,059,791
Operating Reserve Requirement	1,575,000
Assets Restricted for Property & Equipment	1,004,756

Total Assets Limited as to Use ----- **4,639,546**

Property & Equipment 24,299,709

Total Assets ===== **46,589,303**

Liabilities

Current Liabilities

Accounts payable - trade	182,112
Accrued salaries and payroll	748,210
Accrued employee benefits	69,346
Accrued interest payable	-
Refundable Fees - Current Portion	262,606
Residents' funds	51,854

Total Current Liabilities ----- **1,314,129**

Other Liabilities and Credits

Long-term debt	5,506,643
Deferred Revenue	361,118
Refundable fees	5,292,835
Deferred revenue from advance fees	9,051,095

Total Other Liabilities and Credits ----- **20,211,691**

Total Liabilities ----- **21,525,820**

Net Assets

Unrestricted	23,872,126
Temporarily restricted	1,191,356

Total Net Assets ----- **25,063,483**

Total Liabilities and Net Assets ----- **46,589,303**

=====

Lutheran Services Carolinas
Senior Services
Consolidating Statement of Operations
Trinity Oaks Locations Consolidated
For the Three Months Ending December 31, 2020

	Actual
Revenue and other Support	
Net resident service revenue	5,202,398
Amortization of deferred entrance fees	317,562
Released from restrictions for operations	4,122
Other revenue	404,858

Total operating revenue	5,928,940
Expenses	
Salaries and Wages	2,137,634
Employee benefits	351,901
Supplies and other	2,034,998
Marketing	39,389
Depreciation	656,250
Interest and amortization expense	75,640

Total expenses	5,295,812
Operating income (loss)	633,128
Non-Operating Gains (Losses)	
Investment Income	160,917
Unrealized Gains (Losses) on Investments	1,019,992
Contributions	4,675

Total Non-Operating Gains (Losses)	1,185,583

Excess revenues over expenses	1,818,711
Other changes in unrestricted net assets	-

Change in unrestricted net assets	1,818,711

Temporarily Restricted	
Contributions and grants	168,335
Release of Restricted Funds	(4,122)

Change in temporarily restricted net assets	164,213

Increase (dec) net assets	1,982,924
Net assets beginning of year	23,080,559
Current net assets	25,063,483
	=====

Lutheran Services Carolinas
Senior Services
Cash Flow Statement
Trinity Oaks Locations Consolidated
For the Three Months Ending December 31, 2020

Change in net assets	\$ 1,982,924
Cash flows from operating activities:	
Depreciation and amortization	656,250
Amortization of deferred entrance fees	(317,562)
(Increase) decrease in assets	(1,034,984)
Increase (decrease) in liabilities	(388,879)
Net adjustments	<u>(1,085,176)</u>
Net cash provided by operating activities	897,748
Cash flows from purchase of property and equipment	(307,162)
Cash flows from financing activities:	
Change in refundable deferred fees	(1,826,746)
Change in deferred revenue	2,154,241
Change in debt	<u>(108,825)</u>
Net cash used by financing activities	<u>218,670</u>
Net increase (decrease) in cash	809,256
Cash at the beginning of the year	2,114,227
Cash at the end of the period	<u><u>\$ 2,923,483</u></u>

Attachment 5

Assisted Living
Enhanced Care Program

LEVEL OF CARE DETERMINATION

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

Assessment Date _____

Resident Name _____ Apt. # _____

Responsible Party _____ Phone _____

Attending Physician _____ Phone _____

Levels of Care are defined as follows:

_____ Independent

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

_____ Enhanced Care services

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

_____ Enhanced Care Plus services

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

_____ Maximum Care

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

DETERMINATION OF LEVEL OF CARE AND RELATED EXPENSES

PERFORMANCE CODE TOTAL from ADL and BEHAVIORAL Assessment Tool _____

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

RESIDENT ASSESSMENT FORM

Level of Care before Assessment _____

Level of Care after Assessment _____

RESIDENT _____

ADL NEEDS CHECKLIST

ADL

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

BEHAVIORAL

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

TOTAL SCORE _____

DEFINITION OF PERFORMANCE CODES

0. INDEPENDENT

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

1. SUPERVISION

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

2. LIMITED ASSISTANCE

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

3. EXTENSIVE ASSISTANCE

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

4. TOTALLY DEPENDENT

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

Staff completing assessment _____ Date _____

Attachment 6

Cottage Unbundling of
Services Program

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

January 1 thru December 31, 2021

	1st Occupant	2nd Occupant	Total Mthly Rate
Unbundled Base Rate	\$2,754.00	\$820.00	\$3,574.00

A la carte options

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

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

Fee for Service Transportation

Outside Rowan \$10.00 per trip per person
CLT & GSO airport \$60.00 one way
Activity Trips No transportation fee

Housekeeping: Can be contracted through Trinity at Home for \$19.75/hour

Healthcare days: 10% discount at T.O. Health & Rehab

I agree with the unbundling program fee structure and the additional a la carte pricing as listed for January 1 thru December 31, 2021.

Signature	Date	
Signature	Date	Base \$2,754.00
		Wellness
		Trans
		Mthly rate \$ _____
		2nd person
		Total mthly rate \$ _____