



## **Disclosure Statement**

**February 28, 2022**

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

**DBA**

**Trinity Elms**

**7543 Fair Oaks Drive**

**Clemmons, NC 27012**

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

- **This disclosure Statement may be delivered until revised, but not after July 28, 2023.**
- **Delivery of the Disclosure Statement to a contracting party before the execution of a contract for the provision of continuing care is required by NCGS 58-64;**
- **This Disclosure Statement has not been reviewed or approved by any government agency or representative to ensure accuracy or completeness of the information set out.**

# TRINITY ELMS DISCLOSURE STATEMENT

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

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

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

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

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

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

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

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

#### **Mission**

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

#### **Vision**

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

#### **Values**

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

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

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

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

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

Trinity Elms nursing home has been in operation since 2013 and is licensed for 100 skilled nursing beds that are dually certified for Medicare and Medicaid. Trinity Elms assisted living has been in operation since 1999 and is licensed for 104 assisted living beds. As of the date of this disclosure statement, the number of residents being served at Trinity Elms nursing home is 83 and Trinity Elms assisted living is 77.

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

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

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

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

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

## C. Organization Leadership

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

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

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

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

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

Mr. Gregory Hudgins  
2 Kersey Court  
Durham, NC 27713

Salisbury, NC 28145-0947

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

Mr. Cary Grant  
113 Bennington Parkway  
Durham, NC 27713

### **Secretary**

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

### **President and Director**

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

### **Treasurer**

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

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

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

No member of the Management Staff nor the Board of Directors (i) has been convicted of a felony or pleaded nolo contendere to a felony charge, or been held liable or enjoined in a civil action by final judgment, if the felony or civil action involved fraud, embezzlement, fraudulent conversion, or misappropriation of property; or (ii) is subject to a currently effective injunctive or restrictive court order, or within the past five years, had any State or federal license or permit suspended or revoked as a result of an action brought by a governmental agency or department, if the order or action arose out of or related to business activity of health care, including actions affecting a license to operate a foster care facility, nursing home, retirement home, home for aged, or facility subject to this Article or a similar law in another state. [NCGS 58-64-20(a) (3) (c)].

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

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

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

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

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

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

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

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

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

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

### **D. Addendums**

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

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

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



## **F. Health Criteria**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

See Section (K) for details on Refunds.

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

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

Good cause shall be limited to:

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

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

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

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

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

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

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

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

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

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

## **J. Moves and Transfers**

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

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

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

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

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

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

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

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

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

Refunds of the Security Deposit will be issued as followed:

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

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

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

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

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

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

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

Resident understands that in the event he/she shall become unable to pay the Monthly Rental Fee, or any part thereof, Trinity Elms may, at its sole discretion, terminate the Residency Agreement.

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

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

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

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

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

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

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

### **IV. Services**

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

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

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

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

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

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

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

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

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

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

## **V. Fees**

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

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



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

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

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

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

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

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

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

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

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

Lutheran Services for the Aging, Inc. (LSA, Inc.) has included tables that demonstrate the frequency and average dollar amount of increases in charges for the previous five years. Trinity Oaks is the only continuing care retirement community that LSA, Inc. currently operates.

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

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

|                        |       |       |       |       |       |
|------------------------|-------|-------|-------|-------|-------|
| <b>Assisted Living</b> | 2018  | 2019  | 2020  | 2021  | 2022  |
| % Increase             | 3%    | 3%    | 3%    | 3%    | 3%    |
| \$ Increase            | \$153 | \$157 | \$162 | \$167 | \$172 |

|                                  |      |      |       |       |       |
|----------------------------------|------|------|-------|-------|-------|
| <b>Independent Living</b>        | 2018 | 2019 | 2020  | 2021  | 2022  |
| % Increase                       | 3%   | 3%   | 3%    | 3%    | 3%    |
| \$ Increase                      |      |      |       |       |       |
| Studio                           | \$54 | \$56 | \$58  | \$59  | \$61  |
| 1 Bedroom                        | \$68 | \$70 | \$72  | \$75  | \$77  |
| 1 Bedroom Deluxe                 | \$73 | \$75 | \$78  | \$80  | \$82  |
| 2 Bedroom                        | \$87 | \$90 | \$93  | \$95  | \$98  |
| 2 <sup>nd</sup> Occupant Apt.    | \$30 | \$31 | \$32  | \$33  | \$34  |
| Cottage                          | \$94 | \$97 | \$100 | \$103 | \$106 |
| 2 <sup>nd</sup> Occupant Cottage | \$33 | \$34 | \$35  | \$37  | \$38  |

**VI. Miscellaneous Provisions**

**A. Religious Affiliation.** Trinity Elms is a non-stock, not-for-profit 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, Inc. will be responsible for the contractual obligations of Trinity Elms.

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

**C. Personal Belongings.** Jewelry and personal possessions or effects brought into Trinity Elms by the Resident will remain the property of the Resident. Resident is strongly encouraged to have a will providing for the disposition of his or her real and personal property and provision for proper burial at his or her own expense.

Resident agrees to notify the Executive Director of Trinity Elms as to the location of this will and to notify Trinity Elms of the Resident's Executor under such will.

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

**E. Casualty Loss, Condemnation**

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

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

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

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

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

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

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

**J. Binding Effect.** The covenants and conditions of this Agreement shall bind and benefit respectively Trinity Elms and its successors and assigns, and Resident and his/her heirs, personal representatives, successors and assigns, except as herein otherwise specified in this Agreement. This Agreement, together with the rules and regulations provided for, shall constitute the full and entire Agreement and understanding between the parties. There are no restrictions, promises, warranties, covenants or undertakings, other than those set forth or referred to in this Agreement. This Agreement, the Exhibits to this Agreement, and other documents and Agreements referred to herein supersede all prior Agreements and undertakings between the parties with respect to this subject matter.

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

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

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

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

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

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

**P. Interruption.** The captions contained herein are for convenience and reference only and in no way define, limit, or describe the scope or intent of the Residency Agreement or affect any of the terms and provisions of the Residency Agreement. Any reference expressed in any gender shall be deemed to include each of the other genders, and the singular shall be deemed to include the plural and vice versa, unless the context otherwise requires.

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

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

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

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

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

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

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

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

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

**T. Material Differences Between Forecasted Statements and Actual Statements.** In 2021, the material differences between the forecasted statements and the actual statements are in Trinity Elms' favor. Please see following statements on pages 23-25 for further explanation.

## Trinity Elms Campus Consolidated Balance Sheet

| Assets                                     | Actual<br>2021       | Forecast<br>2021     | Difference   | Explanation             |
|--|----------------------|----------------------|--------------|-------------------------|
| <b>Current Assets</b>                      |                      |                      |              |                         |
| Cash and cash equivalents                  | \$ 4,964,862         | \$ 2,055,000         | \$ 2,909,862 | COVID funding           |
| Investments                                | 4,036,188            | 2,715,000            | 1,321,188    | Investment returns      |
| Receivables, net of allowance              | 1,588,035            | 945,000              | 643,035      | Higher than expected    |
| Other                                      | 2,649,079            | 2,065,000            | 584,079      | Due from affiliate      |
| Inventories                                | 89,687               | 90,000               | (313)        |                         |
| <b>Total current assets</b>                | <b>13,327,850</b>    | <b>7,870,000</b>     |              |                         |
| Assets limited as to use                   | 238,880              | 847,000              | (608,120)    | Fewer restricted assets |
| Net Property and Equipment                 | 28,364,709           | 28,594,000           | (229,291)    |                         |
| <b>Total assets</b>                        | <b>\$ 41,931,439</b> | <b>\$ 37,311,000</b> |              |                         |
| <b>Liabilities</b>                         |                      |                      |              |                         |
| <b>Current Liabilities</b>                 |                      |                      |              |                         |
| Current portion of long-term debt          | \$ 1,170,000         | \$ 1,170,000         | -            |                         |
| Accounts payable - trade                   | 182,506              | 216,000              | (33,494)     |                         |
| Accrued salaries and payroll taxes         | 441,146              | 672,000              | (230,854)    |                         |
| Accrued employee benefits                  | 34,714               | 57,000               | (22,286)     |                         |
| Accrued interest payable                   | -                    | 46,000               | (46,000)     |                         |
| Refundable fee deposits - current          | 36,880               | 32,000               | 4,880        |                         |
| <b>Total current liabilities</b>           | <b>1,865,245</b>     | <b>2,193,000</b>     |              |                         |
| <b>Other liabilities and credits</b>       |                      |                      |              |                         |
| Refundable fee deposits                    | 113,450              | 113,000              | 450          |                         |
| Deferred revenue                           | 1,800,334            | -                    | 1,800,334    | COVID funding           |
| Deferred revenue from fee deposits         | -                    | -                    | -            |                         |
| Long-term debt                             | 29,245,342           | 28,481,000           | 764,342      | New bond issue          |
| <b>Total other liabilities and credits</b> | <b>31,159,125</b>    | <b>30,787,000</b>    |              |                         |
| Unrestricted                               | 8,904,990            | 6,523,000            |              |                         |
| Temporarily restricted                     | 2,078                | 1,000                |              |                         |
| <b>Total net assets</b>                    | <b>8,907,068</b>     | <b>6,524,000</b>     |              |                         |
| <b>Total liabilities and net assets</b>    | <b>\$ 41,931,439</b> | <b>\$ 37,311,000</b> |              |                         |

*Explanation of Material Differences Between Projected Statements of Operations and Changes in Net Assets for the Year Ended September 30, 2021 and Year Ended September 30, 2021 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, 2021 contained as part of the Disclosure Statement.*

## Trinity Elms Campus Consolidated Income Statement

|  | Actual<br>2021       | Forecast<br>2021     | Difference          | Explanation   |
|--|----------------------|----------------------|---------------------|---|
| <b>Revenue and other Support</b>               |                      |                      |                     |   |
| Net resident service revenue                   | \$ 17,309,724        | \$ 16,908,000        | \$ 401,724          | Increased State and Federal funding                           |
| Amortization of deferred entrance fees         | 2,800                | -                    | 2,800               |   |
| Restricted funds released for operator         | 124,367              | -                    | 124,367             |   |
| Other revenue                                  | 504,102              | 69,000               | 435,102             | COVID funding   |
| <b>Total revenue and other support</b>         | <b>\$ 17,940,994</b> | <b>\$ 16,977,000</b> | <b>\$ 963,994</b>   |   |
| <b>Expenses</b>                                |                      |                      |                     |   |
| Health care                                    | 6,240,077            | 6,567,000            | (326,923)           | COVID related lower occ                                       |
| Maintenance                                    | 704,259              | 696,000              | 8,259               |   |
| Laundry  | 146,083              | 232,000              | (85,917)            |   |
| Housekeeping                                   | 461,985              | 513,000              | (51,015)            |   |
| Grounds  | -                    | 61,000               | (61,000)            |   |
| Dietary  | 1,307,042            | 1,404,000            | (96,958)            |   |
| Life Enrichment Services                       | 204,035              | 378,000              | (173,965)           |   |
| Administration                                 | 4,257,821            | 4,052,000            | 205,821             |   |
| Depreciation                                   | 1,188,978            | 1,242,000            | (53,022)            | Underestimated assets in place                                |
| Interest expense                               | 789,893              | 1,205,000            | (415,107)           | New bond issue  |
| <b>Total expenses</b>                          | <b>15,300,173</b>    | <b>16,350,000</b>    | <b>(1,049,827)</b>  |   |
| <b>Operating income (loss)</b>                 | <b>2,640,821</b>     | <b>627,000</b>       | <b>2,013,821</b>    |   |
| <b>Other Income</b>                            |                      |                      |                     |   |
| Investment Income                              | 175,048              | 107,000              | 68,048              |   |
| Unrealized Gain (Loss)                         | 449,680              | -                    | 449,680             | Market increase   |
| Unrestricted contributions and beques          | 8,300                | 20,000               | (11,700)            |   |
| <b>Total other income (loss)</b>               | <b>633,028</b>       | <b>127,000</b>       | <b>506,028</b>      |   |
| <b>Excess revenues over expenses</b>           | <b>\$ 3,273,849</b>  | <b>\$ 754,000</b>    | <b>\$ 2,519,849</b> | Better performance due to increased State and Federal funding |
| Other changes in unrestricted net assets       | (138,303)            | -                    | (138,303)           |   |
| <b>Increase (decrease) unrestricted assets</b> | <b>\$ 3,135,546</b>  | <b>\$ 754,000</b>    | <b>\$ 2,381,546</b> | Better performance due to increased State and Federal funding |
| <b>Temporary restricted</b>                    |                      |                      |                     |   |
| Contributions                                  | 125,486              | -                    | 125,486             |   |
| Net assets released from restrictions          | (124,367)            | -                    | (124,367)           |   |
| <b>Increase (decrease) temp. restricted</b>    | <b>1,118</b>         | <b>-</b>             | <b>1,118</b>        |   |
| <b>Increase (decrease) net assets</b>          | <b>3,136,664</b>     | <b>754,000</b>       | <b>2,382,664</b>    |   |
| Net assets - beginning of year                 | 5,770,404            | 5,770,000            |                     |   |
| <b>Net assets - end of year</b>                | <b>\$ 8,907,068</b>  | <b>\$ 6,524,000</b>  |                     |   |

*Explanation of Material Differences Between Projected Statements of Operations and Changes in Net Assets for the Year Ended September 30, 2021 and Year Ended September 30, 2021 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, 2021 contained as part of the Disclosure Statement.*



## Trinity Elms Campus Consolidated Statement of Cash Flows

|   | Actual<br>2021      | Forecast<br>2021    | Difference   | Explanation   |
|---|---------------------|---------------------|--------------|---|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                     |                     |              |   |
| Change in net assets  | \$ 3,136,664        | \$ 754,000          | \$ 2,382,664 | 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 debt issuance costs from advance fees                                       | (2,800)             | 15,000              | (2,800)      |   |
| Depreciation  | 1,188,978           | 1,242,000           | (53,022)     |   |
| (Gain) loss on disposal of assets   | -                   | -                   | -            |   |
| Realized/unrealized (gain) loss on investments  | (449,680)           | -                   | (449,680)    | Good investment performance                                   |
| (Increase) decrease in other current assets   | (1,340,731)         | (82,000)            | (1,258,731)  | Increase in Due from affiliate                                |
| Increase (decrease) in accounts payable/accrued expenses                                    | (252,162)           | 81,000              | (333,162)    |   |
| Increase (decrease) in deferred revenue   | 1,289,610           | (511,000)           | 1,800,610    | COVID funding   |
| <b>Net cash provided by operating activities</b>  | <b>3,569,879</b>    | <b>1,499,000</b>    |              |   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |                     |                     |              |   |
| Purchase of property and equipment  | (34,077)            | (317,000)           | 282,923      |   |
| Investments (net)   | 59,398              | 931,000             | (871,602)    | More held in cash   |
| (Increase) decrease in assets whose use is limited  | (206,743)           | (202,000)           | (4,743)      |   |
| <b>Net cash used in investing activities</b>  | <b>(181,422)</b>    | <b>412,000</b>      |              |   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>  |                     |                     |              |   |
| Net proceeds from bond issue/debt payments  | (352,843)           | (1,132,000)         | 779,157      | Less than forecasted  |
| Advanced fees received, net   | 8,106               | -                   | 8,106        | More receipts   |
| <b>Net cash provided by financing activities</b>  | <b>(344,737)</b>    | <b>(1,132,000)</b>  |              |   |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>  | <b>3,043,720</b>    | <b>\$ 779,000</b>   |              |   |
| <b>CASH AND CASH EQUIVALENTS BEGINNING OF YEAR</b>  | <b>1,921,142</b>    | <b>\$ 1,953,000</b> |              |   |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>   | <b>\$ 4,964,862</b> | <b>\$ 2,732,000</b> |              |   |

*Explanation of Material Differences Between Projected Statements of Operations and Changes in Net Assets for the Year Ended September 30, 2021 and Year Ended September 30, 2021 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, 2021 contained as part of the Disclosure Statement.*

## **VII. Financial Information**

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

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

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

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

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

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

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

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

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

## **VIII. Residency Agreement**

### **A. Residency Agreement**

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

# **Exhibit A**

# **Interim Financial**

# **Statements**

**Trinity Elms Campus Consolidated**  
**Balance Sheet**  
**As of January 31, 2022**

**ASSETS**

**Current Assets**

|                                |    |                   |
|--------------------------------|----|-------------------|
| Cash and Cash Equivalents      | \$ | 6,550,146         |
| Investments                    |    | 4,030,468         |
| Receivables - Net of Allowance |    | 1,739,026         |
| Other                          |    | 1,802,660         |
| Inventories                    |    | 89,687            |
| Prepaid Expenses               |    | (10,130)          |
| <b>Total Current Assets</b>    |    | <b>14,201,857</b> |

**Non-Current Assets Limited as to Use** **238,880**

**Property & Equipment** **27,993,343**

**Total Assets** **42,434,080**

**LIABILITIES**

**Current Liabilities**

|                                   |                  |
|-----------------------------------|------------------|
| Current Portion of Long-Term Debt | 1,170,000        |
| Accounts Payable - Trade          | 84,449           |
| Accrued Salaries and Payroll      | 646,790          |
| Accrued Employee Benefits         | 34,714           |
| Resident' Funds                   | 36,880           |
| <b>Total Current Liabilities</b>  | <b>1,972,833</b> |

**Other Liabilities and Credits**

|  |                   |
|--|-------------------|
| Long-Term Debt                             | 28,941,509        |
| Deferred Revenue                           | 1,677,143         |
| Refundable Fees                            | 115,654           |
| <b>Total Other Liabilities and Credits</b> | <b>30,734,307</b> |

**Total Liabilities** **32,707,140**

**Net Assets**

|                         |                  |
|-------------------------|------------------|
| Unrestricted            | 9,724,863        |
| Temporarily Restricted  | 2,078            |
| <b>Total Net Assets</b> | <b>9,726,941</b> |

**Total Liabilities and Net Assets** **\$ 42,434,080**

**Trinity Elms Campus Consolidated**  
**Income Statement**  
For the Four Month(s) Ending January 31, 2022

|  | <b>Actual</b>       |
|--|---------------------|
| <b>Revenue and Other Support</b>                   |                     |
| Net Resident Service Revenue                       | \$ 5,934,667        |
| Other Revenue                                      | 723,744             |
| <b>Total Operating Income</b>                      | <b>6,658,411</b>    |
| <b>Expenses</b>                                    |                     |
| Salaries and Wages                                 | 2,515,914           |
| Employee Benefits                                  | 386,252             |
| Supplies and Other                                 | 2,112,877           |
| Marketing  | 5,142               |
| Depreciation                                       | 399,169             |
| Interest and Amortization                          | 419,043             |
| <b>Total Expenses</b>                              | <b>5,838,398</b>    |
| <b>Operating Income (Loss)</b>                     | <b>820,012</b>      |
| <b>Non-Operating Gains (Losses)</b>                |                     |
| Investment Income                                  | 49,909              |
| Unrealized Gain (Loss) on Investment               | (55,619)            |
| Contributions                                      | 2,355               |
| <b>Total Non-Operating Gains (Losses)</b>          | <b>(3,355)</b>      |
| <b>Excess Revenues Over Expenses</b>               | <b>816,658</b>      |
| <b>Temporarily Restricted</b>                      |                     |
| Contributions and Grants                           | 3,215               |
| <b>Change in Temporarily Restricted Net Assets</b> | <b>3,215</b>        |
| <b>Increase (Decrease) in Net Assets</b>           | <b>819,873</b>      |
| <b>Net Assets Beginning of Year</b>                | <b>8,907,068</b>    |
| <b>Current Net Assets</b>                          | <b>\$ 9,726,941</b> |

**Trinity Elms Campus Consolidated**  
**Cash Flow Statement**  
For the Four Month(s) Ending January 31, 2022

|   |  |                            |
|---|--|----------------------------|
| <b>Change in net assets</b>                               |  | \$ 819,873                 |
| <b>Cash flows from operating activities:</b>              |  |                            |
| Depreciation and amortization                             |  | 399,169                    |
| Amortization of deferred entrance fees                    |  | -                          |
| (Increase) decrease in assets                             |  | 862,267                    |
| Increase (decrease) in liabilities                        |  | 107,588                    |
| Net adjustments   |  | <u>1,369,024</u>           |
| Net cash provided by operating activities                 |  | <u>2,188,897</u>           |
| <br>  |  |                            |
| <b>Cash flows from purchase of property and equipment</b> |  | (27,803)                   |
| <br>  |  |                            |
| <b>Cash flows from financing activities:</b>              |  |                            |
| Change in refundable deferred fees                        |  | 2,204                      |
| Change in deferred revenue                                |  | (123,190)                  |
| Change in debt  |  | <u>( 303,833 )</u>         |
| Net cash used by financing activities                     |  | <u>( 424,819 )</u>         |
| Net increase (decrease) in cash                           |  | 1,736,274                  |
| <br>  |  |                            |
| <b>Cash flows from purchase from investments</b>          |  | ( 150,990 )                |
| <br>  |  |                            |
| <b>Cash at the beginning of the year</b>                  |  | 4,964,862                  |
| <br>  |  |                            |
| <b>Cash at the end of the period</b>                      |  | <u><u>\$ 6,550,146</u></u> |

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



# **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, 2021 and 2020**





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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, 2021 and 2020, 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, 2021 and 2020, 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.

*Dixon Hughes Goodman LLP*

Raleigh, NC  
January 28, 2022

Lutheran Services for the Aging, Inc. and  
Lutheran Family Services in the Carolinas and Affiliates  
Consolidated Balance Sheets  
September 30, 2021 and 2020

|  | <u>2021</u>           | <u>2020</u>           |
|--|-----------------------|-----------------------|
| <b>ASSETS</b>  |                       |                       |
| Current assets:  |                       |                       |
| Cash and cash equivalents  | \$ 36,235,422         | \$ 15,522,989         |
| Investments  | 30,922,215            | 26,484,783            |
| Accounts receivable, residents and clients, net of<br>allowance for doubtful accounts of approximately<br>\$1,800,000 and \$1,400,000 in 2021 and 2020, respectively | 14,604,724            | 12,315,821            |
| Current portion of other receivables   | 2,024,262             | 1,654,331             |
| Inventories  | 1,225,756             | 1,327,417             |
| Prepaid expenses   | 810,787               | 289,172               |
| Residents' funds   | 228,526               | 241,428               |
| Total current assets   | <u>86,051,692</u>     | <u>57,835,941</u>     |
| Assets limited as to use:  |                       |                       |
| Investments - donor-restricted endowment funds   | 3,279,912             | 3,266,524             |
| Investments - temporarily restricted   | 4,304,567             | 3,205,378             |
| Investments - board designated funds   | 10,289,067            | 8,778,525             |
| Assets limited to use - operating reserve requirement  | 1,802,000             | 1,575,000             |
| Assets limited to use - deposits held in escrow  | 5,109,350             | 4,024,259             |
| Assets limited to use - bond funds   | 21,874,426            | 3,920,335             |
| Assets restricted by donor for investment in property and equipment  | 1,550,887             | 1,573,176             |
| Total assets limited as to use   | <u>48,210,209</u>     | <u>26,343,197</u>     |
| Property and equipment, net  | 178,042,488           | 122,044,773           |
| Assets held for sale   | -                     | 110,800               |
| Other receivables, less current portion, net   | 98,295                | 568,889               |
| Other assets   | 10,604,776            | 10,539,437            |
| Total assets   | <u>\$ 323,007,460</u> | <u>\$ 217,443,037</u> |

Lutheran Services for the Aging, Inc. and  
Lutheran Family Services in the Carolinas and Affiliates  
Consolidated Balance Sheets  
September 30, 2021 and 2020

(Continued)

|  | <u>2021</u>                  | <u>2020</u>                  |
|--|------------------------------|------------------------------|
| <b>LIABILITIES AND NET ASSETS</b>                        |                              |                              |
| Current liabilities:                                     |                              |                              |
| Current maturities of long-term debt                     | \$ 2,613,116                 | \$ 3,334,198                 |
| Current maturities of obligations under capital leases   | 12,510                       | 15,126                       |
| Current portion of split-interest liability              | 49,000                       | 49,000                       |
| Accounts payable, trade                                  | 11,603,568                   | 4,132,263                    |
| Accrued salaries and payroll taxes                       | 4,672,020                    | 6,523,964                    |
| Accrued health benefits                                  | 305,432                      | 496,727                      |
| Accrued interest payable                                 | 36,608                       | 303,823                      |
| Refundable fees - current                                | 638,086                      | 639,861                      |
| Deferred revenue from grants and other                   | 1,558,356                    | 3,462,759                    |
| Other accrued liabilities                                | 1,565,730                    | 1,348,388                    |
| Residents' funds liability                               | 228,526                      | 241,428                      |
| Total current liabilities                                | <u>23,282,952</u>            | <u>20,547,537</u>            |
| Long-term liabilities:                                   |                              |                              |
| Long-term debt, less current maturities                  | 179,224,984                  | 92,367,720                   |
| Long-term maturities of obligations under capital leases | -                            | 15,938                       |
| Refundable fees  | 12,500,761                   | 10,884,538                   |
| Deferred revenue from advance fees                       | 7,369,474                    | 7,070,054                    |
| Fair value of interest rate swap agreement               | -                            | 1,285,346                    |
| Split-interest liability                                 | 589,672                      | 601,855                      |
| Total long-term liabilities                              | <u>199,684,891</u>           | <u>112,225,451</u>           |
| Total liabilities  | <b>222,967,843</b>           | 132,772,988                  |
| Net assets:  |                              |                              |
| Net assets without donor restrictions                    |                              |                              |
| Without donor restrictions, undesignated                 | 78,574,823                   | 65,961,029                   |
| Without donor restrictions, board designated funds       | 10,289,067                   | 8,778,525                    |
| Total net assets without donor restrictions              | <u>88,863,890</u>            | <u>74,739,554</u>            |
| Net assets with donor restrictions                       | 11,175,727                   | 9,930,495                    |
| Total net assets   | <u>100,039,617</u>           | <u>84,670,049</u>            |
| Total liabilities and net assets                         | <u><b>\$ 323,007,460</b></u> | <u><b>\$ 217,443,037</b></u> |

**Lutheran Services for the Aging, Inc. and  
Lutheran Family Services in the Carolinas and Affiliates  
Consolidated Statements of Operations and Changes in Net Assets  
Years Ended September 30, 2021 and 2020**

|   | <b>2021</b>           | <b>2020</b>    |
|---|-----------------------|----------------|
| Changes in net assets without donor restrictions:               |                       |                |
| Revenues and other support:                                     |                       |                |
| Net patient service revenue                                     | <b>\$ 112,981,965</b> | \$ 110,131,930 |
| Amortization of deferred entrance fees                          | <b>970,449</b>        | 1,622,139      |
| Service fees - state, county and other                          | <b>10,563,306</b>     | 11,728,592     |
| Federal grants and other  | <b>8,218,157</b>      | 4,619,025      |
| Net assets released from restrictions<br>for operating purposes | <b>1,257,666</b>      | 598,138        |
| Management fees   | <b>1,167,723</b>      | 468,145        |
| Other revenue   | <b>2,222,968</b>      | 2,166,180      |
| Total revenue   | <b>137,382,234</b>    | 131,334,149    |
| Expenses:   |                       |                |
| Salaries and wages  | <b>62,242,753</b>     | 61,005,348     |
| Employee benefits   | <b>11,749,191</b>     | 10,724,683     |
| Supplies and other  | <b>44,646,849</b>     | 41,465,800     |
| Medicaid bed assessment   | <b>2,080,280</b>      | 2,424,004      |
| Marketing expense   | <b>1,020,005</b>      | 974,800        |
| Depreciation and amortization                                   | <b>6,802,601</b>      | 6,961,980      |
| Interest expense  | <b>3,071,466</b>      | 3,438,667      |
| Total operating costs and expenses                              | <b>131,613,145</b>    | 126,995,282    |
| Operating income  | <b>5,769,089</b>      | 4,338,867      |
| Nonoperating gains (losses):                                    |                       |                |
| Investment income   | <b>4,397,122</b>      | 3,459,642      |
| Unrealized gains on investments                                 | <b>4,335,405</b>      | 1,246,089      |
| Net gain on disposal of property and equipment                  | <b>228,009</b>        | 605            |
| Market value adjustment on swap agreement                       | <b>298,429</b>        | (63,474)       |
| Contributions   | <b>1,579,069</b>      | 1,164,428      |
| Loss on early extinguishment of debt                            | <b>(2,482,787)</b>    | -              |
| Total net nonoperating gains                                    | <b>8,355,247</b>      | 5,807,290      |
| Excess of revenues over expenses                                | <b>14,124,336</b>     | 10,146,157     |

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, 2021 and 2020

(Continued)

|   | <u>2021</u>           | <u>2020</u>          |
|---|-----------------------|----------------------|
| Excess of revenues over expenses                          | \$ 14,124,336         | \$ 10,146,157        |
| Other changes in net assets without donor restrictions:   |                       |                      |
| Net asset released from restrictions for capital purposes | -                     | 36,273               |
| Change in net assets without donor restrictions           | <u>14,124,336</u>     | <u>10,182,430</u>    |
| Changes in net assets with donor restrictions:            |                       |                      |
| Contributions and grants                                  | 1,421,962             | 1,368,722            |
| Investment income   | 335,541               | 614,319              |
| Unrealized gains (losses) on investments                  | 745,395               | (253,113)            |
| Net assets released from restrictions                     | <u>(1,257,666)</u>    | <u>(634,411)</u>     |
| Change in net assets with donor restrictions              | <u>1,245,232</u>      | <u>1,095,517</u>     |
| Change in net assets                                      | 15,369,568            | 11,277,947           |
| Net assets at beginning of year                           | <u>84,670,049</u>     | <u>73,392,102</u>    |
| Net assets at end of year                                 | <u>\$ 100,039,617</u> | <u>\$ 84,670,049</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, 2021 and 2020**

|   | <u>2021</u>                 | <u>2020</u>          |
|---|-----------------------------|----------------------|
| Cash flows from operating activities:   |                             |                      |
| Change in net assets  | <b>\$ 15,369,568</b>        | \$ 11,277,947        |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                             |                      |
| Depreciation and amortization   | <b>6,802,601</b>            | 6,961,980            |
| Amortization of debt issuance costs and discount  | <b>55,398</b>               | 59,841               |
| Net gain on disposal of property and equipment  | <b>(228,009)</b>            | (605)                |
| Loss on early extinguishment of debt  | <b>2,482,787</b>            | -                    |
| Provision for bad debt  | <b>2,120,168</b>            | 1,413,169            |
| Amortization of deferred entrance fees  | <b>(970,449)</b>            | (1,622,139)          |
| Receipt of non-refundable entrance fees   | <b>2,019,244</b>            | 1,275,268            |
| Market value adjustment on swap agreement   | <b>(298,429)</b>            | 63,474               |
| Equity in income of joint ventures  | <b>(1,117,105)</b>          | (1,422,243)          |
| Dividends received from equity investment   | <b>1,494,500</b>            | 449,501              |
| Realized gains on investments   | <b>(1,186,616)</b>          | (1,574,400)          |
| Unrealized gains on investments   | <b>(5,080,800)</b>          | (992,976)            |
| Changes in assets and liabilities:  |                             |                      |
| Accounts receivable, residents and clients  | <b>(4,300,529)</b>          | (3,101,197)          |
| Other receivables   | <b>(7,879)</b>              | (784,738)            |
| Other assets  | <b>(883,938)</b>            | (1,695,069)          |
| Accounts payable and other accrued liabilities  | <b>5,378,193</b>            | 451,931              |
| Deferred revenue from grants and other  | <b>(1,904,403)</b>          | 2,450,252            |
| Other liabilities   | <b>439,148</b>              | 91,126               |
| Net cash provided by operating activities   | <b><u>20,183,450</u></b>    | <u>13,301,122</u>    |
| Cash flows from investing activities:   |                             |                      |
| Purchase of property and equipment  | <b>(62,825,020)</b>         | (13,223,317)         |
| Proceeds from sale of property and equipment  | <b>384,763</b>              | 50,370               |
| Purchase of investments   | <b>(29,759,026)</b>         | (5,003,257)          |
| Purchase of equity-method investment  | -                           | (7,000,188)          |
| Proceeds from sale of investments   | <b>10,740,322</b>           | 4,820,954            |
| Net cash used in investing activities   | <b><u>(81,458,961)</u></b>  | <u>(20,355,438)</u>  |
| Cash flows from financing activities:   |                             |                      |
| Proceeds from issuance of debt obligations  | <b>170,134,425</b>          | 18,669,398           |
| Payment of bond issuance costs  | <b>(704,260)</b>            | (2,145,331)          |
| Principal payments on debt  | <b>(85,832,168)</b>         | (3,198,377)          |
| Payment of swap   | <b>(986,917)</b>            | -                    |
| Receipt of refundable entrance fees   | <b>2,786,412</b>            | 2,101,015            |
| Refunds of refundable fees  | <b>(2,360,487)</b>          | (2,486,216)          |
| Change in obligations under capital leases and other liabilities                            | <b>(43,639)</b>             | 53,874               |
| Net cash provided by financing activities   | <b><u>82,993,366</u></b>    | <u>12,994,363</u>    |
| Net increase in cash, cash equivalents, and restricted cash                                 | <b>21,717,855</b>           | 5,940,047            |
| Cash, cash equivalents, and restricted cash, beginning of year                              | <b><u>25,296,457</u></b>    | <u>19,356,410</u>    |
| Cash, cash equivalents, and restricted cash, end of year                                    | <b><u>\$ 47,014,312</u></b> | <u>\$ 25,296,457</u> |
| Supplemental cash flow disclosure information:  |                             |                      |
| Interest paid, net of amounts capitalized   | <b><u>\$ 3,283,283</u></b>  | <u>\$ 3,304,016</u>  |
| Purchase of property and equipment in accounts payable                                      | <b><u>\$ 568,000</u></b>    | <u>\$ -</u>          |

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, 2021 and 2020, the line had a balance of \$0 and \$723,010, 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, 2021 and 2020.

Effective October 2019, LSA had a 50% equity interest in PACE @ Home, Inc. As of September 30, 2021 and 2020, the investment with PACE @ Home, LLC was \$481,384 and \$491,096, respectively, and is accounted for under the equity method of accounting. Condensed financial information for PACE @ Home, LLC at September 30:

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| <u>2021</u> | <u>PACE @ Home, Inc.</u> | <u>50% equity interest<br/>PACE @ Home, Inc.</u> |
|-------------|--------------------------|--|
| Assets      | \$ 3,023,285             | \$ 1,511,643                                     |
| Liabilities | 2,060,517                | 1,030,259  |
| Equity      | 962,768                  | 481,384  |
| Net loss    | (19,424)                 | (9,712)  |

| <u>2020</u> | <u>PACE @ Home, Inc.</u> | <u>50% equity interest<br/>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. There was no outstanding balance as of September 30, 2021 and 2020.

Effective June 29, 2020 LSA purchased a 50% equity interest in PACE of Southern Piedmont, Inc. for approximately \$7,000,000. In November 2021, LSA received a \$500,000 equalization payment from the other owner of PACE of Southern Piedmont. As of September 30, 2021 and 2020, the investment with PACE of Southern Piedmont, Inc. was \$7,262,824 and \$7,430,683, respectively, and is accounted for under the equity method of accounting. Condensed financial information for PACE of Southern Piedmont, Inc. at September 30:

| <u>2021</u>   | <u>PACE of Southern<br/>Piedmont</u> | <u>50% equity interest<br/>PACE of Southern<br/>Piedmont</u> |
|---------------|--------------------------------------|--|
| Assets        | \$ 6,456,112                         | \$ 3,228,056   |
| Liabilities   | 3,822,145                            | 1,911,073  |
| Equity        | 2,633,967                            | 1,316,983  |
| Net income    | 2,664,282                            | 1,332,141  |
| Distributions | 2,000,000                            | 1,000,000  |

| <u>2020</u> | <u>PACE of Southern<br/>Piedmont</u> | <u>50% equity interest<br/>PACE of Southern<br/>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 5.6% member of Unity Senior Care Group, LLC ("Unity"). Unity was formed in 2011 as a risk purchasing group, consisting of LSA and seventeen other nonprofit healthcare facilities. Unity administers and facilitates the

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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 2021 or 2020.

***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, 2021 and 2020, the investment with Trinity Rehab, LLC was \$686,458 and \$436,737, respectively, and is accounted for under the equity method of accounting. Condensed financial information for Trinity Rehab, LLC at September 30:

| <u>2021</u> | <u>Trinity Rehab, LLC</u> | <u>50% equity interest<br/>LSA Therapy, Inc.</u> |
|-------------|---------------------------|--|
| Assets      | \$ 3,188,256              | \$ 1,594,128                                     |
| Liabilities | 1,815,339                 | 907,670  |
| Equity      | 1,372,917                 | 686,458  |
| Net income  | 1,498,044                 | 749,022  |
| Dividends   | 989,000                   | 494,500  |

| <u>2020</u> | <u>Trinity Rehab, LLC</u> | <u>50% equity interest<br/>LSA Therapy, Inc.</u> |
|-------------|---------------------------|--|
| Assets      | \$ 1,554,590              | \$ 777,295                                       |
| Liabilities | 681,116                   | 340,558  |
| Equity      | 873,474                   | 436,737  |
| Net income  | 1,001,303                 | 500,652  |

At September 30, 2021 and 2020 the Organizations had \$598,004 and \$607,438, respectively, in accounts payable due to Trinity Rehab, LLC. The Organizations had incurred approximately \$7.1 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, 2021 and 2020.

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, 2021.

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***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:

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>2021</u>          | <u>2020</u>          |
|--|----------------------|----------------------|
| Cash and cash equivalents  | \$ 36,235,422        | \$ 15,522,989        |
| Residents' funds   | 228,526              | 241,428              |
| Assets limited as to use:  |                      |                      |
| Investments - temporarily restricted   | 37,221               | 21,760               |
| Assets limited to use - deposits held in escrow                                    | 5,109,350            | 4,024,259            |
| Bond funds   | 3,852,906            | 3,912,845            |
| Assets restricted by donor for investment in PPE                                   | <u>1,550,887</u>     | <u>1,573,176</u>     |
| Total cash, cash equivalents and restricted cash shown in statements of cash flows | <u>\$ 47,014,312</u> | <u>\$ 25,296,457</u> |

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***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 2021 and 2020, approximately 55% and 53%, respectively, of net service revenue was derived from services provided under these arrangements. Likewise, a substantial portion of accounts receivable are due from these agencies. Management does not believe there are significant credit risks with these programs.

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

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

***Inventory***

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

***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.

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

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

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

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

***Assets Limited as to Use***

Assets limited as to use, reported at fair value, include donor-restricted endowment funds, assets temporarily restricted for long-term purposes, assets reserved in accordance with statutory operating reserve requirements, waiting list deposits held in escrow, bond funds restricted under debt agreements - (money market funds, 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.

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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, 2021 and 2020, property and equipment costs incurred under the above-mentioned contracts were \$589,063 and \$589,063 with a net carrying value of \$197,546 and \$211,283, 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.

***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.

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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.

***Advertising***

The cost of advertising is expensed as incurred. LSA and LFS incurred advertising costs of approximately \$988,000 and \$32,000, respectively, for the year ended September 30, 2021 and approximately \$945,000 and \$30,000, respectively, for the year ended September 30, 2020.

***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.

***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, 2022.



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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.

### 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.

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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:

| <b>September 30, 2021</b> |                      |                 |                      |                         |                     |                        |                      |
|---------------------------|----------------------|-----------------|----------------------|-------------------------|---------------------|------------------------|----------------------|
|                           | <u>Nursing</u>       | <u>Property</u> | <u>Retirement</u>    | <u>Other Operations</u> | <u>Other</u>        | <u>Family Services</u> | <u>Total</u>         |
| Government reimbursement  | \$ 47,111,677        | \$ -            | \$ 6,856,401         | \$ 208,798              | \$ -                | \$ 18,798,451          | \$ 72,975,327        |
| Private pay               | 27,988,944           | -               | 8,655,337            | 4,638,568               | -                   | -                      | 41,282,849           |
| Commercial                | 5,043,355            | -               | 1,006,104            | 55,771                  | -                   | -                      | 6,105,230            |
| Federal & state grants    | 4,158,736            | -               | 1,041,891            | (64,216)                | -                   | 3,103,239              | 8,239,650            |
| Management income         | 29,000               | 7,050           | 42,412               | -                       | 1,100,582           | -                      | 1,179,044            |
| Other income              | 5,085                | -               | -                    | 5,146,848               | -                   | 566,417                | 5,718,350            |
| Concessions income        | 415,039              | -               | 159,458              | 36,424                  | 13,197              | -                      | 624,118              |
| <b>Total</b>              | <b>\$ 84,751,836</b> | <b>\$ 7,050</b> | <b>\$ 17,761,603</b> | <b>\$ 10,022,193</b>    | <b>\$ 1,113,779</b> | <b>\$ 22,468,107</b>   | <b>\$136,124,568</b> |

| <b>September 30, 2020</b> |                      |                  |                      |                         |                   |                        |                      |
|---------------------------|----------------------|------------------|----------------------|-------------------------|-------------------|------------------------|----------------------|
|                           | <u>Nursing</u>       | <u>Property</u>  | <u>Retirement</u>    | <u>Other Operations</u> | <u>Other</u>      | <u>Family Services</u> | <u>Total</u>         |
| Government reimbursement  | \$ 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        | 308,289              | 23,258           | 367,564              | 26,215                  | 15,822            | 582,790                | 1,323,938            |
| <b>Total</b>              | <b>\$ 81,720,222</b> | <b>\$ 39,051</b> | <b>\$ 14,847,409</b> | <b>\$ 10,853,738</b>    | <b>\$ 530,979</b> | <b>\$ 22,744,612</b>   | <b>\$130,736,011</b> |

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**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.

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>2021</u>          | <u>2020</u>          |
|---|----------------------|----------------------|
| Cash and cash equivalents                       | \$ 36,235,422        | \$ 15,522,989        |
| Investments                                     | 30,922,215           | 26,484,783           |
| Accounts receivable, residents and clients, net | 14,604,724           | 12,315,821           |
| Current portion of other receivables            | <u>2,024,262</u>     | <u>1,654,331</u>     |
|   | <u>\$ 83,786,623</u> | <u>\$ 55,977,924</u> |

**4. Pledges Receivable**

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

|  | <u>2021</u>      | <u>2020</u>       |
|--|------------------|-------------------|
| Receivable in less than one year         | \$ 20,000        | \$ 21,050         |
| Receivable in greater than one year      | <u>60,000</u>    | <u>98,950</u>     |
|  | 80,000           | 120,000           |
| Less allowance for uncollectible pledges | <u>655</u>       | <u>655</u>        |
|  | <u>\$ 79,345</u> | <u>\$ 119,345</u> |

Pledges receivable for LFS are summarized as follows:

|  | <u>2021</u>       | <u>2020</u>       |
|--|-------------------|-------------------|
| Receivable in less than one year         | \$ 141,438        | \$ 116,655        |
| Receivable in greater than one year      | <u>444,063</u>    | <u>506,129</u>    |
|  | 585,501           | 622,784           |
| Less allowance for uncollectible pledges | 7,358             | 7,358             |
| Less discounts to net present value      | <u>21,735</u>     | <u>28,177</u>     |
|  | <u>\$ 556,408</u> | <u>\$ 587,249</u> |

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**5. Investments**

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

|                              | <b>2021</b>          |                      |  |
|------------------------------|----------------------|----------------------|--|
|                              | <u>Cost</u>          | <u>Fair Value</u>    | <u>Net<br/>Unrealized<br/>Appreciation</u> |
| <b><u>LSA:</u></b>           |                      |                      |  |
| Money market funds           | \$ 26,996,094        | \$ 26,996,094        | \$ -                                       |
| Marketable equity securities | <u>38,470,523</u>    | <u>50,115,340</u>    | <u>11,644,817</u>                          |
|                              | <u>65,466,617</u>    | <u>77,111,434</u>    | <u>11,644,817</u>                          |
| <b><u>LFS:</u></b>           |                      |                      |  |
| Money market funds           | 100                  | 100                  | -  |
| Marketable equity securities | <u>365,512</u>       | <u>470,003</u>       | <u>104,491</u>                             |
|                              | <u>365,612</u>       | <u>470,103</u>       | <u>104,491</u>                             |
| Total                        | <u>\$ 65,832,229</u> | <u>\$ 77,581,537</u> | <u>\$ 11,749,308</u>                       |
|                              |                      |                      |  |
|                              | <b>2020</b>          |                      |  |
|                              | <u>Cost</u>          | <u>Fair Value</u>    | <u>Net<br/>Unrealized<br/>Appreciation</u> |
| <b><u>LSA:</u></b>           |                      |                      |  |
| 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>                           |
| <b><u>LFS:</u></b>           |                      |                      |  |
| 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>                        |

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

|   | <b>2021</b>         |                  |                     |
|---|---------------------|------------------|---------------------|
|   | <b>LSA</b>          | <b>LFS</b>       | <b>Total</b>        |
| Investments without donor restrictions income           | \$ 4,397,122        | \$ -             | \$ 4,397,122        |
| Investments without donor restrictions unrealized gains | 4,335,405           | -                | 4,335,405           |
| Investments with donor restrictions income              | 319,161             | 16,380           | 335,541             |
| Investments with donor restrictions unrealized gains    | <u>688,661</u>      | <u>56,734</u>    | <u>745,395</u>      |
| Total investment income                                 | <u>\$ 9,740,349</u> | <u>\$ 73,114</u> | <u>\$ 9,813,463</u> |

  

|   | <b>2020</b>         |                  |                     |
|---|---------------------|------------------|---------------------|
|   | <b>LSA</b>          | <b>LFS</b>       | <b>Total</b>        |
| Investments without donor restrictions income                 | \$ 3,780,266        | \$ 68            | \$ 3,780,334        |
| 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>\$ 5,352,776</u> | <u>\$ 34,853</u> | <u>\$ 5,387,629</u> |

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

## **6. Endowment Funds**

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

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

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

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*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.

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

|                                  | <b>2021</b>                               |                                    |   |
|----------------------------------|---|------------------------------------|---|
|                                  | <b>Without<br/>Donor<br/>Restrictions</b> | <b>With Donor<br/>Restrictions</b> | <b>Total Net<br/>Endowment<br/>Assets</b> |
| <b><u>LSA:</u></b>               |   |                                    |   |
| Board designated funds           | \$ 10,289,067                             | \$ -                               | \$ 10,289,067                             |
| Donor-restricted endowment funds | -   | 7,130,625                          | 7,130,625                                 |
|                                  | <u>10,289,067</u>                         | <u>7,130,625</u>                   | <u>17,419,692</u>                         |
| <b><u>LFS:</u></b>               |   |                                    |   |
| Donor-restricted endowment funds | -   | 453,854                            | 453,844                                   |
| Total endowment funds            | <u>\$ 10,289,067</u>                      | <u>\$ 7,584,479</u>                | <u>\$ 17,873,536</u>                      |
|                                  |   |                                    |   |
|                                  | <b>2020</b>                               |                                    |   |
|                                  | <b>Without<br/>Donor<br/>Restrictions</b> | <b>With Donor<br/>Restrictions</b> | <b>Total Net<br/>Endowment<br/>Assets</b> |
| <b><u>LSA:</u></b>               |   |                                    |   |
| Board designated funds           | \$ 8,778,525                              | \$ -                               | \$ 8,778,525                              |
| Donor-restricted endowment funds | -   | 6,092,094                          | 6,092,094                                 |
|                                  | <u>8,778,525</u>                          | <u>6,092,094</u>                   | <u>14,870,619</u>                         |
| <b><u>LFS:</u></b>               |   |                                    |   |
| Donor-restricted endowment funds | -   | 379,808                            | 379,808                                   |
| Total endowment funds            | <u>\$ 8,778,525</u>                       | <u>\$ 6,471,902</u>                | <u>\$ 15,250,427</u>                      |

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Changes in endowment net assets for the years ended September 30, 2021 and 2020 are as follows:

|   | <b><u>Without<br/>Donor<br/>Restrictions</u></b> | <b><u>With Donor<br/>Restrictions</u></b> | <b><u>Total Net<br/>Endowment<br/>Assets</u></b> |
|---|--|---|--|
| <b><u>LSA:</u></b>                      |  |   |  |
| Endowment net assets-September 30, 2019 | \$ 8,051,308                                     | \$ 5,790,340                              | \$ 13,841,648                                    |
| 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>                                |
| Investment income                       | 441,675  | 349,870                                   | 791,545  |
| Net appreciation (depreciation)         | <u>1,068,867</u>                                 | <u>688,661</u>                            | <u>1,757,528</u>                                 |
| Endowment net assets-September 30, 2021 | <u>10,289,067</u>                                | <u>7,130,625</u>                          | <u>17,419,692</u>                                |
| <b><u>LFS:</u></b>                      |  |   |  |
| Endowment net assets-September 30, 2019 | -  | <u>345,023</u>                            | <u>345,023</u>                                   |
| Investment income                       | -  | 7,673                                     | 7,673  |
| Net appreciation                        | -  | <u>27,112</u>                             | <u>27,112</u>                                    |
| Endowment net assets-September 30, 2020 | -  | <u>379,808</u>                            | <u>379,808</u>                                   |
| Investment income                       | -  | 17,312                                    | 17,312   |
| Net appreciation                        | -  | <u>56,734</u>                             | <u>56,734</u>                                    |
| Endowment net assets-September 30, 2021 | -  | <u>453,854</u>                            | <u>453,854</u>                                   |
| Total                                   | <u>\$ 10,289,067</u>                             | <u>\$ 7,584,479</u>                       | <u>\$ 17,873,546</u>                             |

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## 7. Property and Equipment

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

|                                    | <b>2021</b>           |                     |                       |
|------------------------------------|-----------------------|---------------------|-----------------------|
|                                    | <b>LSA</b>            | <b>LFS</b>          | <b>Total</b>          |
| Land                               | \$ 13,747,778         | \$ 242,182          | \$ 13,989,960         |
| Land improvements                  | 4,310,739             | 90,933              | 4,401,672             |
| Building and building improvements | 145,244,725           | 2,229,967           | 147,474,692           |
| Certificate of need                | 4,212,500             | -                   | 4,212,500             |
| Leasehold improvements             | -                     | 375,539             | 375,539               |
| Furnishings and equipment          | 19,861,832            | 653,714             | 20,515,546            |
| Computer software                  | 847,235               | 39,086              | 886,321               |
| Automotive equipment               | 1,166,098             | 820,118             | 1,986,216             |
| Construction in progress           | <u>72,603,222</u>     | <u>-</u>            | <u>72,603,222</u>     |
|                                    | <u>261,994,129</u>    | <u>4,451,539</u>    | <u>266,445,668</u>    |
| Less accumulated depreciation      | <u>(85,899,590)</u>   | <u>(2,503,590)</u>  | <u>(88,403,180)</u>   |
| Net property and equipment         | <u>\$ 176,094,539</u> | <u>\$ 1,947,949</u> | <u>\$ 178,042,488</u> |
|                                    | <b>2020</b>           |                     |                       |
|                                    | <b>LSA</b>            | <b>LFS</b>          | <b>Total</b>          |
| 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           | <u>14,799,474</u>     | <u>7,580</u>        | <u>14,807,054</u>     |
|                                    | <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> |

The Organizations were holding building and building improvements of \$110,800 in assets held for sale at September 30, 2020. The asset was sold on October 29, 2020 for \$375,000. No assets were held for sale as of September 30, 2021. No impairment was incurred for the years ended September 30, 2021 and 2020.

Total depreciation expense for LSA was approximately \$6,594,000 and \$6,827,000 for the years ended September 30, 2021 and 2020, respectively. Total depreciation expense for LFS was approximately \$208,000 and \$135,000 for the years ended September 30, 2021 and 2020, 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, 2021 and 2020, the Organizations capitalized \$0 and \$90,569, respectively, in interest costs related to construction in progress.



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**8. Long-term Debt**

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

|   | <b>2021</b>                 |                            | <b>Total</b>                |
|---|-----------------------------|----------------------------|-----------------------------|
|   | <b>LSA</b>                  | <b>LFS</b>                 |                             |
| Bonds Payable:                            |                             |                            |                             |
| Series 2012A                              | \$ 39,065,000               | \$ -                       | \$ 39,065,000               |
| Series 2021A                              | 109,960,000                 | -                          | 109,760,000                 |
| Series 2021B                              | <u>12,774,767</u>           | <u>-</u>                   | <u>12,774,767</u>           |
|   | <u>161,599,767</u>          | <u>-</u>                   | <u>161,599,767</u>          |
| HUD Loans:                                |                             |                            |                             |
| Section 202                               | -                           | 158,415                    | 158,415                     |
| Section 811                               | <u>-</u>                    | <u>249,800</u>             | <u>249,800</u>              |
|   | <u>-</u>                    | <u>408,215</u>             | <u>408,215</u>              |
| Note Payable                              | -                           | 70,915                     | 70,915                      |
| PPP loans                                 | 10,783,514                  | 1,977,900                  | 12,761,414                  |
| Other Loans                               | <u>-</u>                    | <u>409,826</u>             | <u>409,826</u>              |
|   | <b>172,383,281</b>          | <b>2,866,856</b>           | <b>175,250,137</b>          |
| Less current maturities of long-term debt | (2,430,475)                 | (182,641)                  | (2,613,116)                 |
| Less discount on bonds payable, net       | (12,633)                    | -                          | (12,633)                    |
| Less bond issuance costs, net             | (2,099,817)                 | -                          | (2,099,817)                 |
| Add unamortized premium 2021A bonds       | <u>8,700,413</u>            | <u>-</u>                   | <u>8,700,413</u>            |
|   | <u><b>\$176,540,769</b></u> | <u><b>\$ 2,684,215</b></u> | <u><b>\$179,224,984</b></u> |
|   |                             |                            |                             |
|   | <b>2020</b>                 |                            | <b>Total</b>                |
|   | <b>LSA</b>                  | <b>LFS</b>                 |                             |
| 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>-</u>                   | <u>18,601,132</u>           |
|   | <u>86,954,457</u>           | <u>-</u>                   | <u>86,954,457</u>           |
| HUD Loans:                                |                             |                            |                             |
| Section 202                               | -                           | 158,415                    | 158,415                     |
| Section 811                               | <u>-</u>                    | <u>249,800</u>             | <u>249,800</u>              |
|   | <u>-</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>           |
|   | 97,819,507                  | 1,062,309                  | 98,881,816                  |
| 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>-</u>                   | <u>(3,155,122)</u>          |
|   | <u><b>\$ 91,665,817</b></u> | <u><b>\$ 701,903</b></u>   | <u><b>\$ 92,367,720</b></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., Lutheran Retirement Center – Clemmons, Inc., Lutheran Retirement Center – Hickory, Inc. and Lutheran Retirement Center – Hickory West, Inc. Each member of the Obligated Group is jointly and severally liable for each obligation issued under the Master Trust Indenture.

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

***Series 2021:***

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

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

***Series 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

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the Obligated Group's Deeds of Trust on real property and fixtures under the Master Trust Indenture. The 2020 Bonds were fully paid off with the proceeds of the 2021 Bonds.

**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 were secured by the Obligated Group's Deeds of Trust on real property and fixtures under the Master Trust Indenture. The 2017 Bonds were fully paid off with the proceeds of the Series 2021 Bonds.

**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 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, 2021 and 2020), collateralized by substantially all of LFS's assets.

**Paycheck Protection Loans:**

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

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The Organization's received total PPP loan funds in the total amount of \$12,761,414 and has elected to account for the funds received in accordance with ASC Topic 470, *Debt*. In order to be forgiven, funds from these loans may only be used to satisfy payroll costs, costs used to continue health care benefits, mortgage payments, rent, utilities, and interest on certain other debt obligations. The Organization's believe they have used the proceeds of the loans for qualifying expenses under the PPP. However, additional steps must be taken to apply for and receive forgiveness. The loans accrue interest at a rate of 1% and mature five years from the date of the loans. Payments are deferred during the deferred period, which began on the loan origination date and extend for 10 months beyond the last day of the Organizations' covered period. Any unforgiven portion of the PPP loan is payable in equal installments of principal and interest from the end of the deferral period through the scheduled maturity date. In addition, to the extent the loan is not forgiven, any interest accrued during the deferral period is due on the date of the first payment after the end of the deferral period.

Schedule principal payments on PPP loans are as follows:

|   | <u>LSA</u>           | <u>LFS</u>          | <u>Total</u>         |
|---|----------------------|---------------------|----------------------|
| <b><u>Year ending September 30,</u></b> |                      |                     |                      |
| 2022                                    | \$ 100,475           | \$ 104,801          | \$ 205,276           |
| 2023                                    | 2,837,255            | 521,265             | 3,358,520            |
| 2024                                    | 2,865,757            | 526,501             | 3,392,258            |
| 2025                                    | 2,894,547            | 531,791             | 3,426,338            |
| 2026                                    | <u>2,085,480</u>     | <u>293,542</u>      | <u>2,379,022</u>     |
|   | <u>\$ 10,783,514</u> | <u>\$ 1,977,900</u> | <u>\$ 12,761,414</u> |

***Line of Credit:***

In August 2020, LSA entered into a \$7,000,000 revolving line of credit note payable with Truist Bank to fund capitalized interest, if needed, on the Series 2020 Bonds. The line was amended June 2021 reducing the available amount to \$4,000,000. The line of credit will mature on August 6, 2024. Repayment of the line of credit includes principal and interest beginning October 1, 2020 and due on the first month of each month thereafter. Interest is calculated at the rate of LIBOR plus 1.75% based on leverage ratio until converted to daily, weekly or adjusted rate for amounts maturing 2024. The line of credit is secured by the Obligated Group's Deeds of Trust on real property and fixtures under the Master Trust Indenture. No amount was outstanding on the line of credit as of September 30, 2021 and 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, 2021. The Organizations' debt has various maturity dates from 2021 through 2051 and is secured by various deeds of trust on real property and equipment.

|  | <u>2021</u>         |                  |                     |
|--|---------------------|------------------|---------------------|
|  | <u>LSA</u>          | <u>LFS</u>       | <u>Total</u>        |
| Interest expense                                 | \$ 2,979,013        | \$ 37,055        | \$ 3,016,068        |
| Amortization of debt issuance costs and discount | <u>55,398</u>       | -                | <u>55,398</u>       |
| Total interest expense                           | <u>\$ 3,034,411</u> | <u>\$ 37,055</u> | <u>\$ 3,071,466</u> |

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|  | <b>2020</b>         |                  | <b>Total</b>        |
|--|---------------------|------------------|---------------------|
|  | <b>LSA</b>          | <b>LFS</b>       |                     |
| Interest expense                                 | \$ 3,253,973        | \$ 64,853        | \$ 3,318,826        |
| Amortization of debt issuance costs and discount | <u>59,841</u>       | <u>-</u>         | <u>59,841</u>       |
| Total interest expense                           | <u>\$ 3,313,814</u> | <u>\$ 64,853</u> | <u>\$ 3,378,667</u> |

Future maturities of long-term debt are as follows:

| <b>Year ending September 30,</b> | <b>LSA</b>           | <b>LFS</b>          | <b>Total</b>         |
|----------------------------------|----------------------|---------------------|----------------------|
| 2022                             | \$ 2,430,475         | \$ 182,641          | \$ 2,613,116         |
| 2023                             | 5,497,255            | 703,111             | 6,200,366            |
| 2024                             | 5,625,757            | 584,856             | 6,210,613            |
| 2025                             | 5,774,547            | 589,599             | 6,364,146            |
| 2026                             | 5,100,665            | 327,101             | 5,427,766            |
| Thereafter                       | <u>147,954,582</u>   | <u>479,548</u>      | <u>148,434,130</u>   |
|                                  | <u>\$172,383,281</u> | <u>\$ 2,866,856</u> | <u>\$175,250,137</u> |

LSA incurred deferred financing costs in the amount of \$401,800, \$2,145,331, \$224,006, and \$1,111,022 in association with the issuance of the above Series Bonds, respectively. Amortization expense of \$55,398 and \$59,841 was recognized during 2021 and 2020 to the interest expense line item of the statements of operations, respectively. Accumulated amortization was \$647,683 and \$592,285 for the years ended September 30, 2021 and 2020, respectively. As part of the payoff of the 2020 and 2017 bonds, deferred financing costs of \$2,145,331 and 224,006 were written-off contributing to the loss on extinguishment.

## **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, 2021 and 2020 were \$353,625 and \$285,530, 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, 2021 and 2020 includes a liability of \$967,909 and \$844,810, 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>2021</u>                    | <u>Measurements at Reporting Date using</u> |   |  |  |
|--------------------------------|---|---|--|--|
|                                | <u>Fair Value</u>                           | <u>Quoted Prices<br/>In Active<br/>Markets for<br/>Identical<br/>Assets<br/>(Level 1)</u> | <u>Significant<br/>Other<br/>Observable<br/>Inputs<br/>(Level 2)</u> | <u>Significant<br/>Unobservable<br/>Inputs<br/>(Level 3)</u> |
| <b><u>LSA:</u></b>             |   |   |  |  |
| Measured on a recurring basis: |   |   |  |  |
| Assets:                        |   |   |  |  |
| Money market funds             | \$ 26,996,094                               | \$ 26,996,094   | \$ -   | \$ -   |
| Mutual funds:                  |   |   |  |  |
| Mutual funds equity            | 31,055,261                                  | 31,055,261  | -  | -  |
| Fixed Income                   | 19,000,867                                  | 19,000,867  | -  | -  |
| Mutual funds government bonds  | <u>59,212</u>                               | <u>59,212</u>   | -  | -  |
|                                | <u>77,111,434</u>                           | <u>77,111,434</u>   | -  | -  |
| <b><u>LFS:</u></b>             |   |   |  |  |
| Measured on a recurring basis: |   |   |  |  |
| Assets:                        |   |   |  |  |
| Money market funds             | 100   | 100   | -  | -  |
| Mutual funds:                  |   |   |  |  |
| Mutual funds equity            | 319,561                                     | 319,561   | -  | -  |
| Fixed income                   | <u>150,442</u>                              | <u>150,442</u>  | -  | -  |
|                                | <u>470,103</u>                              | <u>470,103</u>  | -  | -  |
| Total                          | <u>\$ 77,581,537</u>                        | <u>\$ 77,581,537</u>  | <u>\$ -</u>  | <u>\$ -</u>  |

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| <u>2020</u>  | <u>Measurements at Reporting Date using</u> |   |  |  |
|--|---|---|--|--|
|  | <u>Fair Value</u>                           | <u>Quoted Prices<br/>In Active<br/>Markets for<br/>Identical<br/>Assets<br/>(Level 1)</u> | <u>Significant<br/>Other<br/>Observable<br/>Inputs<br/>(Level 2)</u> | <u>Significant<br/>Unobservable<br/>Inputs<br/>(Level 3)</u> |
| <b><u>LSA:</u></b>                                   |   |   |  |  |
| 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>-</u>   | <u>-</u>   |
|  | <u>50,858,609</u>                           | <u>50,858,609</u>   | <u>-</u>   | <u>-</u>   |
| Liabilities:   |   |   |  |  |
| Hedging instrument - interest<br>rate swap agreement | <u>(1,285,346)</u>                          | <u>-</u>  | <u>(1,285,346)</u>   | <u>-</u>   |
| <b><u>LFS:</u></b>                                   |   |   |  |  |
| 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>-</u>   | <u>-</u>   |
|  | <u>396,195</u>                              | <u>396,195</u>  | <u>-</u>   | <u>-</u>   |
| Total  | <u>\$ 49,969,458</u>                        | <u>\$ 51,254,804</u>  | <u>\$ (1,285,346)</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, 2021 or 2020.

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 2021 or 2020.

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### 11. Net Assets With Donor Restrictions

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

|                        | <b>2021</b>         |                     |                      |
|------------------------|---------------------|---------------------|----------------------|
|                        | <u>LSA</u>          | <u>LFS</u>          | <u>Total</u>         |
| Endowment funds        | \$ 7,130,625        | \$ 453,854          | \$ 7,584,479         |
| Property and equipment | 1,045,387           | 505,500             | 1,550,887            |
| Operations             | <u>1,099,098</u>    | <u>941,263</u>      | <u>2,040,361</u>     |
|                        | <u>\$ 9,275,110</u> | <u>\$ 1,900,617</u> | <u>\$ 11,175,727</u> |
|                        | <b>2020</b>         |                     |                      |
|                        | <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>  |

Net assets released from restrictions for LSA were \$499,470 and \$349,770 for the years ended September 30, 2021 and 2020, respectively. Net assets released from restrictions for LFS were \$758,196 and \$284,641 for the years ended September 30, 2021 and 2020, respectively.

### 12. Board Designated Assets

At September 30, 2021 and 2020 the Organizations had \$10,289,067 and \$8,778,525 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 \$429,286 and \$628,296 for the years ended September 30, 2021 and 2020, respectively.

At September 30, 2021, the future minimum lease payments under the noncancelable operating leases are as follows:

|                              |                   |
|------------------------------|-------------------|
| 2022                         | \$ 242,847        |
| 2023                         | 197,637           |
| 2024                         | 93,129            |
| 2025                         | 48,840            |
| 2026                         | <u>46,000</u>     |
| Total minimum lease payments | <u>\$ 628,453</u> |



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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 \$40,995 and \$15,434 for the years ended September 30, 2021 and 2020, respectively.

Assets held under the capital leases and the related accumulated amortization at September 30, 2021 and 2020 is as follows:

| <b><u>LFS:</u></b>            | <b><u>2021</u></b>      | <b><u>2020</u></b>      |
|-------------------------------|-------------------------|-------------------------|
| Equipment                     | \$ 49,988               | \$ 49,988               |
| Vehicles                      | 128,900                 | 107,900                 |
| Less accumulated amortization | <u>(158,893)</u>        | <u>(127,895)</u>        |
|                               | <b><u>\$ 19,995</u></b> | <b><u>\$ 29,993</u></b> |

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

|   |                  |
|---|------------------|
| <b><u>Year ending September 30,</u></b> |                  |
| 2022                                    | \$ 12,510        |
| Total minimum lease payments            | <u>\$ 12,510</u> |

#### **14. Commitments**

At September 30, 2021 the Organizations had commitments relating to various construction projects at year end. The estimated cost to complete these projects is approximately \$29 million. The Organizations plan to fund these construction projects with the recently completed 2021 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, 2021 but not reported. This accrual was determined in conjunction with a health insurance consultant and totaled approximately \$305,000 and \$497,000 at September 30, 2021 and 2020, 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, 2021 and 2020 was approximately \$483,000 and \$395,000, respectively, and is recorded in accounts payable.

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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, 2021. 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 \$639,000 and \$651,000 at September 30, 2021 and 2020, 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, 2021 and 2020, respectively under the terms of the agreements.

## **17. Interest Rate Swap Agreement**

LSA had an interest rate swap with a notional amount of \$7,925,000 at September 30, 2020. Under the terms of the swap (which was set to expire in March 2028), LSA paid monthly a fixed interest rate of 4.088% and received monthly the variable interest rate on the interest rate swap. The estimated fair value of the agreement at September 30, 2020 was \$(1,285,346), with the change in fair value of the instrument recognized in the accompanying consolidated statement of operations and changes in net assets. In connection with the Series 2021A Bonds, the interest swap was terminated in June 2021 with a payment of \$986,917. LSA assumed 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.

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## 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:

| <b>September 30, 2021</b>  |                            |  |                                       |                    |                     |                      |
|----------------------------|----------------------------|--|---------------------------------------|--------------------|---------------------|----------------------|
|                            | <b>Program Services</b>    |  | <b>Administrative<br/>and General</b> | <b>Development</b> | <b>Marketing</b>    | <b>Total</b>         |
|                            | <b>Senior<br/>Services</b> | <b>Child<br/>and Family<br/>Services</b> |                                       |                    |                     |                      |
| Salary & Wages             | \$44,120,293               | \$ 8,777,320                             | \$ 8,016,147                          | \$ 670,757         | \$ 658,236          | \$ 62,242,753        |
| Fringe Benefits            | 9,826,553                  | 1,771,755                                | 150,884                               | -                  | -                   | 11,749,192           |
| Contract Services          | 9,478,553                  | 1,317,155                                | 1,508,800                             | 32,008             | -                   | 12,336,516           |
| Supplies & Other           | 21,415,075                 | 7,882,577                                | 2,840,145                             | 95,651             | 76,884              | 32,310,332           |
| Bed Assessment             | 1,998,005                  | -  | -                                     | -                  | -                   | 1,998,005            |
| Provider Assessment        | -                          | 82,275                                   | -                                     | -                  | -                   | 82,275               |
| Advertising and Recruiting | 113,100                    | 22,173                                   | 100,147                               | 4,022              | 780,563             | 1,020,005            |
| Depreciation               | 6,524,417                  | 227,294                                  | 50,890                                | -                  | -                   | 6,802,601            |
| Interest and Amortization  | 3,034,390                  | 29,659                                   | 7,417                                 | -                  | -                   | 3,071,466            |
| Total expense              | <u>\$96,510,386</u>        | <u>\$20,110,208</u>                      | <u>\$12,674,430</u>                   | <u>\$ 802,438</u>  | <u>\$ 1,515,683</u> | <u>\$131,613,145</u> |

| <b>September 30, 2020</b>  |                            |  |                                       |                    |                     |                      |
|----------------------------|----------------------------|--|---------------------------------------|--------------------|---------------------|----------------------|
|                            | <b>Program Services</b>    |  | <b>Administrative<br/>and General</b> | <b>Development</b> | <b>Marketing</b>    | <b>Total</b>         |
|                            | <b>Senior<br/>Services</b> | <b>Child<br/>and Family<br/>Services</b> |                                       |                    |                     |                      |
| 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> |

## 19. Subsequent Events

Management has evaluated subsequent events through January 28, 2022, the date which the financial statements were issued.

## 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 years ended September 30, 2021 and 2020, the Organizations have received approximately \$1.0 and \$5.1 million, respectively, in distributions from targeted and general distributions. These funds are intended to reimburse qualifying expenses and lost revenues attributable to COVID-19 and are subject to the terms, conditions, and regulatory requirements set forth by HHS. If the total distributions received by the Organizations exceed the cumulative amount of qualifying expenses and lost revenues attributable to COVID-19 through July 31, 2021, any excess funding may be subject recoupment. The Provider Relief Funds are accounted for as conditional contributions and related revenues are recognized as conditions are substantially met. During the year ended September 30, 2021 and 2020 the Organizations recognized \$2.6 million and \$2.4 million in revenues and other support, respectively, which is presented within the federal grants and other line item on the consolidated statement of operations and changes in net assets.



## 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, 2021, and have issued our report thereon dated January 28, 2022, 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 28, 2022

Lutheran Family Services in the Carolinas  
 Supplementary Room and Board Computation  
 Year Ended September 30, 2021

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 |             |             |               |             |            |            |           |           |            |           |            |
| 7645   | Administration                             | 10,861      | 12,704      | 14,896        | 10,235      | 9,223      | 13,701     | 10,562    | 11,924    | 9,712      | 10,788    | 114,606    |
|  | Total Allowable Room and Board Costs       | \$ 77,946   | \$ 91,172   | \$ 106,904    | \$ 73,456   | \$ 66,187  | \$ 98,327  | \$ 75,800 | \$ 72,900 | \$ 76,343  | \$ 84,436 | \$ 823,472 |
|  | Number of Funded Beds in Facility          | 4           | 4           | 4             | 4           | 4          | 4          | 4         | 4         | 4          | 4         | 40         |
|  | Average Annual Costs per Bed               | \$ 19,487   | \$ 22,793   | \$ 26,726     | \$ 18,364   | \$ 16,547  | \$ 24,582  | \$ 18,950 | \$ 18,225 | \$ 19,086  | \$ 21,109 | \$ 20,587  |
|  | Average Monthly 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   |



## 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, 2021, and have issued our report thereon dated January 28, 2022, 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 28, 2022

Lutheran Services for the Aging, Inc. and  
 Lutheran Family Services in the Carolinas and Affiliates  
 Consolidating Balance Sheets  
 September 30, 2021

|  | Trinity<br>Place<br>Albemarle | Trinity<br>Village<br>Hickory | Trinity<br>Ridge<br>Hickory | Trinity<br>Oaks H&R<br>Salisbury | Trinity<br>Grove<br>Wilmington | Trinity<br>Glen<br>Winston-Salem | Trinity<br>Elms H&R<br>Clemmons | Total<br>Nursing |
|--|-------------------------------|-------------------------------|-----------------------------|----------------------------------|--------------------------------|----------------------------------|---------------------------------|------------------|
| <b>ASSETS</b>  |                               |                               |                             |                                  |                                |                                  |                                 |                  |
| Current assets:  |                               |                               |                             |                                  |                                |                                  |                                 |                  |
| Cash and cash equivalents  | \$ 1,678,663                  | \$ 2,148,921                  | \$ 3,119,905                | \$ 3,769,961                     | \$ 2,140,523                   | \$ 1,119,655                     | \$ 2,380,709                    | \$ 16,358,337    |
| Investments  | 897,949                       | 1,312,857                     | -                           | 6,537,434                        | 690,773                        | -                                | -                               | 9,439,013        |
| Accounts receivable, residents and clients, net of allowance for doubtful accounts of approximately \$1,800,000 and \$1,400,000 in 2021 and 2020, respectively | 1,035,930                     | 1,726,604                     | 1,960,690                   | 1,568,270                        | 1,335,325                      | 2,109,045                        | 1,405,246                       | 11,141,010       |
| Current portion of other receivables   | 1,403,074                     | 3,855,798                     | (1,062,339)                 | 3,106,605                        | (1,603,651)                    | (3,096,394)                      | (847,499)                       | 1,737,594        |
| Inventories  | 92,629                        | 82,764                        | 115,776                     | 37,988                           | 67,857                         | 58,873                           | 82,795                          | 538,682          |
| Prepaid expenses   | (971)                         | (14,649)                      | (6,206)                     | 1,309                            | 13,428                         | (359)                            | (221)                           | (7,671)          |
| Residents' funds   | 14,085                        | 60,325                        | 22,968                      | 12,041                           | 12,359                         | 69,869                           | 26,752                          | 218,399          |
| Total current assets   | 5,121,259                     | 9,172,620                     | 4,130,792                   | 15,035,608                       | 2,656,614                      | 260,689                          | 3,047,782                       | 39,425,364       |
| Assets limited as to use:  |                               |                               |                             |                                  |                                |                                  |                                 |                  |
| Investments - donor-restricted endowment funds   | -                             | -                             | -                           | -                                | -                              | -                                | -                               | -                |
| Investments - temporarily restricted   | -                             | -                             | -                           | -                                | -                              | -                                | -                               | -                |
| Investments - board designated funds   | 270,655                       | 957,492                       | -                           | 1,084,621                        | -                              | -                                | -                               | 2,312,768        |
| Assets limited to use - operating reserve requirement  | -                             | -                             | -                           | -                                | -                              | -                                | -                               | -                |
| Assets limited to use - deposits held in escrow  | -                             | -                             | -                           | -                                | -                              | -                                | -                               | -                |
| Assets limited to use - bond funds   | 11,587                        | -                             | -                           | 1,004,756                        | 4,339                          | -                                | -                               | 1,020,682        |
| Assets restricted for investment in property and equipment   | -                             | -                             | -                           | -                                | -                              | -                                | -                               | -                |
| Total assets limited as to use   | 282,242                       | 957,492                       | -                           | 2,089,377                        | 4,339                          | -                                | -                               | 3,333,450        |
| Property and equipment, net  | 549,542                       | 458,937                       | 524,489                     | 284,221                          | 251,975                        | 404,769                          | 716,170                         | 3,190,103        |
| Assets held for sale   | -                             | -                             | -                           | -                                | -                              | -                                | -                               | -                |
| Other receivables, less current portion, net   | -                             | -                             | -                           | -                                | -                              | -                                | -                               | -                |
| Other assets   | -                             | (10,625)                      | -                           | -                                | -                              | -                                | -                               | (10,625)         |
| Total assets   | \$ 5,953,043                  | \$ 10,578,424                 | \$ 4,655,281                | \$ 17,409,206                    | \$ 2,912,928                   | \$ 685,458                       | \$ 3,763,952                    | \$ 45,938,292    |



|   | Trinity<br>Place<br>Albemarle | Trinity<br>Village<br>Hickory | Trinity<br>Ridge<br>Hickory | Trinity<br>Oaks H&R<br>Salisbury | Trinity<br>Grove<br>Wilmington | Trinity<br>Glen<br>Winston-Salem | Trinity<br>Elms H&R<br>Clemmons | Total<br>Nursing |
|---|-------------------------------|-------------------------------|-----------------------------|----------------------------------|--------------------------------|----------------------------------|---------------------------------|------------------|
| <b>LIABILITIES AND NET ASSETS</b>                       |                               |                               |                             |                                  |                                |                                  |                                 |                  |
| Current liabilities:                                    |                               |                               |                             |                                  |                                |                                  |                                 |                  |
| Current maturities of long-term debt                    | \$ 8,034                      | \$ 15,080                     | \$ 10,773                   | \$ 10,799                        | \$ 10,205                      | \$ 10,410                        | \$ 9,834                        | \$ 75,145        |
| Current maturities of obligation under capital leases   | -                             | -                             | -                           | -                                | -                              | -                                | -                               | -                |
| Current portion of split-interest liability             | -                             | -                             | -                           | -                                | -                              | -                                | -                               | -                |
| Accounts payable, trade                                 | 181,139                       | 194,332                       | 178,735                     | 167,417                          | 193,224                        | 172,978                          | 143,768                         | 1,231,593        |
| Accrued salaries and payroll taxes                      | 246,192                       | 232,926                       | 329,880                     | 338,822                          | 291,780                        | 320,107                          | 338,507                         | 2,098,214        |
| Accrued health benefits                                 | 22,410                        | 40,564                        | 29,544                      | 26,560                           | 25,738                         | 25,264                           | 22,994                          | 193,074          |
| Accrued interest payable                                | -                             | -                             | -                           | -                                | -                              | -                                | -                               | -                |
| Refundable fees - current                               | -                             | -                             | -                           | -                                | -                              | -                                | -                               | -                |
| Deferred revenue from grants and other                  | 249,083                       | -                             | 184,000                     | 72,188                           | 355,760                        | 179,650                          | 353,434                         | 1,394,115        |
| Other accrued liabilities                               | 14,085                        | 60,325                        | 22,968                      | 12,041                           | 12,359                         | 69,869                           | 26,752                          | 218,399          |
| Residents' funds liability                              | 720,943                       | 543,237                       | 755,900                     | 627,827                          | 889,066                        | 778,278                          | 895,289                         | 5,210,540        |
| Total current liabilities                               | 1,026,520                     | 1,886,197                     | 1,145,427                   | 1,316,402                        | 1,133,731                      | 1,108,917                        | 1,045,566                       | 8,662,760        |
| Long-term liabilities:                                  |                               |                               |                             |                                  |                                |                                  |                                 |                  |
| Long-term debt, less current maturities                 | -                             | -                             | -                           | -                                | -                              | -                                | -                               | -                |
| Long-term maturities of obligation under capital leases | -                             | -                             | -                           | 14,020                           | -                              | -                                | -                               | 14,020           |
| Refundable fees   | -                             | -                             | -                           | -                                | -                              | -                                | -                               | -                |
| Deferred revenue from advance fees                      | -                             | -                             | -                           | -                                | -                              | -                                | -                               | -                |
| Fair value of interest rate swap agreement              | -                             | -                             | -                           | -                                | -                              | -                                | -                               | -                |
| Split-interest liability                                | -                             | -                             | -                           | -                                | -                              | -                                | -                               | -                |
| Total long-term liabilities                             | 1,747,463                     | 2,429,434                     | 1,901,327                   | 1,956,249                        | 2,022,797                      | 1,887,195                        | 1,940,855                       | 13,887,320       |
| Net assets:   |                               |                               |                             |                                  |                                |                                  |                                 |                  |
| Net Assets without donor restrictions                   | 3,914,463                     | 7,156,014                     | 2,735,486                   | 13,316,564                       | 866,973                        | (1,224,177)                      | 1,822,833                       | 28,588,156       |
| Without donor restrictions, undesignated                | 270,655                       | 957,492                       | -                           | 1,084,621                        | -                              | -                                | -                               | 2,312,768        |
| Total net assets without donor restrictions             | 4,185,118                     | 8,113,506                     | 2,735,486                   | 14,401,185                       | 866,973                        | (1,224,177)                      | 1,822,833                       | 30,900,924       |
| Net assets with donor restrictions                      | 20,462                        | 35,484                        | 18,468                      | 1,049,772                        | 23,158                         | 2,440                            | 264                             | 1,150,048        |
| Total net assets  | 4,205,580                     | 8,148,990                     | 2,753,954                   | 15,450,957                       | 890,131                        | (1,221,737)                      | 1,823,097                       | 32,050,972       |
| Total liabilities and net assets                        | \$ 5,953,043                  | \$ 10,578,424                 | \$ 4,655,281                | \$ 17,409,205                    | \$ 2,912,928                   | \$ 665,458                       | \$ 3,763,952                    | \$ 45,938,292    |

Lutheran Services for the Aging, Inc. and  
 Lutheran Family Services in the Carolinas and Affiliates  
 Consolidating Balance Sheets  
 September 30, 2021

|  | Lutheran Home<br>Albemarle<br>Property | Lutheran Home<br>Hickory<br>Property | Lutheran Home<br>Hickory West<br>Property | Lutheran Home<br>Salisbury<br>Property | Lutheran Home<br>Wilmington<br>Property | Lutheran Home<br>Winston-Salem<br>Property | Lutheran Home<br>Forsyth County<br>Property | LSA<br>Elms<br>Property | Lutheran<br>Services<br>Property | Total<br>Property |
|--|--|--------------------------------------|---|--|---|--|---|-------------------------|----------------------------------|-------------------|
| <b>ASSETS</b>  |  |                                      |   |  |   |  |   |                         |                                  |                   |
| Current assets:  |  |                                      |   |  |   |  |   |                         |                                  |                   |
| Cash and cash equivalents  | \$ 40,579                              | \$ 50,652                            | \$ 179,021                                | \$ 149,983                             | \$ 70,195                               | \$ 31,900                                  | \$ 60,596                                   | \$ 227,892              | \$ 94,041                        | \$ 904,859        |
| Investments  | 1,037,846                              | -                                    | 1,639,087                                 | 4,164,470                              | 1,084,648                               | -  | 462,556                                     | 1,128,872               | 249,869                          | 9,767,348         |
| Accounts receivable, residents and clients, net of allowance for doubtful accounts of approximately \$1,800,000 and \$1,400,000 in 2021 and 2020, respectively | -                                      | -                                    | -   | -                                      | -                                       | -  | -   | -                       | -                                | -                 |
| Current portion of other receivables   | 150,112                                | (150,109)                            | 3,702,340                                 | 2,642,373                              | (3,238,643)                             | 892,621                                    | (282,179)                                   | 1,606,440               | (431,708)                        | 4,891,247         |
| Inventories  | -                                      | -                                    | -   | -                                      | -                                       | -  | -   | -                       | -                                | -                 |
| Prepaid expenses   | -                                      | 2,325                                | -   | -                                      | 1,366                                   | -  | -   | -                       | -                                | 3,691             |
| Residents' funds   | -                                      | -                                    | -   | -                                      | -                                       | -  | -   | -                       | -                                | -                 |
| Total current assets   | 1,228,537                              | (97,132)                             | 5,520,448                                 | 6,956,826                              | (2,082,434)                             | 924,521                                    | 240,973                                     | 2,963,204               | (87,798)                         | 15,567,145        |
| Assets limited as to use:  |  |                                      |   |  |   |  |   |                         |                                  |                   |
| Investments - donor-restricted endowment funds   | -                                      | -                                    | -   | -                                      | -                                       | -  | -   | -                       | -                                | -                 |
| Investments - temporarily restricted   | -                                      | -                                    | -   | -                                      | -                                       | -  | -   | -                       | -                                | -                 |
| Investments - board designated funds   | -                                      | -                                    | -   | -                                      | -                                       | -  | -   | -                       | -                                | -                 |
| Assets limited to use - operating reserve requirement  | -                                      | -                                    | -   | -                                      | -                                       | -  | -   | -                       | -                                | -                 |
| Assets limited to use - deposits held in escrow  | -                                      | -                                    | -   | -                                      | -                                       | -  | -   | -                       | -                                | -                 |
| Assets limited to use - bond funds   | -                                      | -                                    | -   | -                                      | -                                       | -  | -   | -                       | -                                | -                 |
| Assets restricted for investment in property and equipment   | -                                      | -                                    | -   | -                                      | -                                       | -  | -   | -                       | -                                | -                 |
| Total assets limited as to use   | -                                      | -                                    | -   | -                                      | -                                       | -  | -   | -                       | -                                | -                 |
| Property and equipment, net  | 7,302,647                              | 5,311,911                            | 11,991,167                                | 4,017,306                              | 11,910,047                              | 6,129,413                                  | 11,724,343                                  | 5,646,384               | 2,141,814                        | 66,175,032        |
| Assets held for sale   | -                                      | -                                    | -   | -                                      | -                                       | -  | -   | -                       | -                                | -                 |
| Other receivables, less current portion, net   | -                                      | -                                    | -   | -                                      | -                                       | -  | -   | -                       | -                                | -                 |
| Other assets   | -                                      | -                                    | -   | -                                      | -                                       | -  | -   | -                       | -                                | -                 |
| Total assets   | \$ 8,531,184                           | \$ 5,214,779                         | \$ 17,511,615                             | \$ 10,974,132                          | \$ 9,827,613                            | \$ 7,053,934                               | \$ 11,965,316                               | \$ 8,609,588            | \$ 2,054,016                     | \$ 81,742,177     |

|   | Lutheran Home<br>Albemarle<br>Property | Lutheran Home<br>Hickory<br>Property | Lutheran Home<br>Hickory West<br>Property | Lutheran Home<br>Salisbury<br>Property | Lutheran Home<br>Wilmington<br>Property | Lutheran Home<br>Winston-Salem<br>Property | Lutheran Home<br>Forsyth County<br>Property | LSA<br>Elms<br>Property | Lutheran<br>Services<br>Property | Total<br>Property |
|---|--|--------------------------------------|---|--|---|--|---|-------------------------|----------------------------------|-------------------|
| <b>LIABILITIES AND NET ASSETS</b>                       |  |                                      |   |  |   |  |   |                         |                                  |                   |
| Current liabilities:                                    |  |                                      |   |  |   |  |   |                         |                                  |                   |
| Current maturities of long-term debt                    | \$ -                                   | \$ -                                 | \$ -                                      | \$ -                                   | \$ -                                    | \$ -                                       | \$ -  | \$ -                    | \$ -                             | \$ -              |
| Current maturities of obligation under capital leases   | -                                      | -                                    | -   | -                                      | -                                       | -  | -   | -                       | -                                | -                 |
| Current portion of split-interest liability             | -                                      | -                                    | -   | -                                      | -                                       | -  | -   | -                       | -                                | -                 |
| Accounts payable, trade                                 | 49,476                                 | -                                    | -   | 235,947                                | -                                       | -  | -   | 18,228                  | 88                               | 303,739           |
| 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                               | 49,476                                 | -                                    | -   | 235,947                                | -                                       | -  | -   | 18,228                  | 88                               | 303,739           |
| Long-term liabilities:                                  |  |                                      |   |  |   |  |   |                         |                                  |                   |
| Long-term debt, less current maturities                 | 3,954,044                              | 1,932,050                            | 12,685,591                                | 1,274,238                              | 12,701,525                              | 8,523,621                                  | 11,788,260                                  | 7,825,859               | 18,239                           | 60,703,427        |
| 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                             | 3,954,044                              | 1,932,050                            | 12,685,591                                | 1,274,238                              | 12,701,525                              | 8,523,621                                  | 11,788,260                                  | 7,825,859               | 18,239                           | 60,703,427        |
| Total liabilities                                       | 4,003,520                              | 1,932,050                            | 12,685,591                                | 1,510,185                              | 12,701,525                              | 8,523,621                                  | 11,788,260                                  | 7,844,087               | 18,327                           | 61,007,166        |
| Net assets:   |  |                                      |   |  |   |  |   |                         |                                  |                   |
| Net Assets without donor restrictions                   | 4,527,664                              | 3,282,729                            | 4,826,024                                 | 9,463,947                              | (2,873,912)                             | (1,469,687)                                | 177,056                                     | 765,501                 | 2,035,689                        | 20,735,011        |
| Without donor restrictions, undesignated                | -                                      | -                                    | -   | -                                      | -                                       | -  | -   | -                       | -                                | -                 |
| Without donor restrictions, board designated funds      | -                                      | -                                    | -   | -                                      | -                                       | -  | -   | -                       | -                                | -                 |
| Total net assets without donor restrictions             | 4,527,664                              | 3,282,729                            | 4,826,024                                 | 9,463,947                              | (2,873,912)                             | (1,469,687)                                | 177,056                                     | 765,501                 | 2,035,689                        | 20,735,011        |
| Net assets with donor restrictions                      | -                                      | -                                    | -   | -                                      | -                                       | -  | -   | -                       | -                                | -                 |
| Total net assets  | 4,527,664                              | 3,282,729                            | 4,826,024                                 | 9,463,947                              | (2,873,912)                             | (1,469,687)                                | 177,056                                     | 765,501                 | 2,035,689                        | 20,735,011        |
| Total liabilities and net assets                        | \$ 8,531,184                           | \$ 5,214,779                         | \$ 17,511,615                             | \$ 10,974,132                          | \$ 9,827,613                            | \$ 7,053,934                               | \$ 11,965,316                               | \$ 8,609,588            | \$ 2,054,016                     | \$ 81,742,177     |

Lutheran Services for the Aging, Inc. and  
Lutheran Family Services in the Carolinas and Affiliates  
Consolidating Balance Sheets  
September 30, 2021

|  | Trinity<br>Oaks RC<br>Salisbury | Trinity<br>View<br>Arden | LRC -<br>Wilmington | Trinity<br>Elms IL<br>Clemmons | Total<br>Retirement |
|--|---------------------------------|--------------------------|---------------------|--------------------------------|---------------------|
| <b>ASSETS</b>  |                                 |                          |                     |                                |                     |
| Current assets:  |                                 |                          |                     |                                |                     |
| Cash and cash equivalents  | \$ 2,509,595                    | \$ 533,502               | \$ 4,073,225        | \$ 1,248,336                   | \$ 8,364,658        |
| Investments  | (545,695)                       | 1,247,837                | 3,019               | (32,445)                       | 672,716             |
| Accounts receivable, residents and clients, net of allowance for doubtful accounts of approximately \$1,800,000 and \$1,400,000 in 2021 and 2020, respectively | 7,207                           | 5,448                    | -                   | 17,604                         | 30,259              |
| Current portion of other receivables   | (1,202,587)                     | 2,037,112                | (7,319,537)         | (74,745)                       | (6,559,757)         |
| Inventories  | 33,620                          | 20,949                   | -                   | -                              | 54,569              |
| Prepaid expenses   | 3,431                           | -                        | 565                 | (701)                          | 3,295               |
| Residents' funds   | -                               | -                        | -                   | -                              | -                   |
| Total current assets   | 805,571                         | 3,844,848                | (3,242,728)         | 1,158,049                      | 2,565,740           |
| Assets limited as to use:  |                                 |                          |                     |                                |                     |
| Investments - donor-restricted endowment funds   | -                               | -                        | -                   | -                              | -                   |
| Investments - temporarily restricted   | -                               | -                        | -                   | -                              | -                   |
| Investments - board designated funds   | 1,108,920                       | 21,844                   | -                   | -                              | 1,130,764           |
| Assets limited to use - operating reserve requirement  | 1,802,000                       | -                        | -                   | -                              | 1,802,000           |
| Assets limited to use - deposits held in escrow  | -                               | -                        | 5,109,350           | -                              | 5,109,350           |
| Assets limited to use - bond funds   | -                               | -                        | -                   | -                              | -                   |
| Assets restricted for investment in property and equipment   | -                               | -                        | -                   | -                              | -                   |
| Total assets limited as to use   | 2,910,920                       | 21,844                   | 5,109,350           | -                              | 8,042,114           |
| Property and equipment, net  | 19,935,757                      | 2,964,081                | 72,535,102          | 10,134,612                     | 105,569,552         |
| Assets held for sale   | -                               | -                        | -                   | -                              | -                   |
| Other receivables, less current portion, net   | -                               | -                        | -                   | -                              | -                   |
| Other assets   | -                               | -                        | -                   | -                              | -                   |
| Total assets   | \$ 23,652,248                   | \$ 6,830,773             | \$ 74,401,724       | \$ 11,292,661                  | \$ 116,177,406      |

|   | Trinity<br>Oaks RC<br>Salisbury | Trinity<br>View<br>Arden | LRC -<br>Wilmington | Trinity<br>Elms IL<br>Clemmons | Total<br>Retirement |
|---|---------------------------------|--------------------------|---------------------|--------------------------------|---------------------|
| <b>LIABILITIES AND NET ASSETS</b>                       |                                 |                          |                     |                                |                     |
| Current liabilities:                                    |                                 |                          |                     |                                |                     |
| Current maturities of long-term debt                    | \$ 5,836                        | \$ 2,572                 | \$ 720              | \$ -                           | \$ 9,128            |
| Current maturities of obligation under capital leases   | -                               | -                        | -                   | -                              | -                   |
| Current portion of split-interest liability             | -                               | -                        | -                   | -                              | -                   |
| Accounts payable, trade                                 | 630,726                         | 37,854                   | 6,264,592           | 1,454                          | 6,934,626           |
| Accrued salaries and payroll taxes                      | 275,439                         | 89,134                   | 80,024              | (16,164)                       | 408,433             |
| Accrued health benefits                                 | 13,711                          | 5,285                    | 1,441               | -                              | 20,437              |
| Accrued interest payable                                | -                               | -                        | -                   | -                              | -                   |
| Refundable fees - current                               | 638,086                         | -                        | -                   | -                              | 638,086             |
| Deferred revenue from grants and other                  | -                               | -                        | -                   | -                              | -                   |
| Other accrued liabilities                               | -                               | -                        | -                   | -                              | -                   |
| Residents' funds liability                              | -                               | -                        | -                   | -                              | -                   |
| Total current liabilities                               | 1,563,798                       | 134,845                  | 6,326,777           | (14,710)                       | 8,010,710           |
| Long-term liabilities:                                  |                                 |                          |                     |                                |                     |
| Long-term debt, less current maturities                 | 4,492,599                       | 2,009,433                | 70,323,839          | 10,760,893                     | 87,586,564          |
| Long-term maturities of obligation under capital leases | -                               | -                        | -                   | -                              | -                   |
| Refundable fees   | 7,115,285                       | 950                      | 5,257,056           | 113,450                        | 12,486,741          |
| Deferred revenue from advance fees                      | 7,369,474                       | -                        | -                   | -                              | 7,369,474           |
| Fair value of interest rate swap agreement              | -                               | -                        | -                   | -                              | -                   |
| Split-interest liability                                | -                               | -                        | -                   | -                              | -                   |
| Total long-term liabilities                             | 18,977,358                      | 2,010,383                | 75,580,895          | 10,874,143                     | 107,442,779         |
| Total liabilities                                       | 20,541,156                      | 2,145,228                | 81,907,672          | 10,859,433                     | 115,453,489         |
| Net assets:   |                                 |                          |                     |                                |                     |
| Net Assets without donor restrictions                   | -                               | -                        | -                   | -                              | -                   |
| Without donor restrictions, undesignated                | 1,593,740                       | 4,646,868                | (7,505,948)         | 433,228                        | (832,112)           |
| Without donor restrictions, board designated funds      | 1,108,920                       | 21,844                   | -                   | -                              | 1,130,764           |
| Total net assets without donor restrictions             | 2,702,660                       | 4,668,712                | (7,505,948)         | 433,228                        | 298,652             |
| Net assets with donor restrictions                      | 408,432                         | 16,833                   | -                   | -                              | 425,265             |
| Total net assets  | 3,111,092                       | 4,685,545                | (7,505,948)         | 433,228                        | 723,917             |
| Total liabilities and net assets                        | \$ 23,652,248                   | \$ 6,830,773             | \$ 74,401,724       | \$ 11,292,661                  | \$ 116,177,406      |

Lutheran Services for the Aging, Inc. and  
Lutheran Family Services in the Carolinas and Affiliates  
Consolidating Balance Sheets  
September 30, 2021

|  | Trinity<br>Elms AL<br>Clemmons | Trinity<br>Living Center<br>Salisbury | Trinity<br>at Home<br>Salisbury | LSA Pharmacy<br>Salisbury | Total<br>Other Operations |
|--|--------------------------------|---------------------------------------|---------------------------------|---------------------------|---------------------------|
| <b>ASSETS</b>  |                                |                                       |                                 |                           |                           |
| Current assets:  |                                |                                       |                                 |                           |                           |
| Cash and cash equivalents  | \$ 1,047,330                   | \$ 108,496                            | \$ 314,645                      | \$ 1,063,362              | \$ 2,533,833              |
| Investments  | 2,679,205                      | 185,213                               | -                               | 2,787,561                 | 5,651,979                 |
| Accounts receivable, residents and clients, net of allowance for doubtful accounts of approximately \$1,800,000 and \$1,400,000 in 2021 and 2020, respectively | 165,185                        | 32,149                                | 117,987                         | 345,607                   | 660,928                   |
| Current portion of other receivables   | 2,253,322                      | 15,157                                | 9,316                           | 8,555,041                 | 10,832,836                |
| Inventories  | 6,893                          | -                                     | -                               | 550,002                   | 556,895                   |
| Prepaid expenses   | (5,342)                        | -                                     | 5,881                           | (216)                     | 321                       |
| Residents' funds   | 10,127                         | -                                     | -                               | -                         | 10,127                    |
| Total current assets   | 6,156,720                      | 341,015                               | 447,829                         | 13,301,355                | 20,246,919                |
| Assets limited as to use:  |                                |                                       |                                 |                           |                           |
| Investments - donor-restricted endowment funds   | -                              | -                                     | -                               | -                         | -                         |
| Investments - temporarily restricted   | -                              | -                                     | -                               | -                         | -                         |
| Investments - board designated funds   | -                              | -                                     | -                               | -                         | -                         |
| Assets limited to use - operating reserve requirement  | -                              | -                                     | -                               | -                         | -                         |
| Assets limited to use - deposits held in escrow  | -                              | -                                     | -                               | -                         | -                         |
| Assets limited to use - bond funds   | -                              | -                                     | -                               | -                         | -                         |
| Assets restricted for investment in property and equipment   | -                              | -                                     | -                               | -                         | -                         |
| Total assets limited as to use   | -                              | -                                     | -                               | -                         | -                         |
| Property and equipment, net  | 143,201                        | 9,294                                 | 1,260                           | 45,527                    | 199,282                   |
| Assets held for sale   | -                              | -                                     | -                               | -                         | -                         |
| Other receivables, less current portion, net   | -                              | -                                     | -                               | -                         | -                         |
| Other assets   | -                              | -                                     | -                               | -                         | -                         |
| Total assets   | \$ 6,299,921                   | \$ 350,309                            | \$ 449,089                      | \$ 13,346,882             | \$ 20,446,201             |

|   | Trinity<br>Elms AL<br>Clemmons | Trinity<br>Living Center<br>Salisbury | Trinity<br>at Home<br>Salisbury | LSA Pharmacy<br>Salisbury | Total<br>Other Operations |
|---|--------------------------------|---------------------------------------|---------------------------------|---------------------------|---------------------------|
| <b>LIABILITIES AND NET ASSETS</b>                       |                                |                                       |                                 |                           |                           |
| Current liabilities:                                    |                                |                                       |                                 |                           |                           |
| Current maturities of long-term debt                    | \$ 3,648                       | \$ 535                                | \$ 1,560                        | \$ 2,505                  | \$ 8,248                  |
| Current maturities of obligation under capital leases   | -                              | -                                     | -                               | -                         | -                         |
| Current portion of split-interest liability             | -                              | -                                     | -                               | -                         | -                         |
| Accounts payable, trade                                 | 19,243                         | 1,367                                 | 1,890                           | 96,773                    | 119,273                   |
| Accrued salaries and payroll taxes                      | 118,613                        | 32,991                                | 32,499                          | 124,475                   | 308,578                   |
| Accrued health benefits                                 | 11,720                         | 1,520                                 | 1,533                           | 7,683                     | 22,456                    |
| Accrued interest payable                                | -                              | -                                     | -                               | -                         | -                         |
| Refundable fees - current                               | -                              | -                                     | -                               | -                         | -                         |
| Deferred revenue from grants and other                  | -                              | 5,942                                 | -                               | -                         | 5,942                     |
| Other accrued liabilities                               | -                              | -                                     | -                               | -                         | -                         |
| Residents' funds liability                              | 10,127                         | -                                     | -                               | -                         | 10,127                    |
| Total current liabilities                               | 163,351                        | 42,355                                | 37,482                          | 231,436                   | 474,624                   |
| Long-term liabilities:                                  |                                |                                       |                                 |                           |                           |
| Long-term debt, less current maturities                 | 428,382                        | 56,865                                | 165,840                         | 272,475                   | 923,562                   |
| 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                             | 428,382                        | 56,865                                | 165,840                         | 272,475                   | 923,562                   |
| Total liabilities                                       | 591,733                        | 99,220                                | 203,322                         | 503,911                   | 1,398,186                 |
| Net assets:   |                                |                                       |                                 |                           |                           |
| Net Assets without donor restrictions                   | 5,706,374                      | 176,511                               | 243,107                         | 12,842,971                | 18,968,963                |
| Without donor restrictions, undesignated                | -                              | -                                     | -                               | -                         | -                         |
| Without donor restrictions, board designated funds      | -                              | -                                     | -                               | -                         | -                         |
| Total net assets without donor restrictions             | 5,706,374                      | 176,511                               | 243,107                         | 12,842,971                | 18,968,963                |
| Net assets with donor restrictions                      | 1,814                          | 74,578                                | 2,680                           | -                         | 79,052                    |
| Total net assets  | 5,708,188                      | 251,089                               | 245,787                         | 12,842,971                | 19,048,015                |
| Total liabilities and net assets                        | \$ 6,299,921                   | \$ 350,309                            | \$ 449,089                      | \$ 13,346,882             | \$ 20,446,201             |

Lutheran Services for the Aging, Inc. and  
Lutheran Family Services in the Carolinas and Affiliates  
Consolidating Balance Sheets  
September 30, 2021

|  | LSA          | LSA Management | LSA Foundation | LSA Therapy  | Total Other   |
|--|--------------|----------------|----------------|--------------|---------------|
| <b>ASSETS</b>  |              |                |                |              |               |
| Current assets:  |              |                |                |              |               |
| Cash and cash equivalents  | \$ 459,214   | \$ 4,526,378   | \$ 18,352      | \$ -         | \$ 5,003,944  |
| Investments  | 103,814      | 2,822,993      | 2,447,965      | -            | 5,374,772     |
| Accounts receivable, residents and clients, net of allowance for doubtful accounts of approximately \$1,800,000 and \$1,400,000 in 2021 and 2020, respectively | -            | 4,286          | -              | -            | 4,286         |
| Current portion of other receivables   | 894,322      | (9,432,874)    | 354,984        | 2,081,314    | (6,102,254)   |
| Inventories  | -            | 75,610         | -              | -            | 75,610        |
| Prepaid expenses   | -            | 296,056        | -              | -            | 296,056       |
| Residents' funds   | -            | -              | -              | -            | -             |
| Total current assets   | 1,457,350    | (1,705,551)    | 2,821,301      | 2,081,314    | 4,654,414     |
| Assets limited as to use:  |              |                |                |              |               |
| Investments - donor-restricted endowment funds   | -            | -              | 3,030,584      | -            | 3,030,584     |
| Investments - temporarily restricted   | -            | -              | 4,100,041      | -            | 4,100,041     |
| Investments - board designated funds   | 6,845,535    | -              | -              | -            | 6,845,535     |
| Assets limited to use - operating reserve requirement  | -            | -              | -              | -            | -             |
| Assets limited to use - deposits held in escrow  | -            | -              | -              | -            | -             |
| Assets limited to use - bond funds   | -            | 21,874,426     | -              | -            | 21,874,426    |
| Assets restricted for investment in property and equipment   | -            | -              | 24,705         | -            | 24,705        |
| Total assets limited as to use   | 6,845,535    | 21,874,426     | 7,155,330      | -            | 35,875,291    |
| Property and equipment, net  | 486,219      | 474,351        | -              | -            | 960,570       |
| Assets held for sale   | -            | -              | -              | -            | -             |
| Other receivables, less current portion, net   | 98,295       | -              | -              | -            | 98,295        |
| Other assets   | 274,636      | 9,616,546      | -              | 686,459      | 10,577,641    |
| Total assets   | \$ 9,162,035 | \$ 30,259,772  | \$ 9,976,631   | \$ 2,767,773 | \$ 52,166,211 |



|   | LSA          | LSA<br>Management | LSA<br>Foundation | LSA<br>Therapy | Total<br>Other |
|---|--------------|-------------------|-------------------|----------------|----------------|
| <b>LIABILITIES AND NET ASSETS</b>                       |              |                   |                   |                |                |
| Current liabilities:                                    |              |                   |                   |                |                |
| Current maturities of long-term debt                    | \$ -         | \$ 2,337,954      | \$ -              | \$ -           | \$ 2,337,954   |
| Current maturities of obligation under capital leases   | -            | -                 | -                 | -              | -              |
| Current portion of split-interest liability             | -            | -                 | 49,000            | -              | 49,000         |
| Accounts payable, trade                                 | 899          | 1,568,459         | -                 | -              | 1,569,358      |
| Accrued salaries and payroll taxes                      | -            | 609,246           | -                 | -              | 609,246        |
| Accrued health benefits                                 | -            | 20,075            | -                 | -              | 20,075         |
| Accrued interest payable                                | -            | 1,261             | 5,281             | -              | 6,542          |
| Refundable fees - current                               | -            | -                 | -                 | -              | -              |
| Deferred revenue from grants and other                  | -            | 38,839            | -                 | -              | 38,839         |
| Other accrued liabilities                               | -            | 1,274,519         | -                 | -              | 1,274,519      |
| Residents' funds liability                              | -            | -                 | -                 | -              | -              |
| Total current liabilities                               | 899          | 5,850,353         | 54,281            | -              | 5,905,533      |
| Long-term liabilities:                                  |              |                   |                   |                |                |
| Long-term debt, less current maturities                 | -            | 18,664,456        | -                 | -              | 18,664,456     |
| 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                                | -            | -                 | 589,672           | -              | 589,672        |
| Total long-term liabilities                             | -            | 18,664,456        | 589,672           | -              | 19,254,128     |
| Total liabilities                                       | 899          | 24,514,809        | 643,953           | -              | 25,159,661     |
| Net assets:   |              |                   |                   |                |                |
| Net Assets without donor restrictions                   | 1,883,490    | 5,743,845         | 2,144,230         | 2,767,773      | 12,539,338     |
| Without donor restrictions, undesignated                | 6,845,535    | -                 | -                 | -              | 6,845,535      |
| Total net assets without donor restrictions             | 8,729,025    | 5,743,845         | 2,144,230         | 2,767,773      | 19,384,873     |
| Net assets with donor restrictions                      | 432,111      | 1,118             | 7,188,448         | -              | 7,621,677      |
| Total net assets  | 9,161,136    | 5,744,963         | 9,332,678         | 2,767,773      | 27,006,550     |
| Total liabilities and net assets                        | \$ 9,162,035 | \$ 30,259,772     | \$ 9,976,631      | \$ 2,767,773   | \$ 52,166,211  |

Lutheran Services for the Aging, Inc. and  
Lutheran Family Services in the Carolinas and Affiliates  
Consolidating Balance Sheets  
September 30, 2021

|  | LFS Real<br>Properties | LFS in<br>the Carolinas<br>Child and Family | Total<br>LFS        |
|--|------------------------|---|---------------------|
| <b>ASSETS</b>  |                        |   |                     |
| Current assets:  |                        |   |                     |
| Cash and cash equivalents  | \$ 92,162              | \$ 2,977,629                                | \$ 3,069,791        |
| Investments  | -                      | 16,387                                      | 16,387              |
| Accounts receivable, residents and clients, net of allowance for doubtful accounts of approximately \$1,800,000 and \$1,400,000 in 2021 and 2020, respectively | -                      | 2,768,241                                   | 2,768,241           |
| Current portion of other receivables   | 818,539                | (423,494)                                   | 395,045             |
| Inventories  | -                      | -   | -                   |
| Prepaid expenses   | -                      | 513,095                                     | 513,095             |
| Residents' funds   | -                      | -   | -                   |
| Total current assets   | <u>\$ 910,701</u>      | <u>\$ 5,851,858</u>                         | <u>\$ 6,762,559</u> |
| Assets limited as to use:  |                        |   |                     |
| Investments - donor-restricted endowment funds   | -                      | 249,328                                     | 249,328             |
| Investments - temporarily restricted   | -                      | 204,526                                     | 204,526             |
| Investments - board designated funds   | -                      | -   | -                   |
| Assets limited to use - operating reserve requirement  | -                      | -   | -                   |
| Assets limited to use - deposits held in escrow  | -                      | -   | -                   |
| Assets limited to use - bond funds   | -                      | 505,500                                     | 505,500             |
| Assets restricted for investment in property and equipment   | -                      | -   | -                   |
| Total assets limited as to use   | <u>-</u>               | <u>959,354</u>                              | <u>959,354</u>      |
| Property and equipment, net  | 1,536,342              | 411,607                                     | 1,947,949           |
| Assets held for sale   | -                      | -   | -                   |
| Other receivables, less current portion, net   | -                      | -   | -                   |
| Other assets   | -                      | 37,760                                      | 37,760              |
| Total assets   | <u>\$ 2,447,043</u>    | <u>\$ 7,260,579</u>                         | <u>\$ 9,707,622</u> |

|   | LFS Real<br>Properties | LFS in<br>the Carolinas<br>Child and Family | Total<br>LFS |
|---|------------------------|---|--------------|
| <b>LIABILITIES AND NET ASSETS</b>                       |                        |   |              |
| Current liabilities:                                    |                        |   |              |
| Current maturities of long-term debt                    | \$ 6,925               | \$ 175,716                                  | \$ 182,641   |
| Current maturities of obligation under capital leases   | -                      | 12,510                                      | 12,510       |
| Current portion of split-interest liability             | -                      | -   | -            |
| Accounts payable, trade                                 | 1,507                  | 4,613,921                                   | 4,615,428    |
| Accrued salaries and payroll taxes                      | -                      | 1,247,549                                   | 1,247,549    |
| Accrued health benefits                                 | -                      | 49,390                                      | 49,390       |
| Accrued interest payable                                | 1,158                  | 28,908                                      | 30,066       |
| Refundable fees - current                               | -                      | -   | -            |
| Deferred revenue from grants and other                  | -                      | 119,460                                     | 119,460      |
| Other accrued liabilities                               | -                      | 291,211                                     | 291,211      |
| Residents' funds liability                              | -                      | -   | -            |
| Total current liabilities                               | 9,590                  | 6,538,665                                   | 6,548,255    |
| Long-term liabilities:                                  |                        |   |              |
| Long-term debt, less current maturities                 | 522,011                | 2,162,204                                   | 2,684,215    |
| 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                             | 522,011                | 2,162,204                                   | 2,684,215    |
| Total liabilities                                       | 531,601                | 8,700,869                                   | 9,232,470    |
| Net assets:   |                        |   |              |
| Net Assets without donor restrictions                   |                        |   |              |
| Without donor restrictions, undesignated                | 1,915,442              | (3,339,975)                                 | (1,424,533)  |
| Without donor restrictions, board designated funds      | -                      | -   | -            |
| Total net assets without donor restrictions             | 1,915,442              | (3,339,975)                                 | (1,424,533)  |
| Net assets with donor restrictions                      | -                      | 1,899,685                                   | 1,899,685    |
| Total net assets  | 1,915,442              | (1,440,290)                                 | 475,152      |
| Total liabilities and net assets                        | \$ 2,447,043           | \$ 7,260,579                                | \$ 9,707,622 |

Lutheran Services for the Aging, Inc. and  
Lutheran Family Services in the Carolinas and Affiliates  
Consolidating Balance Sheets  
September 30, 2021

|  | Total<br>LSA   | Total<br>LFS | Eliminations   | Total          | Obligated<br>Group* |
|--|----------------|--------------|----------------|----------------|---------------------|
| <b>ASSETS</b>  |                |              |                |                |                     |
| Current assets:  |                |              |                |                |                     |
| Cash and cash equivalents  | \$ 33,165,631  | \$ 3,069,791 | \$ -           | \$ 36,235,422  | \$ 32,850,986       |
| Investments  | 30,905,828     | 16,387       | -              | 30,922,215     | 30,905,828          |
| Accounts receivable, residents and clients, net of allowance for doubtful accounts of approximately \$1,800,000 and \$1,400,000 in 2021 and 2020, respectively | 11,836,483     | 2,768,241    | -              | 14,604,724     | 11,718,496          |
| Current portion of other receivables   | 4,799,666      | 395,045      | (3,170,449)    | 2,024,262      | 2,709,036           |
| Inventories  | 1,225,756      | -            | -              | 1,225,756      | 1,225,756           |
| Prepaid expenses   | 297,692        | 513,095      | -              | 810,787        | 291,811             |
| Residents' funds   | 228,526        | -            | -              | 228,526        | 228,526             |
| Total current assets   | 82,459,582     | 6,762,559    | (3,170,449)    | 86,051,692     | 79,930,439          |
| Assets limited as to use:  |                |              |                |                |                     |
| Investments - donor-restricted endowment funds   | 3,030,584      | 249,328      | -              | 3,279,912      | 3,030,584           |
| Investments - temporarily restricted   | 4,100,041      | 204,526      | -              | 4,304,567      | 4,100,041           |
| Investments - board designated funds   | 10,289,067     | -            | -              | 10,289,067     | 10,289,067          |
| Assets limited to use - operating reserve requirement  | 1,802,000      | -            | -              | 1,802,000      | 1,802,000           |
| Assets limited to use - deposits held in escrow  | 5,109,350      | -            | -              | 5,109,350      | 5,109,350           |
| Assets limited to use - bond funds   | 21,874,426     | -            | -              | 21,874,426     | 21,874,426          |
| Assets restricted for investment in property and equipment   | 1,045,387      | 505,500      | -              | 1,550,887      | 1,045,387           |
| Total assets limited as to use   | 47,250,855     | 959,354      | -              | 48,210,209     | 47,250,855          |
| Property and equipment, net  | 176,094,539    | 1,947,949    | -              | 178,042,488    | 176,093,279         |
| Assets held for sale   | -              | -            | -              | -              | -                   |
| Other receivables, less current portion, net   | 98,295         | -            | -              | 98,295         | 98,295              |
| Other assets   | 10,567,016     | 37,760       | -              | 10,604,776     | 9,880,557           |
| Total assets   | \$ 316,470,287 | \$ 9,707,622 | \$ (3,170,449) | \$ 323,007,460 | \$ 313,253,425      |

\* 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<br>LSA   | Total<br>LFS | Eliminations   | Total          | Obligated<br>Group* |
|---|----------------|--------------|----------------|----------------|---------------------|
| <b>LIABILITIES AND NET ASSETS</b>                       |                |              |                |                |                     |
| Current liabilities:                                    |                |              |                |                |                     |
| Current maturities of long-term debt                    | \$ 2,430,475   | \$ 182,841   | \$ -           | \$ 2,613,116   | \$ 2,428,915        |
| Current maturities of obligation under capital leases   | -              | 12,510       | -              | 12,510         | -                   |
| Current portion of split-interest liability             | 49,000         | -            | -              | 49,000         | 49,000              |
| Accounts payable, trade                                 | 10,156,589     | 4,615,428    | (3,170,449)    | 11,603,568     | 10,156,689          |
| Accrued salaries and payroll taxes                      | 3,424,471      | 1,247,549    | -              | 4,672,020      | 3,391,972           |
| Accrued health benefits                                 | 256,042        | 49,390       | -              | 305,432        | 254,509             |
| Accrued interest payable                                | 6,542          | 30,066       | -              | 36,608         | 6,542               |
| Refundable fees - current                               | 638,086        | -            | -              | 638,086        | 638,086             |
| Deferred revenue from grants and other                  | 1,438,896      | 119,460      | -              | 1,558,356      | 1,438,896           |
| Other accrued liabilities                               | 1,274,519      | 291,211      | -              | 1,565,730      | 1,274,519           |
| Residents' funds liability                              | 228,526        | -            | -              | 228,526        | 228,526             |
| Total current liabilities                               | 19,905,146     | 6,548,255    | (3,170,449)    | 23,282,952     | 19,867,664          |
| Long-term liabilities:                                  |                |              |                |                |                     |
| Long-term debt, less current maturities                 | 176,540,769    | 2,684,215    | -              | 179,224,984    | 176,374,929         |
| Long-term maturities of obligation under capital leases | -              | -            | -              | -              | -                   |
| Refundable fees   | 12,500,761     | -            | -              | 12,500,761     | 12,500,761          |
| Deferred revenue from advance fees                      | 7,369,474      | -            | -              | 7,369,474      | 7,369,474           |
| Fair value of interest rate swap agreement              | -              | -            | -              | -              | -                   |
| Split-interest liability                                | 589,672        | -            | -              | 589,672        | 589,672             |
| Total long-term liabilities                             | 197,000,676    | 2,684,215    | -              | 199,684,891    | 196,834,836         |
| Total liabilities                                       | 216,905,822    | 9,232,470    | (3,170,449)    | 222,967,843    | 216,702,500         |
| Net assets:   |                |              |                |                |                     |
| Net Assets without donor restrictions                   | 79,989,356     | (1,424,533)  | -              | 78,574,823     | 76,988,476          |
| Without donor restrictions, undesignated                | 10,289,067     | -            | -              | 10,289,067     | 10,289,067          |
| Without donor restrictions, board designated funds      | -              | -            | -              | -              | -                   |
| Total net assets without donor restrictions             | 90,288,423     | (1,424,533)  | -              | 88,863,890     | 87,277,543          |
| Net assets with donor restrictions                      | 9,276,042      | 1,899,685    | -              | 11,175,727     | 9,273,382           |
| Total net assets  | 99,564,465     | 475,152      | -              | 100,039,617    | 96,550,925          |
| Total liabilities and net assets                        | \$ 316,470,287 | \$ 9,707,622 | \$ (3,170,449) | \$ 323,007,460 | \$ 313,253,425      |

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

|  | Trinity<br>Place<br>Albemarle | Trinity<br>Village<br>Hickory | Trinity<br>Ridge<br>Hickory | Trinity<br>Oaks H&R<br>Salisbury | Trinity<br>Grove<br>Wilmington | Trinity<br>Glen<br>Winston-Salem | Trinity<br>Elms H&R<br>Clemmons | Total<br>Nursing |
|--|-------------------------------|-------------------------------|-----------------------------|----------------------------------|--------------------------------|----------------------------------|---------------------------------|------------------|
| Changes in net assets without donor restrictions:            |                               |                               |                             |                                  |                                |                                  |                                 |                  |
| Revenues and other support:                                  |                               |                               |                             |                                  |                                |                                  |                                 |                  |
| Net service revenue  | \$ 8,819,718                  | \$ 14,558,371                 | \$ 13,310,701               | \$ 12,413,774                    | \$ 12,020,106                  | \$ 11,047,927                    | \$ 11,100,346                   | \$ 83,270,943    |
| Amortization of deferred entrance fees                       | -                             | -                             | -                           | -                                | -                              | -                                | -                               | -                |
| Service fees - state, county and other                       | 251,338                       | 1,301,117                     | 748,496                     | 1,020,398                        | 553,819                        | 682,098                          | 621,868                         | 5,179,134        |
| Federal grants and other                                     | 10,342                        | 14,777                        | 7,505                       | 131,529                          | 34,848                         | 9,155                            | 4,250                           | 212,406          |
| Net assets released from restrictions for operating purposes | 12,513                        | 22,990                        | 46,771                      | 51,438                           | 25,152                         | 14,103                           | -                               | -                |
| Management fees  | 9,093,911                     | 15,897,255                    | 14,113,473                  | 13,617,139                       | 12,633,925                     | 11,753,283                       | 11,783,767                      | 230,270          |
| Total revenue  | 4,224,081                     | 7,453,613                     | 5,575,333                   | 5,351,286                        | 5,390,445                      | 5,349,277                        | 4,646,326                       | 37,990,361       |
| Expenses:  | 836,861                       | 1,519,160                     | 1,027,131                   | 1,023,319                        | 1,026,140                      | 964,454                          | 822,380                         | 7,219,445        |
| Salaries and wages   | 3,407,613                     | 6,322,035                     | 5,379,560                   | 5,363,195                        | 5,292,335                      | 4,623,570                        | 4,249,114                       | 34,637,422       |
| Employee benefits  | 271,671                       | 357,896                       | 435,694                     | -                                | 361,987                        | 359,182                          | 211,575                         | 1,998,005        |
| Supplies and other   | 13,557                        | 7,441                         | 18,933                      | 51,708                           | 47,024                         | 10,975                           | 3,920                           | 153,558          |
| Medicaid bed assessment                                      | 88,578                        | 123,756                       | 161,477                     | 67,693                           | 92,066                         | 147,646                          | 151,436                         | 832,652          |
| Marketing expense  | 2,619                         | 4,284                         | -                           | 2,558                            | 740                            | 31                               | -                               | 10,232           |
| Depreciation and amortization                                | 8,844,980                     | 15,788,185                    | 12,598,128                  | 11,859,759                       | 12,210,737                     | 11,455,135                       | 10,084,751                      | 82,841,675       |
| Interest expense   | 248,931                       | 109,070                       | 1,515,345                   | 1,757,380                        | 423,188                        | 298,148                          | 1,699,016                       | 6,051,078        |
| Total operating costs and expenses                           | 48,445                        | 94,944                        | 340                         | 316,808                          | 28,329                         | -                                | -                               | 488,866          |
| Operating income (loss)                                      | 122,667                       | 237,706                       | -                           | 801,038                          | 72,736                         | -                                | -                               | 1,234,147        |
| Nonoperating gains (losses):                                 | -                             | -                             | -                           | -                                | -                              | -                                | -                               | -                |
| Investment income  | 6,244                         | 28,210                        | 5,932                       | 11,867                           | 18,294                         | 7,255                            | 14,295                          | 92,097           |
| Unrealized gains (losses) on investments                     | (1,457)                       | (2,383)                       | -                           | (1,423)                          | (411)                          | (18)                             | -                               | (5,692)          |
| Net gain (loss) on disposal of property and equipment        | 175,899                       | 358,477                       | 6,272                       | 1,128,290                        | 118,948                        | 7,237                            | 14,295                          | 1,809,418        |
| Market value adjustment on swap agreement                    | 424,830                       | 467,547                       | 1,521,617                   | 2,885,670                        | 542,136                        | 305,385                          | 1,713,311                       | 7,860,496        |
| Contributions  | -                             | -                             | -                           | -                                | -                              | -                                | -                               | -                |
| Loss on extinguishment of debt                               | -                             | -                             | -                           | -                                | -                              | -                                | -                               | -                |
| Total nonoperating gains (losses)                            | -                             | -                             | -                           | -                                | -                              | -                                | -                               | -                |
| Excess of revenues over expenses                             | -                             | -                             | -                           | -                                | -                              | -                                | -                               | -                |

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, 2021

(Continued)

|  | Trinity<br>Place<br>Albermarle | Trinity<br>Village<br>Hickory | Trinity<br>Ridge<br>Hickory | Trinity<br>Oaks H&R<br>Salisbury | Trinity<br>Grove<br>Wilmington | Trinity<br>Glen<br>Winston-Salem | Trinity<br>Elms H&R<br>Clemmons | Total<br>Nursing |
|--|--------------------------------|-------------------------------|-----------------------------|----------------------------------|--------------------------------|----------------------------------|---------------------------------|------------------|
| Excess of revenue over expenses                      | \$ 424,830                     | \$ 467,547                    | \$ 1,521,617                | \$ 2,885,670                     | \$ 542,136                     | \$ 305,385                       | \$ 1,713,311                    | \$ 7,860,496     |
| Other changes net assets without donor restrictions: |                                |                               |                             |                                  |                                |                                  |                                 |                  |
| Net assets released from restrictions for capital    | -                              | -                             | -                           | -                                | -                              | -                                | -                               | -                |
| Change in net assets without donor restrictions:     | 424,830                        | 467,547                       | 1,521,617                   | 2,885,670                        | 542,136                        | 305,385                          | 1,713,311                       | 7,860,496        |
| Changes in net assets with donor restrictions:       |                                |                               |                             |                                  |                                |                                  |                                 |                  |
| Contributions and grants                             | 4,305                          | 8,625                         | 5,275                       | 11,885                           | 17,150                         | 4,292                            | 4,350                           | 55,882           |
| Investment income                                    | -                              | -                             | -                           | -                                | -                              | -                                | -                               | -                |
| Unrealized gains (losses) on investments             | -                              | -                             | -                           | -                                | -                              | -                                | -                               | -                |
| Intercompany   | -                              | -                             | -                           | -                                | -                              | -                                | -                               | -                |
| Net assets released from restrictions                | (10,342)                       | (14,777)                      | (7,505)                     | (131,529)                        | (34,848)                       | (9,155)                          | (4,250)                         | (212,406)        |
| Change in net assets with donor restrictions:        | (6,037)                        | (6,152)                       | (2,230)                     | (119,644)                        | (17,698)                       | (4,863)                          | 100                             | (156,524)        |
| Change in net assets                                 | 418,793                        | 461,395                       | 1,519,387                   | 2,766,026                        | 524,438                        | 300,522                          | 1,713,411                       | 7,703,972        |
| Net assets at beginning of year                      | 3,786,787                      | 7,687,595                     | 1,234,567                   | 12,684,931                       | 365,693                        | (1,522,259)                      | 109,686                         | 24,347,000       |
| Net assets at end of year                            | \$ 4,205,580                   | \$ 8,148,990                  | \$ 2,753,954                | \$ 15,450,957                    | \$ 890,131                     | \$ (1,221,737)                   | \$ 1,823,097                    | \$ 32,050,972    |

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, 2021

|   | Lutheran Home<br>Albemarle<br>Property | Lutheran Home<br>Hickory<br>Property | Lutheran Home<br>Hickory West<br>Property | Lutheran Home<br>Salisbury<br>Property | Lutheran Home<br>Wilmington<br>Property | Lutheran Home<br>Winston-Salem<br>Property | Lutheran Home<br>Forsyth County<br>Property | LSA<br>Elms<br>Property | Lutheran<br>Services<br>Property | Total<br>Property |
|---|--|--------------------------------------|---|--|---|--|---|-------------------------|----------------------------------|-------------------|
| Changes in net assets without donor restrictions:               |  |                                      |   |  |   |  |   |                         |                                  |                   |
| Revenues and other support:                                     |  |                                      |   |  |   |  |   |                         |                                  |                   |
| Net service revenue   | \$ -                                   | \$ -                                 | \$ -                                      | \$ -                                   | \$ -                                    | \$ -                                       | \$ -  | \$ -                    | \$ -                             | \$ -              |
| Amortization of deferred entrance fees                          | -                                      | -                                    | -   | -                                      | -                                       | -  | -   | -                       | -                                | -                 |
| Service fees - state, county and other                          | -                                      | -                                    | -   | -                                      | -                                       | -  | -   | -                       | -                                | -                 |
| Federal grants and other  | -                                      | -                                    | -   | -                                      | -                                       | -  | -   | -                       | -                                | -                 |
| Net assets released from restrictions<br>for operating purposes | -                                      | -                                    | -   | -                                      | -                                       | -  | -   | -                       | -                                | -                 |
| Management fees   | -                                      | -                                    | -   | -                                      | -                                       | -  | -   | -                       | -                                | -                 |
| Other revenue   | 385,000                                | 600,000                              | 820,000                                   | 653,600                                | 757,050                                 | 370,000                                    | 700,000                                     | 885,000                 | 138,000                          | 5,308,650         |
| Total revenue   | 385,000                                | 600,000                              | 820,000                                   | 653,600                                | 757,050                                 | 370,000                                    | 700,000                                     | 885,000                 | 138,000                          | 5,308,650         |
| Expenses:   |  |                                      |   |  |   |  |   |                         |                                  |                   |
| Salaries and wages  | -                                      | -                                    | -   | -                                      | -                                       | -  | -   | -                       | 136                              | 136               |
| Employee benefits   | -                                      | -                                    | -   | -                                      | -                                       | -  | -   | -                       | -                                | -                 |
| Supplies and other  | 24,547                                 | 18,190                               | 23,188                                    | 57,544                                 | 52,241                                  | 24,890                                     | 46,172                                      | 17,427                  | 22,824                           | 287,023           |
| Medicaid bed assessment   | -                                      | -                                    | -   | -                                      | -                                       | -  | -   | -                       | -                                | -                 |
| Marketing expense   | -                                      | -                                    | -   | -                                      | -                                       | -  | -   | -                       | -                                | -                 |
| Depreciation and amortization                                   | 427,224                                | 372,413                              | 457,870                                   | 296,509                                | 276,721                                 | 345,606                                    | 409,422                                     | 293,487                 | 105,178                          | 2,984,430         |
| Interest expense  | 105,641                                | 82,639                               | 433,738                                   | 21,494                                 | 679,613                                 | 455,913                                    | 179,276                                     | 414,930                 | 277                              | 2,373,521         |
| Total operating costs and expenses                              | 557,412                                | 473,242                              | 914,796                                   | 375,547                                | 1,008,575                               | 826,409                                    | 634,870                                     | 725,844                 | 128,415                          | 5,645,110         |
| Operating income (loss)   | (172,412)                              | 126,758                              | (94,796)                                  | 278,053                                | (251,525)                               | (456,409)                                  | 65,130                                      | 159,156                 | 9,585                            | (336,460)         |
| Nonoperating gains (losses):                                    |  |                                      |   |  |   |  |   |                         |                                  |                   |
| Investment income   | 42,540                                 | -                                    | 67,184                                    | 170,697                                | 44,459                                  | -  | 18,960                                      | 45,483                  | 10,243                           | 399,566           |
| Unrealized gains (losses) on investments                        | 109,281                                | -                                    | 172,589                                   | 438,501                                | 114,209                                 | -  | 48,705                                      | 118,866                 | 26,310                           | 1,028,461         |
| Net gain (loss) on disposal of property and equipment           | -                                      | -                                    | 233,934                                   | -                                      | -                                       | -  | -   | -                       | -                                | 233,934           |
| Market value adjustment on swap agreement                       | -                                      | -                                    | -   | -                                      | -                                       | -  | -   | -                       | -                                | -                 |
| Contributions   | -                                      | -                                    | -   | -                                      | -                                       | -  | -   | -                       | -                                | -                 |
| Loss on extinguishment of debt                                  | 119,198                                | (16,342)                             | (54,114)                                  | 41,756                                 | -                                       | (34)                                       | (99,709)                                    | (839)                   | (155)                            | (10,239)          |
| Total nonoperating gains (losses)                               | 271,019                                | (16,342)                             | 419,593                                   | 650,954                                | 158,668                                 | (34)                                       | (32,044)                                    | 163,510                 | 36,398                           | 1,651,722         |
| Excess of revenues over expenses                                | 98,607                                 | 110,416                              | 324,797                                   | 929,007                                | (92,857)                                | (456,443)                                  | 33,086                                      | 322,666                 | 45,983                           | 1,315,262         |



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, 2021

(Continued)

|  | Lutheran Home<br>Albemarle<br>Property | Lutheran Home<br>Hickory<br>Property | Lutheran Home<br>Hickory West<br>Property | Lutheran Home<br>Salisbury<br>Property | Lutheran Home<br>Wilmington<br>Property | Lutheran Home<br>Winston-Salem<br>Property | Lutheran Home<br>Forsyth County<br>Property | LSA<br>Elms<br>Property | Lutheran<br>Services<br>Property | Total<br>Property |
|--|--|--------------------------------------|---|--|---|--|---|-------------------------|----------------------------------|-------------------|
| Excess of revenue over expenses                          | \$ 98,607                              | \$ 110,416                           | \$ 324,797                                | \$ 929,007                             | \$ (92,857)                             | \$ (456,443)                               | \$ 33,086                                   | \$ 322,666              | \$ 45,983                        | \$ 1,315,262      |
| Other changes net assets without donor restrictions:     |  |                                      |   |  |   |  |   |                         |                                  |                   |
| Net assets released from restrictions for capital        | -                                      | -                                    | -   | -                                      | -                                       | -  | -   | -                       | -                                | -                 |
| Change in net assets without donor restrictions:         | 98,607                                 | 110,416                              | 324,797                                   | 929,007                                | (92,857)                                | (456,443)                                  | 33,086                                      | 322,666                 | 45,983                           | 1,315,262         |
| Changes in net assets with donor restrictions:           |  |                                      |   |  |   |  |   |                         |                                  |                   |
| Contributions and grants                                 | -                                      | -                                    | -   | -                                      | -                                       | -  | -   | -                       | -                                | -                 |
| Investment income  | -                                      | -                                    | -   | -                                      | -                                       | -  | -   | -                       | -                                | -                 |
| Unrealized gains (losses) on investments<br>intercompany | -                                      | -                                    | -   | -                                      | -                                       | -  | -   | -                       | -                                | -                 |
| Net assets released from restrictions                    | -                                      | -                                    | -   | -                                      | -                                       | -  | -   | -                       | -                                | -                 |
| Change in net assets with donor restrictions:            | -                                      | -                                    | -   | -                                      | -                                       | -  | -   | -                       | -                                | -                 |
| Change in net assets                                     | 98,607                                 | 110,416                              | 324,797                                   | 929,007                                | (92,857)                                | (456,443)                                  | 33,086                                      | 322,666                 | 45,983                           | 1,315,262         |
| Net assets at beginning 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        |
| Net assets at end of year                                | \$ 4,527,664                           | \$ 3,282,729                         | \$ 4,826,024                              | \$ 9,463,947                           | \$ (2,873,912)                          | \$ (1,469,687)                             | \$ 177,056                                  | \$ 765,501              | \$ 2,035,689                     | \$ 20,735,011     |

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, 2021

|   | Trinity<br>Oaks RC<br>Salisbury | Trinity<br>View<br>Arden | LRC -<br>Wilmington | Trinity<br>Eims IL<br>Clemmons | Total<br>Retirement |
|---|---------------------------------|--------------------------|---------------------|--------------------------------|---------------------|
| Changes in net assets without donor restrictions:               |                                 |                          |                     |                                |                     |
| Revenues and other support:                                     |                                 |                          |                     |                                |                     |
| Net service revenue   | \$ 8,333,501                    | \$ 2,917,110             | \$ -                | \$ 1,276,202                   | \$ 12,526,813       |
| Amortization of deferred entrance fees                          | 960,211                         | 7,438                    | -                   | 2,800                          | 970,449             |
| Service fees - state, county and other                          | -                               | -                        | -                   | -                              | -                   |
| Federal grants and other  | -                               | -                        | -                   | -                              | -                   |
| Net assets released from restrictions<br>for operating purposes | 8,563                           | -                        | -                   | -                              | 8,563               |
| Management fees   | -                               | -                        | -                   | -                              | -                   |
| Other revenue   | 97,841                          | 74,548                   | -                   | -                              | 172,389             |
| Total revenue   | 9,400,116                       | 2,999,096                | -                   | 1,279,002                      | 13,678,214          |
| Expenses:   |                                 |                          |                     |                                |                     |
| Salaries and wages  | 3,121,080                       | 1,412,794                | 277,232             | 182,669                        | 4,993,775           |
| Employee benefits   | 577,982                         | 220,422                  | 45,864              | 20,169                         | 864,437             |
| Supplies and other  | 3,104,586                       | 1,057,420                | 70,274              | 217,934                        | 4,450,224           |
| Medicaid bed assessment   | -                               | -                        | -                   | -                              | -                   |
| Marketing expense   | 177,950                         | 151,153                  | 445,221             | 4,265                          | 778,589             |
| Depreciation and amortization                                   | 1,740,514                       | 304,848                  | 21,806              | 301,660                        | 2,368,828           |
| Interest expense  | 189,600                         | 73,600                   | 76,342              | 195,070                        | 514,612             |
| Total operating costs and expenses                              | 8,891,722                       | 3,220,237                | 936,739             | 921,767                        | 13,970,465          |
| Operating income (loss)   | 508,394                         | (221,141)                | (936,739)           | 357,235                        | (292,251)           |
| Nonoperating gains (losses):                                    |                                 |                          |                     |                                |                     |
| Investment income   | 99,097                          | 52,086                   | -                   | -                              | 561,315             |
| Unrealized gains (losses) on investments                        | 247,483                         | 133,661                  | 410,132             | -                              | 381,144             |
| Net gain (loss) on disposal of property and equipment           | -                               | -                        | -                   | -                              | -                   |
| Market value adjustment on swap agreement                       | -                               | -                        | -                   | -                              | -                   |
| Contributions   | 38,410                          | 21,526                   | -                   | -                              | 59,936              |
| Loss on extinguishment of debt                                  | (32,751)                        | (14,684)                 | (2,379,830)         | (37,412)                       | (2,464,677)         |
| Total nonoperating gains (losses)                               | 352,239                         | 192,589                  | (1,969,698)         | (37,412)                       | (1,462,282)         |
| Excess of revenues over expenses                                | 860,633                         | (28,552)                 | (2,906,437)         | 319,823                        | (1,754,533)         |

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, 2021

(Continued)

|  | Trinity<br>Oaks RC<br>Salisbury | Trinity<br>View<br>Arden | LRC -<br>Wilmington | Trinity<br>Eims IL<br>Clemmons | Total<br>Retirement |
|--|---------------------------------|--------------------------|---------------------|--------------------------------|---------------------|
| Excess of revenue over expenses                      | \$ 860,633                      | \$ (28,552)              | \$ (2,906,437)      | \$ 319,823                     | \$ (1,754,533)      |
| Other changes net assets without donor restrictions: |                                 |                          |                     |                                |                     |
| Net assets released from restrictions for capital    | -                               | -                        | -                   | -                              | -                   |
| Change in net assets without donor restrictions:     | 860,633                         | (28,552)                 | (2,906,437)         | 319,823                        | (1,754,533)         |
| Changes in net assets with donor restrictions:       |                                 |                          |                     |                                |                     |
| Contributions and grants                             | 395,054                         | -                        | -                   | -                              | 395,054             |
| Investment income                                    | -                               | -                        | -                   | -                              | -                   |
| Unrealized gains (losses) on investments             | -                               | -                        | -                   | -                              | -                   |
| Intercompany   | -                               | -                        | -                   | -                              | -                   |
| Net assets released from restrictions                | (8,563)                         | -                        | -                   | -                              | (8,563)             |
| Change in net assets with donor restrictions:        | 386,491                         | -                        | -                   | -                              | 386,491             |
| Change in net assets                                 | 1,247,124                       | (28,552)                 | (2,906,437)         | 319,823                        | (1,368,042)         |
| Net assets at beginning of year                      | 1,863,968                       | 4,714,097                | (4,599,511)         | 113,405                        | 2,091,959           |
| Net assets at end of year                            | \$ 3,111,092                    | \$ 4,685,545             | \$ (7,505,948)      | \$ 433,228                     | \$ 723,917          |

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, 2021

|   | Trinity<br>Elms AL<br>Clemmons   | Trinity<br>Living Center<br>Salisbury | Trinity<br>at Home<br>Salisbury | LSA Pharmacy<br>Salisbury | Total<br>Other Operations |
|---|----------------------------------|---------------------------------------|---------------------------------|---------------------------|---------------------------|
| Changes in net assets without donor restrictions:               |                                  |                                       |                                 |                           |                           |
| Revenues and other support:                                     |                                  |                                       |                                 |                           |                           |
| Net service revenue   | \$ 4,720,469                     | \$ 188,311                            | \$ -                            | \$ 7,420,540              | \$ 12,329,320             |
| Amortization of deferred entrance fees                          | -                                | -                                     | -                               | -                         | -                         |
| Service fees - state, county and other                          | -                                | -                                     | -                               | -                         | -                         |
| Federal grants and other  | 454                              | (64,670)                              | -                               | -                         | (64,216)                  |
| Net assets released from restrictions<br>for operating purposes | 120,118                          | 86,080                                | 1,229                           | -                         | 207,427                   |
| Management fees   | 30,531                           | 10,452                                | 1,096,333                       | 29                        | 1,137,345                 |
| Other revenue   | 4,871,572                        | 220,173                               | 1,097,562                       | 7,420,569                 | 13,609,876                |
| Total revenue   | 1,975,881                        | 269,977                               | 845,761                         | 1,475,221                 | 4,566,840                 |
| Expenses:   | 426,656                          | 41,561                                | 113,761                         | 269,086                   | 851,064                   |
| Salaries and wages  | 2,078,411                        | 244,411                               | 91,687                          | 5,284,590                 | 7,699,099                 |
| Employee benefits   | -                                | -                                     | -                               | -                         | -                         |
| Supplies and other  | 3,353                            | 7,282                                 | 12,489                          | 23,124                    | 23,124                    |
| Medicaid bed assessment   | 32,974                           | 2,104                                 | 840                             | 23,755                    | 59,673                    |
| Marketing expense   | 617                              | -                                     | -                               | 93                        | 710                       |
| Depreciation and amortization                                   | 4,517,892                        | 565,335                               | 1,064,538                       | 7,052,745                 | 13,200,510                |
| Interest expense  | 353,680                          | (345,162)                             | 33,024                          | 367,824                   | 409,366                   |
| Total operating costs and expenses                              | 109,818                          | 7,599                                 | -                               | 114,259                   | 231,676                   |
| Operating income (loss)   | 282,109                          | 19,502                                | -                               | 293,518                   | 595,129                   |
| Nonoperating gains (losses):                                    | -                                | -                                     | -                               | -                         | -                         |
| Investment income   | -                                | -                                     | -                               | -                         | -                         |
| Unrealized gains (losses) on investments                        | 1,395                            | 52,929                                | 300                             | -                         | 54,624                    |
| Net gain (loss) on disposal of property and equipment           | (342)                            | -                                     | -                               | (52)                      | (394)                     |
| Market value adjustment on swap agreement                       | 392,980                          | 80,030                                | 300                             | 407,725                   | 881,035                   |
| Contributions   | 746,660                          | (265,132)                             | 33,324                          | 775,549                   | 1,290,401                 |
| Loss on extinguishment of debt                                  | -                                | -                                     | -                               | -                         | -                         |
| Total nonoperating gains (losses)                               | Excess of revenues over expenses |                                       |                                 |                           |                           |

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, 2021

(Continued)

|  | Trinity<br>Elms AL<br>Clemmons | Trinity<br>Living Center<br>Salisbury | Trinity<br>at Home<br>Salisbury | LSA Pharmacy<br>Salisbury | Total<br>Other Operations |
|--|--------------------------------|---------------------------------------|---------------------------------|---------------------------|---------------------------|
| Excess of revenue over expenses                          | \$ 746,660                     | \$ (265,132)                          | \$ 33,324                       | \$ 775,549                | \$ 1,290,401              |
| Other changes net assets without donor restrictions:     |                                |                                       |                                 |                           |                           |
| Net assets released from restrictions for capital        | -                              | -                                     | -                               | -                         | -                         |
| Change in net assets without donor restrictions:         | 746,660                        | (265,132)                             | 33,324                          | 775,549                   | 1,290,401                 |
| Changes in net assets with donor restrictions:           |                                |                                       |                                 |                           |                           |
| Contributions and grants                                 | 121,136                        | 80,034                                | 1,000                           | -                         | 202,170                   |
| Investment income  | -                              | -                                     | -                               | -                         | -                         |
| Unrealized gains (losses) on investments<br>intercompany | -                              | -                                     | -                               | -                         | -                         |
| Net assets released from restrictions                    | (120,118)                      | (86,080)                              | (1,229)                         | -                         | (207,427)                 |
| Change in net assets with donor restrictions:            | 1,018                          | (6,046)                               | (229)                           | -                         | (5,257)                   |
| Change in net assets                                     | 747,678                        | (271,178)                             | 33,095                          | 775,549                   | 1,285,144                 |
| Net assets at beginning of year                          | 4,960,510                      | 522,267                               | 212,672                         | 12,067,422                | 17,762,871                |
| Net assets at end of year                                | \$ 5,708,188                   | \$ 251,089                            | \$ 245,767                      | \$ 12,842,871             | \$ 19,048,015             |

Lutheran Services for the Aging, Inc. and  
Lutheran Family Services in the Carolinas and Affiliates  
Consolidating Statements of Operations and Changes  
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Year Ended September 30, 2021

|   | LSA       | LSA<br>Management | LSA<br>Foundation | LSA<br>Therapy | Total<br>Other |
|---|-----------|-------------------|-------------------|----------------|----------------|
| Changes in net assets without donor restrictions:               |           |                   |                   |                |                |
| Revenues and other support:                                     |           |                   |                   |                |                |
| Net service revenue   | \$ -      | \$ -              | \$ -              | \$ -           | \$ -           |
| Amortization of deferred entrance fees                          | -         | -                 | -                 | -              | -              |
| Service fees - state, county and other                          | -         | -                 | -                 | -              | -              |
| Federal grants and other  | -         | -                 | -                 | -              | -              |
| Net assets released from restrictions<br>for operating purposes | 19,307    | -                 | 51,767            | -              | 71,074         |
| Management fees   | -         | 8,982,434         | -                 | -              | 8,982,434      |
| Other revenue   | (901)     | 113,006           | (504)             | -              | 111,601        |
| Total revenue   | 18,406    | 9,095,440         | 51,263            | -              | 9,165,109      |
| Expenses:   |           |                   |                   |                |                |
| Salaries and wages  | -         | 5,126,269         | -                 | -              | 5,126,269      |
| Employee benefits   | -         | 893,431           | -                 | -              | 893,431        |
| Supplies and other  | 58,800    | 2,089,718         | 12,832            | -              | 2,161,350      |
| Medicaid bed assessment   | -         | -                 | -                 | -              | -              |
| Marketing expense   | -         | 32,470            | -                 | -              | 32,470         |
| Depreciation and amortization                                   | 4,158     | 344,794           | -                 | -              | 348,952        |
| Interest expense  | 5,989     | 129,347           | -                 | -              | 135,336        |
| Total operating costs and expenses                              | 68,947    | 8,616,029         | 12,832            | -              | 8,697,808      |
| Operating income (loss)   | (50,541)  | 479,411           | 38,431            | -              | 467,301        |
| Nonoperating gains (losses):                                    |           |                   |                   |                |                |
| Investment income   | 327,034   | 1,499,955         | 103,746           | 784,964        | 2,715,699      |
| Unrealized gains (losses) on investments                        | 717,857   | 34,122            | 344,545           | -              | 1,096,524      |
| Net gain (loss) on disposal of property and equipment           | -         | -                 | -                 | -              | -              |
| Market value adjustment on swap agreement                       | -         | 298,429           | -                 | -              | 298,429        |
| Contributions   | 69,353    | 3,000             | (36,817)          | -              | 35,536         |
| Loss on extinguishment of debt                                  | -         | (1,785)           | -                 | -              | (1,785)        |
| Total nonoperating gains (losses)                               | 1,114,244 | 1,833,721         | 411,474           | 784,964.00     | 4,144,403      |
| Excess of revenues over expenses                                | 1,063,703 | 2,313,132         | 449,905           | 784,964.00     | 4,611,704      |

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 Lutheran Family Services in the Carolinas and Affiliates  
 Consolidating Statements of Operations and Changes  
 in Net Assets (Deficit)  
 Year Ended September 30, 2021

(Continued)

|  | LSA          | LSA<br>Management | LSA<br>Foundation | LSA<br>Therapy | Total<br>Other |
|--|--------------|-------------------|-------------------|----------------|----------------|
| Excess of revenue over expenses                      | \$ 1,063,703 | \$ 2,313,132      | \$ 449,905        | \$ 784,964     | \$ 4,611,704   |
| Other changes net assets without donor restrictions: |              |                   |                   |                |                |
| Net assets released from restrictions for capital    | -            | -                 | -                 | -              | -              |
| Change in net assets without donor restrictions:     | 1,063,703    | 2,313,132         | 449,905           | 784,964        | 4,611,704      |
| Changes in net assets with donor restrictions:       |              |                   |                   |                |                |
| Contributions and grants                             | 27,187       | -                 | 24,270            | -              | 51,457         |
| Investment income                                    | -            | -                 | 319,161           | -              | 319,161        |
| Unrealized gains (losses) on investments             | -            | -                 | 688,661           | -              | 688,661        |
| Intercompany   | -            | -                 | -                 | -              | -              |
| Net assets released from restrictions                | (19,307)     | -                 | (51,767)          | -              | (71,074)       |
| Change in net assets with donor restrictions:        | 7,880        | -                 | 980,325           | -              | 988,205        |
| Change in net assets                                 | 1,071,583    | 2,313,132         | 1,430,230         | 784,964        | 5,599,909      |
| Net assets at beginning of year                      | 8,089,553    | 3,431,831         | 7,902,448         | 1,982,809      | 21,406,641     |
| Net assets at end of year                            | \$ 9,161,136 | \$ 5,744,963      | \$ 9,332,678      | \$ 2,767,773   | \$ 27,006,550  |

Lutheran Services for the Aging, Inc. and  
Lutheran Family Services in the Carolinas and Affiliates  
Consolidating Statements of Operations and Changes  
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Year Ended September 30, 2021

|   | LFS Real<br>Properties | LFS in<br>the Carolinas<br>Child and Family | Total<br>LFS |
|---|------------------------|---|--------------|
| Changes in net assets without donor restrictions:               |                        |   |              |
| Revenues and other support:                                     |                        |   |              |
| Net service revenue   | \$ -                   | \$ 8,235,145                                | \$ 8,235,145 |
| Amortization of deferred entrance fees                          | -                      | -   | -            |
| Service fees - state, county and other                          | -                      | 10,563,306                                  | 10,563,306   |
| Federal grants and other  | -                      | 3,103,239                                   | 3,103,239    |
| Net assets released from restrictions<br>for operating purposes | -                      | 758,196                                     | 758,196      |
| Management fees   | -                      | -   | -            |
| Other revenue   | 87,000                 | 551,418                                     | 638,418      |
| Total revenue   | 87,000                 | 23,211,304                                  | 23,298,304   |
| Expenses:   |                        |   |              |
| Salaries and wages  | -                      | 9,565,372                                   | 9,565,372    |
| Employee benefits   | -                      | 1,920,814                                   | 1,920,814    |
| Supplies and other  | 5,741                  | 11,976,662                                  | 11,982,403   |
| Medicaid bed assessment   | -                      | 82,275                                      | 82,275       |
| Marketing expense   | -                      | 32,264                                      | 32,264       |
| Depreciation and amortization                                   | 64,232                 | 143,834                                     | 208,066      |
| Interest expense  | 14,151                 | 22,904                                      | 37,055       |
| Total operating costs and expenses                              | 84,124                 | 23,744,125                                  | 23,828,249   |
| Operating income (loss)   | 2,876                  | (532,821)                                   | (529,945)    |
| Nonoperating gains (losses):                                    |                        |   |              |
| Investment income   | -                      | -   | -            |
| Unrealized gains (losses) on investments                        | -                      | (5,925)                                     | (5,925)      |
| Net gain (loss) on disposal of property and equipment           | -                      | -   | -            |
| Market value adjustment on swap agreement                       | -                      | -   | -            |
| Contributions   | 13,114                 | 1,323,762                                   | 1,336,876    |
| Loss on extinguishment of debt                                  | -                      | -   | -            |
| Total nonoperating gains (losses)                               | 13,114                 | 1,317,837                                   | 1,330,951    |
| Excess of revenues over expenses                                | 15,990                 | 785,016                                     | 801,006      |



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, 2021

(Continued)

|  | LFS Real<br>Properties | LFS in<br>the Carolinas<br>Child and Family | Total<br>LFS      |
|--|------------------------|---|-------------------|
| Excess of revenue over expenses                          | \$ 15,990              | \$ 785,016                                  | \$ 801,006        |
| Other changes net assets without donor restrictions:     |                        |   |                   |
| Net assets released from restrictions for capital        | -                      | -   | -                 |
| Change in net assets without donor restrictions:         | <u>15,990</u>          | <u>785,016</u>                              | <u>801,006</u>    |
| Changes in net assets with donor restrictions:           |                        |   |                   |
| Contributions and grants                                 | -                      | 717,399                                     | 717,399           |
| Investment income  | -                      | 16,380                                      | 16,380            |
| Unrealized gains (losses) on investments<br>intercompany | -                      | 56,734                                      | 56,734            |
| Net assets released from restrictions                    | -                      | (758,196)                                   | (758,196)         |
| Change in net assets with donor restrictions:            | <u>-</u>               | <u>32,317</u>                               | <u>32,317</u>     |
| Change in net assets                                     | 15,990                 | 817,333                                     | 833,323           |
| Net assets at beginning of year                          | 1,899,452              | (2,257,623)                                 | (358,171)         |
| Net assets at end of year                                | <u>\$ 1,915,442</u>    | <u>\$ (1,440,290)</u>                       | <u>\$ 475,152</u> |

Lutheran Services for the Aging, Inc. and  
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Year Ended September 30, 2021

|   | Total<br>LSA   | Total<br>LFS | Eliminations   | Total          | Obligated<br>Group* |
|---|----------------|--------------|----------------|----------------|---------------------|
| Changes in net assets without donor restrictions:               |                |              |                |                |                     |
| Revenues and other support:                                     |                |              |                |                |                     |
| Net service revenue   | \$ 108,127,076 | \$ 8,235,145 | \$ (3,380,256) | \$ 112,981,965 | \$ 104,746,820      |
| Amortization of deferred entrance fees                          | 970,449        | -            | -              | 970,449        | \$ 970,449          |
| Service fees - state, county and other                          | -              | 10,563,306   | -              | 10,563,306     | \$ -                |
| Federal grants and other  | 5,114,918      | 3,103,239    | -              | 8,218,157      | \$ 5,114,918        |
| Net assets released from restrictions<br>for operating purposes | 499,470        | 758,196      | -              | 1,257,666      | \$ -                |
| Management fees   | 8,982,434      | -            | (7,814,711)    | 1,167,723      | \$ 3,470,732        |
| Other revenue   | 6,960,255      | 638,418      | (5,375,705)    | 2,222,968      | \$ 560,217          |
| Total revenue   | 130,654,602    | 23,298,304   | (16,570,672)   | 137,382,234    | \$ 115,381,377      |
| Expenses:   |                |              |                |                |                     |
| Salaries and wages  | 52,677,381     | 9,565,372    | -              | 62,242,753     | \$ 51,831,620       |
| Employee benefits   | 9,828,377      | 1,920,814    | -              | 11,749,191     | \$ 9,714,616        |
| Supplies and other  | 49,235,118     | 11,982,403   | (16,570,672)   | 44,646,849     | \$ 34,947,767       |
| Medicaid bed assessment   | 1,998,005      | 82,275       | -              | 2,080,280      | \$ 1,998,005        |
| Marketing expense   | 987,741        | 32,264       | -              | 1,020,005      | \$ 975,252          |
| Depreciation and amortization                                   | 6,594,535      | 208,066      | -              | 6,802,601      | \$ 6,593,695        |
| Interest expense  | 3,034,411      | 37,055       | -              | 3,071,466      | \$ 3,034,411        |
| Total operating costs and expenses                              | 124,355,568    | 23,828,249   | (16,570,672)   | 131,613,145    | \$ 108,095,366      |
| Operating income (loss)   | 6,299,034      | (529,945)    | -              | 5,769,089      | \$ 6,286,010        |
| Nonoperating gains (losses):                                    |                |              |                |                |                     |
| Investment income   | 4,397,122      | -            | -              | 4,397,122      | \$ 3,612,158        |
| Unrealized gains (losses) on investments                        | 4,335,405      | -            | -              | 4,335,405      | \$ 4,335,405        |
| Net gain (loss) on disposal of property and equipment           | 233,934        | (5,925)      | -              | 228,009        | \$ 233,934          |
| Market value adjustment on swap agreement                       | 298,429        | -            | -              | 298,429        | \$ 298,429          |
| Contributions   | 242,193        | 1,336,876    | -              | 1,579,069      | \$ 241,893          |
| Loss on extinguishment of debt                                  | (2,482,787)    | -            | -              | (2,482,787)    | \$ (2,482,787)      |
| Total nonoperating gains (losses)                               | 7,024,296      | 1,330,951    | -              | 8,355,247      | \$ 6,239,032        |
| Excess of revenues over expenses                                | 13,323,330     | 801,006      | -              | 14,124,336     | \$ 12,505,042       |

\* 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, 2021

(Continued)

|  | Total<br>LSA  | Total<br>LFS | Eliminations | Total          | Obligated<br>Group* |
|--|---------------|--------------|--------------|----------------|---------------------|
| Excess of revenue over expenses                      | \$ 13,323,330 | \$ 801,006   | \$ -         | \$ 14,124,336  | \$ 12,505,042       |
| Other changes net assets without donor restrictions: |               |              |              |                |                     |
| Net assets released from restrictions for capital    | -             | -            | -            | -              | -                   |
| Change in net assets without donor restrictions:     | 13,323,330    | 801,006      | -            | 14,124,336     | 12,505,042          |
| Changes in net assets with donor restrictions:       |               |              |              |                |                     |
| Contributions and grants                             | 704,563       | 717,399      | -            | 1,421,962      | 703,563             |
| Investment income                                    | 319,161       | 16,380       | -            | 335,541        | 319,161             |
| Unrealized gains (losses) on investments             | 688,661       | 56,734       | -            | 745,395        | 688,661             |
| Intercompany   | -             | -            | -            | -              | -                   |
| Net assets released from restrictions                | (499,470)     | (758,196)    | -            | (1,257,666)    | (498,241)           |
| Change in net assets with donor restrictions:        | 1,212,915     | 32,317       | -            | 1,245,232      | 1,213,144           |
| Change in net assets                                 | 14,536,245    | 833,323      | -            | 15,369,568     | 13,718,186          |
| Net assets at beginning of year                      | 85,028,220    | (358,171)    | -            | 84,670,049     | 82,832,739          |
| Net assets at end of year                            | \$ 99,564,465 | \$ 475,152   | \$ -         | \$ 100,039,617 | \$ 96,550,925       |

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

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

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

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

**FOR THE YEARS ENDING SEPTEMBER 30, 2022 THROUGH  
SEPTEMBER 30, 2026**



**WEALTH ADVISORY | OUTSOURCING  
AUDIT, TAX, AND CONSULTING**

**[CLAconnect.com](https://www.CLAconnect.com)**

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## INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

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

Management is responsible for the accompanying projected combined financial statements of Lutheran Retirement Center – Clemmons, Inc., LSA Elms at Tanglewood, Inc., LSA Elms Property, Inc., Lutheran Home – Forsyth County, Inc., and Lutheran Home Forsyth County Property, Inc., collectively d/b/a Trinity Elms (“Trinity Elms”), which comprise the projected combined balance sheets as of September 30, 2022, 2023, 2024, 2025, and 2026, and the related projected combined statements of operations and changes in net assets, and cash flows for the years then ending, and the related summaries of significant projection assumptions and accounting policies in accordance with the guidelines for presentation of a financial projection established by the American Institute of Certified Public Accountants (AICPA). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the projected combined financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these projected financial statements or the assumptions. Furthermore, even if Trinity Elms is able to achieve the hypothetical assumptions as noted in Management’s Summary of Significant Projection Assumptions and Accounting Policies on page 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 requirements of North Carolina General Statutes, Chapter 58, Article 64 and is included in Trinity Elms disclosure statement filing), and are not intended to be and should not be used by anyone other than these specified parties.

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 24, 2022

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

|   | 2022             | 2023             | 2024             | 2025             | 2026             |
|---|------------------|------------------|------------------|------------------|------------------|
| Operating Revenue                                   |                  |                  |                  |                  |                  |
| Patient Service Revenues:                           |                  |                  |                  |                  |                  |
| Monthly Fee Revenues                                | \$ 1,268         | \$ 1,306         | \$ 1,345         | \$ 1,385         | \$ 1,427         |
| Health Care Revenues - Assisted Living and Nursing  | 15,669           | 16,019           | 16,395           | 16,772           | 17,154           |
| Federal Grants and Other                            | 353              | -                | -                | -                | -                |
| Other Operating Revenue                             | 82               | 85               | 87               | 90               | 93               |
| Total Operating Revenue                             | <u>17,372</u>    | <u>17,410</u>    | <u>17,827</u>    | <u>18,247</u>    | <u>18,674</u>    |
| Expenses  |                  |                  |                  |                  |                  |
| Health Care   | 6,735            | 7,003            | 7,215            | 7,430            | 7,654            |
| Operations:   |                  |                  |                  |                  |                  |
| Maintenance   | 302              | 314              | 323              | 333              | 343              |
| Utilities   | 364              | 379              | 390              | 402              | 414              |
| Laundry   | 226              | 235              | 242              | 250              | 257              |
| Housekeeping  | 553              | 575              | 592              | 610              | 628              |
| Groundskeeping                                      | 63               | 65               | 67               | 69               | 71               |
| Dietary   | 1,420            | 1,476            | 1,521            | 1,566            | 1,614            |
| Activities, Transportation, and Ministry            | 327              | 340              | 350              | 360              | 371              |
| Administrative                                      | 2,753            | 2,679            | 2,761            | 2,842            | 2,927            |
| Management Fees                                     | 806              | 824              | 843              | 863              | 883              |
| Depreciation  | 1,205            | 1,271            | 1,314            | 1,359            | 1,404            |
| Interest Expense and Amortization                   | 702              | 705              | 680              | 667              | 673              |
| Total Operating Costs and Expenses                  | <u>15,456</u>    | <u>15,866</u>    | <u>16,298</u>    | <u>16,751</u>    | <u>17,239</u>    |
| Operating Income                                    | 1,916            | 1,544            | 1,529            | 1,496            | 1,435            |
| Non-Operating Gains:                                |                  |                  |                  |                  |                  |
| Investment Income                                   | 142              | 160              | 189              | 218              | 247              |
| Gain on Extinguishment of Debt                      | 1,447            | -                | -                | -                | -                |
| Contributions                                       | 20               | 20               | 22               | 22               | 22               |
| Total Non-Operating Income                          | <u>1,609</u>     | <u>180</u>       | <u>211</u>       | <u>240</u>       | <u>269</u>       |
| Excess of Revenues over Expenses                    | 3,525            | 1,724            | 1,740            | 1,736            | 1,704            |
| Changes in Net Assets Under Donor Restrictions      |                  |                  |                  |                  |                  |
| Total Change in Net Assets Under Donor Restrictions | <u>-</u>         | <u>-</u>         | <u>-</u>         | <u>-</u>         | <u>-</u>         |
| Changes in Net Assets                               | 3,525            | 1,724            | 1,740            | 1,736            | 1,704            |
| Net Assets at Beginning of Year                     | 8,907            | 12,432           | 14,156           | 15,896           | 17,632           |
| Net Assets at End of Year                           | <u>\$ 12,432</u> | <u>\$ 14,156</u> | <u>\$ 15,896</u> | <u>\$ 17,632</u> | <u>\$ 19,336</u> |

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



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

|  | 2022            | 2023            | 2024            | 2025            | 2026            |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Cash Flows from Operating Activities:  |                 |                 |                 |                 |                 |
| Changes in Net Assets  | \$ 3,525        | \$ 1,724        | \$ 1,740        | \$ 1,736        | \$ 1,704        |
| Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities: |                 |                 |                 |                 |                 |
| Depreciation   | 1,205           | 1,271           | 1,314           | 1,359           | 1,404           |
| Amortization of Debt Issuance Costs  | 89              | 94              | 93              | 88              | 79              |
| Amortization of Debt Premium   | (617)           | (658)           | (645)           | (612)           | (552)           |
| Gain on Extinguishment of Debt   | (1,447)         | -               | -               | -               | -               |
| Changes in Assets and Liabilities:   |                 |                 |                 |                 |                 |
| Accounts Receivable, Residents and Clients   | (10)            | (34)            | (34)            | (34)            | (34)            |
| Other Current Assets   | (57)            | (3)             | (3)             | (3)             | (3)             |
| Accounts Payable and Other Accrued Liabilities   | (10)            | 30              | 30              | 30              | 31              |
| Accrued Interest Payable   | 26              | (3)             | (3)             | (3)             | (4)             |
| Deferred Revenue from Grants and Other   | (353)           | -               | -               | -               | -               |
| Net Cash Provided by Operating Activities  | <u>2,351</u>    | <u>2,421</u>    | <u>2,492</u>    | <u>2,561</u>    | <u>2,625</u>    |
| Cash Flows from Investment Activities:   |                 |                 |                 |                 |                 |
| Routine Purchases of Property and Equipment  | (612)           | (432)           | (440)           | (450)           | (460)           |
| Change in Investments, Net   | 190             | (923)           | (950)           | (964)           | (968)           |
| Change in Assets Whose Use is Limited, Net   | (224)           | (6)             | (4)             | (3)             | (4)             |
| Net Cash Used in Investment Activities   | <u>(646)</u>    | <u>(1,361)</u>  | <u>(1,394)</u>  | <u>(1,417)</u>  | <u>(1,432)</u>  |
| Cash Flows from Financing Activities:  |                 |                 |                 |                 |                 |
| Allocated Payments of Long-Term Debt   | (1,287)         | (904)           | (939)           | (981)           | (1,028)         |
| Net Cash Used in Financing Activities  | <u>(1,287)</u>  | <u>(904)</u>    | <u>(939)</u>    | <u>(981)</u>    | <u>(1,028)</u>  |
| Change in Cash and Cash Equivalents  | 418             | 156             | 159             | 163             | 165             |
| Cash, Cash Equivalents and Restricted Cash, Beginning of Year                                | 5,002           | 5,420           | 5,576           | 5,735           | 5,898           |
| Cash, Cash Equivalents, and Restricted Cash, End of Year                                     | <u>\$ 5,420</u> | <u>\$ 5,576</u> | <u>\$ 5,735</u> | <u>\$ 5,898</u> | <u>\$ 6,063</u> |
| <b>Supplemental Disclosure of Cash Flow Information:</b>                                     |                 |                 |                 |                 |                 |
| Cash Paid During the Year for Interest, Net of Amounts Capitalized                           | <u>\$ 1,204</u> | <u>\$ 1,272</u> | <u>\$ 1,235</u> | <u>\$ 1,194</u> | <u>\$ 1,150</u> |

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

**LUTHERAN RETIREMENT CENTER – CLEMMONS, INC.  
LSA ELMS AT TANGLEWOOD, INC.  
LSA ELMS PROPERTY, INC.  
LUTHERAN HOME – FORSYTH COUNTY, INC.  
LUTHERAN HOME FORSYTH COUNTY PROPERTY, INC.  
COLLECTIVELY D/B/A TRINITY ELMS  
PROJECTED COMBINED BALANCE SHEETS  
ASSUMING THE HYPOTHETICAL ASSUMPTIONS ON PAGE 5  
AT SEPTEMBER 30,  
(In Thousands of Dollars)**

|  | 2022      | 2023      | 2024      | 2025      | 2026      |
|--|-----------|-----------|-----------|-----------|-----------|
| <b>ASSETS</b>  |           |           |           |           |           |
| Current Assets:  |           |           |           |           |           |
| Cash and Cash Equivalents  | \$ 4,830  | \$ 4,968  | \$ 5,106  | \$ 5,244  | \$ 5,382  |
| Investments  | 4,048     | 4,971     | 5,921     | 6,885     | 7,853     |
| Current Portion of Assets Limited as to Use  | 553       | 571       | 592       | 617       | 644       |
| Accounts Receivable, Residents, and Clients, Net of Allowance for Doubtful Accounts        | 1,598     | 1,632     | 1,666     | 1,700     | 1,734     |
| Other Receivable   | 46        | 46        | 46        | 46        | 46        |
| Inventories  | 141       | 144       | 147       | 150       | 153       |
| Residents' Funds   | 37        | 37        | 37        | 37        | 37        |
| Total Current Assets   | 11,253    | 12,369    | 13,515    | 14,679    | 15,849    |
| Assets Limited as to Use:  |           |           |           |           |           |
| Assets Limited as to Use - Operating Reserve Requirement                                   | 224       | 230       | 234       | 237       | 241       |
| Bond Funds   | 553       | 571       | 592       | 617       | 644       |
| Total Assets Limited as to Use   | 777       | 801       | 826       | 854       | 885       |
| Less: Current Portion  | (553)     | (571)     | (592)     | (617)     | (644)     |
|  | 224       | 230       | 234       | 237       | 241       |
| Due from Affiliate   | 7,125     | 7,125     | 7,125     | 7,125     | 7,125     |
| Property and Equipment, Net  | 27,771    | 26,932    | 26,058    | 25,149    | 24,205    |
| Total Assets   | \$ 46,373 | \$ 46,656 | \$ 46,932 | \$ 47,190 | \$ 47,420 |
| <b>LIABILITIES AND NET ASSETS</b>  |           |           |           |           |           |
| Current Liabilities  |           |           |           |           |           |
| Current Maturities of Long-Term Debt   | \$ 904    | \$ 939    | \$ 981    | \$ 1,028  | \$ 1,081  |
| Accounts Payable, Trade  | 175       | 180       | 185       | 190       | 195       |
| Accrued Salaries and Payroll Taxes   | 437       | 460       | 483       | 504       | 528       |
| Accrued Health Benefits  | 37        | 39        | 41        | 45        | 47        |
| Accrued Interest Payable   | 26        | 23        | 20        | 17        | 13        |
| Residents' Funds Liability   | 37        | 37        | 37        | 37        | 37        |
| Total Current Liabilities  | 1,616     | 1,678     | 1,747     | 1,821     | 1,901     |
| Long-Term Liabilities:   |           |           |           |           |           |
| Long-Term Debt, Less Current Maturities, Debt Issuance Costs and Original Issuance Premium | 32,212    | 30,709    | 29,176    | 27,624    | 26,070    |
| Deposit Liability  | 113       | 113       | 113       | 113       | 113       |
| Total Long-Term Liabilities  | 32,325    | 30,822    | 29,289    | 27,737    | 26,183    |
| Total Liabilities  | 33,941    | 32,500    | 31,036    | 29,558    | 28,084    |
| Net Assets:  |           |           |           |           |           |
| Net Assets Without Donor Restriction   |           |           |           |           |           |
| Unrestricted, Undesignated   | 12,430    | 14,154    | 15,894    | 17,630    | 19,334    |
| Total Net Assets Without Donor Restriction   | 12,430    | 14,154    | 15,894    | 17,630    | 19,334    |
| Net Assets With Donor Restriction  | 2         | 2         | 2         | 2         | 2         |
| Total Net Assets   | 12,432    | 14,156    | 15,896    | 17,632    | 19,336    |
| Total Liabilities and Net Assets   | \$ 46,373 | \$ 46,656 | \$ 46,932 | \$ 47,190 | \$ 47,420 |

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

# Summary of Significant Projection Assumptions and Accounting Policies

## INTRODUCTION

### Basis of Presentation

This financial projection presents, to the best of management's ("Management") knowledge and belief Lutheran Retirement Center – Clemmons, Inc., LSA Elms at Tanglewood, Inc., LSA Elms Property, Inc., Lutheran Home – Forsyth County, Inc., and Lutheran Home Forsyth County Property, Inc., collectively d/b/a Trinity Elms ("Trinity Elms"), expected combined balance sheets, combined statements of operations and changes in net assets, and combined cash flows as of September 30, 2022, 2023, 2024, 2025, and 2026 and for each of the years then ending (the "Projection" or the "Projection Period").

Accordingly, the projection reflects Management's judgment as of February 24, 2022, the date of this Projection, of the expected conditions and its expected course of action during the Projection Period. The financial projection is based on Management's assumptions concerning future events and circumstances. The assumptions disclosed herein are those that Management believes are significant to the Projection or are key factors upon which the financial results of Trinity Elms depend.

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

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

- 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 Elms, COVID-19 may impact various parts of its 2022 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 assisted living and 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 \$353,434 of provider relief funds in fiscal year 2022 on expenses related to preventing, preparing for, or responding to the COVID-19 pandemic.
- Management is able to achieve the projected operating revenue inflationary rate increases and operating expense inflationary increases as described hereinafter.
- Management obtains forgiveness for PPP loans, as defined hereinafter, as projected.

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

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

## Summary of Significant Projection Assumptions and Accounting Policies

### **BACKGROUND INFORMATION**

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

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

The Obligated Group consists of the following:

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

| Operating Entities  | Corresponding Property Corporation           | Location          | Independent Living | Assisted Living | Skilled Nursing | Total        |
|---|--|-------------------|--------------------|-----------------|-----------------|--------------|
| <u>Parent Corporation</u>   |  |                   |                    |                 |                 |              |
| Lutheran Services for the Aging, Inc.   | -  | Salisbury, NC     |                    |                 |                 |              |
| <u>Nursing</u>  |  |                   |                    |                 |                 |              |
| Lutheran Home - Hickory West, Inc. (Trinity Ridge)                                    | Lutheran Home Hickory West Property, Inc.    | Hickory, NC       | -                  | -               | 120             | 120          |
| Lutheran Home - Wilmington, Inc. (Trinity Grove)                                      | Lutheran Home Wilmington Property, Inc.      | Wilmington, NC    | -                  | -               | 100             | 100          |
| Lutheran Home - Winston-Salem, Inc. (Trinity Glen)                                    | Lutheran Home Winston-Salem Property, Inc.   | Winston-Salem, NC | -                  | -               | 117             | 117          |
| <u>Assisted Living / Nursing</u>  |  |                   |                    |                 |                 |              |
| Lutheran Home - Albemarle, Inc. (Trinity Place) <sup>(1)</sup>                        | Lutheran Home Albemarle Property, Inc.       | Albemarle, NC     | -                  | 27              | 76              | 103          |
| Lutheran Home - Hickory, Inc. (Trinity Village)                                       | Lutheran Home Hickory Property, Inc.         | Hickory, NC       | -                  | 90              | 104             | 194          |
| <u>Retirement Communities</u>   |  |                   |                    |                 |                 |              |
| Lutheran Retirement Center at Lutheridge, Inc. (Trinity View) <sup>(2)</sup>          | -  | Arden, NC         | 78                 | 24              | -               | 102          |
| Lutheran Retirement Center - Salisbury, Inc. (Trinity Oaks retirement) <sup>(3)</sup> | -  | Salisbury, NC     | 167                | 38              | -               | 205          |
| Lutheran Home at Trinity Oaks, Inc. (Trinity Oaks health & rehab) <sup>(3)</sup>      | Lutheran Home at Trinity Oaks Property, Inc. | Salisbury, NC     | 12                 | 12              | 115             | 139          |
| Lutheran Home - Forsyth County, Inc. (Trinity Elms health & rehab) <sup>(4)</sup>     | Lutheran Home Forsyth County Property, Inc.  | Clemmons, NC      | -                  | -               | 100             | 100          |
| LSA Elms at Tanglewood, Inc. (Trinity Elms assisted living) <sup>(4) (5)</sup>        | LSA Elms Property, Inc.                      | Clemmons, NC      | -                  | 104             | -               | 104          |
| Lutheran Retirement Center - Clemmons, Inc. (Trinity Elms retirement) <sup>(4)</sup>  | -  | Clemmons, NC      | 54                 | -               | -               | 54           |
| Lutheran Retirement Center - Wilmington, Inc. (Trinity Landing) <sup>(6)</sup>        | -  | Wilmington, NC    | 184                | -               | -               | 184          |
| Lutheran Retirement Center - Hickory, Inc. <sup>(7)</sup>                             | -  | Hickory, NC       | -                  | -               | -               | -            |
| Lutheran Retirement Center - Hickory West, Inc. <sup>(7)</sup>                        | -  | Hickory, NC       | -                  | -               | -               | -            |
| <u>Other</u>  |  |                   |                    |                 |                 |              |
| Abundant Living Adult Day Services, Inc.  | Lutheran Services Property, Inc.             | Salisbury, NC     | -                  | -               | -               | -            |
| LSA Management, Inc.  | -  | Salisbury, NC     | -                  | -               | -               | -            |
| LSA Pharmacy, Inc.  | -  | Salisbury, NC     | -                  | -               | -               | -            |
| The Foundation for Abundant Living  | -  | Salisbury, NC     | -                  | -               | -               | -            |
| <b>Total</b>  |  |                   | <b>495</b>         | <b>295</b>      | <b>732</b>      | <b>1,522</b> |

Source: Management

## 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 2021 Bonds. Management pursued and obtained the Series 2021 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”.
- (7) Lutheran Retirement Center – Hickory, Inc. and Lutheran Retirement – Hickory West, Inc. currently have no operations.

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

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

### Overview of Services Provided by Trinity Elms

#### *Trinity Elms retirement*

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

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

Trinity Elms is a Type D, rental facility. The monthly service fee at Trinity Elms retirement entitles occupancy of a residence by the resident, together with the use and benefits of its common areas, amenities, services and programs. Residents are also given priority access to the assisted living beds

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

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

at Trinity Elms assisted living and the skilled nursing beds at Trinity Elms health and rehab. Upon temporary or permanent transfer to an assisted living or nursing unit, the resident will pay a per diem rate for assisted living or nursing services, as applicable.

#### *Trinity Elms assisted living*

In December 2008, LSA Elms at Tanglewood, Inc. acquired Trinity Elms, an assisted living facility, located in Clemmons, North Carolina. With 89 assisted living beds in operation of 104 licensed assisted living beds (including 30 licensed beds in the memory Enrichment Center), the facility is approximately 90% private pay. Trinity Elms assisted living is currently the Obligated Group's only stand-alone assisted living facility; however, LSA has applied to have Trinity Elms assisted living, Trinity Elms health and rehab, and Trinity Elms retirement operate together as a North Carolina licensed continuing care retirement community.

#### *Trinity Elms health and rehab*

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

### **Health Care Services**

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

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

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

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

## **SUMMARY OF SIGNIFICANT POLICIES**

### **Basis of Accounting**

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

### **Cash and Cash Equivalents**

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

Restricted cash is included with cash and cash equivalents in the projected combined statements of cash flows. The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the projected combined balance sheets that sum to the total amounts shown in the projected combined statements of cash flows for the periods ending September 30, 2022, 2023, 2024, 2025, and 2026.

|   | As of September 30, |          |          |          |          |
|---|---------------------|----------|----------|----------|----------|
|   | 2022                | 2023     | 2024     | 2025     | 2026     |
| Cash and Cash Equivalents   | \$ 4,830            | \$ 4,968 | \$ 5,106 | \$ 5,244 | \$ 5,382 |
| Residents' Funds  | 37                  | 37       | 37       | 37       | 37       |
| Assets Limited as to Use:   |                     |          |          |          |          |
| Bond Funds  | 553                 | 571      | 592      | 617      | 644      |
| Total Cash, Cash Equivalents and Restricted Cash Shown in Projected Combined Statements of Cash Flows | \$ 5,420            | \$ 5,576 | \$ 5,735 | \$ 5,898 | \$ 6,063 |

### **Investments**

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

### **Service Fees**

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

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

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

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.

#### **Revenue Recognition**

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

##### *Monthly service fees:*

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

##### *Patient Service Revenue:*

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

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

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

#### **Debt Issuance Costs**

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

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



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

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

#### **Property and Equipment**

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

#### **Compensation Absences**

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

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

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

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

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

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

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

#### **Advertising Costs**

Advertising costs are charged to operations when incurred.

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

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

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

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

#### **Income Taxes**

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

## Summary of Significant Projection Assumptions and Accounting Policies

### MANAGEMENT'S BASIS FOR PROJECTION OF REVENUES

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

Resident service revenue is composed of:

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

### Projected Occupancy Levels

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

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

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| Facility Name           | 2022 | 2023 | 2024 | 2025 | 2026 |
|-------------------------|------|------|------|------|------|
| Trinity Elms retirement | 97%  | 97%  | 97%  | 97%  | 97%  |

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Source: Management

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

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

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| Facility Name                | 2022 | 2023 | 2024 | 2025 | 2026 |
|------------------------------|------|------|------|------|------|
| Trinity Elms assisted living | 91%  | 95%  | 95%  | 95%  | 95%  |

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Source: Management

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

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| Facility Name                 | 2022 | 2023 | 2024 | 2025 | 2026 |
|-------------------------------|------|------|------|------|------|
| Trinity Elms health and rehab | 87%  | 92%  | 92%  | 92%  | 92%  |

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Source: Management

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## Summary of Significant Projection Assumptions and Accounting Policies

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

#### Projected Monthly Fees and Daily Fees Increases

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

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

|                                     | 2022               | 2023  | 2024  | 2025  | 2026  |
|-------------------------------------|--------------------|-------|-------|-------|-------|
| <b>Nursing</b>                      |                    |       |       |       |       |
| Private Pay                         | n/a <sup>(1)</sup> | 3.00% | 3.00% | 3.00% | 3.00% |
| <b>Insurance</b>                    |                    |       |       |       |       |
| Medicare                            | n/a <sup>(1)</sup> | 2.00% | 2.00% | 2.00% | 2.00% |
| Medicaid/Hospice                    | n/a <sup>(1)</sup> | 1.00% | 1.00% | 1.00% | 1.00% |
| <b>Assisted Living</b>              |                    |       |       |       |       |
| Private Pay                         | n/a <sup>(1)</sup> | 3.00% | 3.00% | 3.00% | 3.00% |
| Medicaid / State Special Assistance | n/a <sup>(1)</sup> | 0.00% | 0.00% | 0.00% | 0.00% |
| <b>Independent Living</b>           |                    |       |       |       |       |
| Monthly Service Fee                 | n/a <sup>(1)</sup> | 3.00% | 3.00% | 3.00% | 3.00% |

Source: Management

Note: (1) Existing facility rates are in 2022 dollars. Inflation begins in the following year.

#### Assisted Living Fees

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

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

| Facility Name                                    | 2022   | 2023   | 2024   | 2025   | 2026   |
|--|--------|--------|--------|--------|--------|
| <b>Payer Mix</b>                                 |        |        |        |        |        |
| Trinity Elms assisted living                     |        |        |        |        |        |
| Private Pay - Private Room                       | \$ 160 | \$ 165 | \$ 170 | \$ 175 | \$ 180 |
| Private Pay - Private Memory Support             | \$ 192 | \$ 198 | \$ 204 | \$ 210 | \$ 216 |
| Private Pay - Semi-Private Memory Support        | \$ 175 | \$ 180 | \$ 186 | \$ 191 | \$ 197 |
| Special Assistance - Traditional Assisted Living | \$ 30  | \$ 30  | \$ 30  | \$ 30  | \$ 30  |
| Special Assistance - Memory Support              | \$ 49  | \$ 49  | \$ 49  | \$ 49  | \$ 49  |

Source: Management

#### Assisted Living Payer Mix

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

**See Independent Accountants' Compilation Report**

## Summary of Significant Projection Assumptions and Accounting Policies

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

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

| Facility Name                                    |      |      |      |      |      |
|--|------|------|------|------|------|
| Payer Mix  | 2022 | 2023 | 2024 | 2025 | 2026 |
| Trinity Elms assisted living                     |      |      |      |      |      |
| Private Pay - Private Room                       | 64%  | 64%  | 64%  | 64%  | 64%  |
| Private Pay - Semi-Private Room                  | 1%   | 1%   | 1%   | 1%   | 1%   |
| Private Pay - Private Memory Support             | 22%  | 22%  | 22%  | 22%  | 22%  |
| Private Pay - Semi-Private Memory Support        | 2%   | 2%   | 2%   | 2%   | 2%   |
| Special Assistance - Traditional Assisted Living | 4%   | 4%   | 4%   | 4%   | 4%   |
| Special Assistance - Memory Support              | 7%   | 7%   | 7%   | 7%   | 7%   |

Source: Management

### Nursing Fees

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

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

| Facility Name                 |        |        |        |        |        |
|-------------------------------|--------|--------|--------|--------|--------|
| Payer Mix                     | 2022   | 2023   | 2024   | 2025   | 2026   |
| Trinity Elms health and rehab |        |        |        |        |        |
| Private Pay - Private Room    | \$ 313 | \$ 322 | \$ 332 | \$ 342 | \$ 352 |
| Insurance                     | \$ 515 | \$ 530 | \$ 546 | \$ 563 | \$ 580 |
| Medicare                      | \$ 550 | \$ 561 | \$ 572 | \$ 584 | \$ 595 |
| Medicaid <sup>(1)</sup>       | \$ 242 | \$ 194 | \$ 196 | \$ 198 | \$ 200 |

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 is an additional “outbreak” rate structure for the nursing community. Effective October 1, 2021 through December 31, 2021, a COVID add-on of approximately \$95 per resident day is applied for all Medicaid residents in the nursing community. Effective January 1, 2022, this amount was reduced to \$47.50 per resident day. The State of North Carolina had indicated the protocols will be in place through February 28, 2022; however, Management believes it is likely that they will be extended through March 31, 2021 and as such, has projected this COVID add-on would continue through March 31, 2022. Management has projected reverting to the normal fee structure beginning April 1, 2022 and for the duration of the Projection Period.

## Summary of Significant Projection Assumptions and Accounting Policies

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

#### Nursing Payer Mix

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

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

| Facility Name<br>Payer Mix    | 2022 | 2023 | 2024 | 2025 | 2026 |
|-------------------------------|------|------|------|------|------|
| Trinity Elms health and rehab |      |      |      |      |      |
| Private Pay                   | 36%  | 41%  | 41%  | 41%  | 41%  |
| Insurance                     | 4%   | 4%   | 4%   | 4%   | 4%   |
| Medicare                      | 7%   | 7%   | 7%   | 7%   | 7%   |
| Medicaid                      | 53%  | 48%  | 48%  | 48%  | 48%  |

Source: Management

#### Independent Living Monthly Fees

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

**Table 10**  
**Trinity Elms retirement Independent Living – 2022 Monthly Fees**

| Unit Type              | No. of Units | Monthly Fee |
|------------------------|--------------|-------------|
| One Bedroom Pine       | 28           | \$ 1,804    |
| One Bedroom Birch      | 4            | \$ 1,963    |
| One Bedroom Hickory    | 4            | \$ 1,963    |
| One Bedroom Oak        | 2            | \$ 2,228    |
| Two Bedroom Dogwood    | 16           | \$ 2,388    |
| Total/Weighted Average | 54           | \$ 2,016    |

Source: Management

#### Investment Income

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

**Table 11**  
**Projected Investment Earning Rates**  
**For the Years Ending September 30,**

|                                  | 2022  | 2023  | 2024  | 2025  | 2026  |
|----------------------------------|-------|-------|-------|-------|-------|
| 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

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

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

Management does not project any unrealized gains/losses from the valuation of investments during the Projection Period for 2022 through 2026.

#### **Other Revenue Items**

As of September 30, 2021, Trinity Elms had approximately \$353,000 remaining of Public Health Social Services Emergency Funds ("PHSSEF") as a result of the CARES Act during the COVID-19 pandemic deferred on the balance sheet. Management has projected that it will utilize the remaining approximate \$353,000 of provider relief funds in accordance with the terms and conditions of these funds in fiscal year 2022 and as such, Management has projected recognizing these funds into income during the year ending September 30, 2022. This amount is included in the federal grants and other on the combined projected statement of operations and changes in net assets.

As described hereinafter, Management has projected received forgiveness of approximately \$1,447,000 of PPP loans for Trinity Elms during fiscal year 2022 and as such, has projected a gain on the forgiveness of debt of approximately \$1,447,000 on the combined projected statement of operations and changes in net assets.

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

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

#### **Operating Expenses**

Operating expenses have been projected to be recognized during the month incurred. Management has projected operating expenses based upon Management's operating plans for Trinity Elms, based on the historical operations of Trinity Elms. In general, operating expenses are projected to increase approximately 4.0 percent in 2023 and 3.0 percent annually thereafter throughout the Projection Period for inflation.

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

#### **Salaries and Wages**

A full time equivalent employee ("FTE") represents 2,080 hours of time paid annually. Average hourly rates are projected to increase at a rate of 4.0 percent in 2023 and 3.0 percent annually, thereafter, for inflation throughout the Projection Period.

#### **Employee Benefits**

Benefit costs include payroll taxes and employee benefits including FICA, unemployment taxes, workers' compensation, health insurance, pension plan, incentives and other miscellaneous benefits for Trinity Elms. These benefit costs have been projected by department based on the historical experience of Trinity Elms. Management has projected that benefits would approximate 20.3 percent of wages and salaries during the Projection Period. Management assumes that these costs would increase at approximately 4.0 percent in 2023 and 3.0 percent annually, thereafter, for inflation during the Projection Period.

#### **Healthcare**

Healthcare costs have been estimated based upon the historical costs of Trinity Elms, Management's estimates, and industry experience. Management assumes that these costs increase 4.0 percent in 2023 and 3.0 percent annually, thereafter, 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. Management assumes that these costs would increase 4.0 percent in 2023 and 3.0 percent annually, thereafter, for inflation during the Projection Period.

#### **Utilities**

Utilities costs' have been estimated based upon the historical utilities' costs of Trinity Elms, Management's estimates, and industry experience. Management assumes that these costs would increase 4.0 percent in 2023 and 3.0 percent annually, thereafter, for inflation during the Projection Period.

#### **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 4.0 percent in 2023 and 3.0 percent annually, thereafter, for inflation during the Projection Period.



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

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

#### **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 has assumed the costs for raw food and all other non-salary related costs would increase 4.0 percent in 2023 and 3.0 percent annually, thereafter, 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 Elms, Management's estimates, and industry experience. Management assumes that these costs would increase 4.0 percent in 2023 and 3.0 percent annually, thereafter, for inflation during the Projection Period.

#### **Administration**

Non-salary related costs of administration are projected to include Management's estimate of costs for professional fees, insurance, supplies and other miscellaneous costs. Non-salary related costs of marketing and sales are projected to include Management's estimates of costs for advertising, print and online materials and website, contract services, professional fees and other miscellaneous costs. Management assumes these costs would increase 4.0 percent in 2023 and 3.0 percent annually, thereafter, for inflation during the Projection Period.

Also included in Administration during the fiscal year ending September 30, 2022, Management has projected COVID related expense of approximately \$353,000 and is included in the projected combined statements of operations and changes in net assets.

#### **Management Fee**

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

According to the terms of the Management Services Agreement. Starting in the fiscal year ending September 30, 2022, LSA Management, Inc. is to be paid a management fee equal to 4.75% of net resident revenue of Trinity Elms net of governmental contractual adjustments. The expense is shown as an operating expense on the projected combined statements of operations and changes in net assets.

## **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 138 days for 2022, 2023, 2024, 2025, and 2026. 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 34 days of operating revenues.

##### *Other Receivable*

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

##### *Inventories*

Inventories have been projected based on historical experience based on 3 days of operating expenses.

##### *Accounts Payable, Trade*

Accounts payable, trade, have been projected based on historical levels for Trinity Elms based on 5 days of operating expenses.

##### *Accrued Health Benefits*

Accrued Health Benefits have been projected based on historical levels for the Trinity Elms based on 2 days of total salaries and taxes.

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

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

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

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

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

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

## Summary of Significant Projection Assumptions and Accounting Policies

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

*Restricted Cash and Investments – Operating Reserve Requirements* – In North Carolina, continuing care retirement communities are required to establish an operating reserve equal to 50 percent of operating expenses if the community’s average occupancy is below 90 percent and 25 percent if the occupancy is in excess of 90 percent. The statutory operating reserve is based on operating expenses (excluding depreciation and amortization), and Trinity Elms can exclude interest and principal payments if a separate debt service reserve fund has been established. Management has projected its occupancy at Trinity Elms, which is applying to be licensed as 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 12**  
**Projected Operating Reserve Calculation – Trinity Elms**  
**For the Years Ending September 30,**  
**(In Thousands of Dollars)**

|   | 2022                 | 2023                 | 2024                 | 2025                 | 2026                 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Projected Total Operating Expenses  | \$ 15,456            | \$ 15,866            | \$ 16,298            | \$ 16,751            | \$ 17,239            |
| Less:   |                      |                      |                      |                      |                      |
| Depreciation  | (1,205)              | (1,271)              | (1,314)              | (1,359)              | (1,404)              |
| Interest Expense and Amortization   | (702)                | (705)                | (680)                | (667)                | (673)                |
| Projected Operating Expenses of LSA Elms at Tanglewood, Inc.,<br>Lutheran Home Forsyth County, Inc., Lutheran Home Forsyth<br>County Property, Inc., and LSA Elms Property, Inc. <sup>(1)</sup> | (13,107)             | (13,432)             | (13,832)             | (14,240)             | (14,663)             |
| Adjusted Operating Expenses   | <u>\$ 442</u>        | <u>\$ 458</u>        | <u>\$ 472</u>        | <u>\$ 485</u>        | <u>\$ 499</u>        |
| Include:  |                      |                      |                      |                      |                      |
| Principal Payment--Trinity Elms <sup>(2)</sup>  | -                    | -                    | -                    | -                    | -                    |
| Interest Payment--Trinity Elms <sup>(2)</sup>   | 454                  | 460                  | 462                  | 463                  | 463                  |
| Total Operating Costs   | <u>\$ 896</u>        | <u>\$ 918</u>        | <u>\$ 934</u>        | <u>\$ 948</u>        | <u>\$ 962</u>        |
| Operating Reserve Percentage <sup>(3)</sup>   | 25%                  | 25%                  | 25%                  | 25%                  | 25%                  |
| <b>Operating Reserve - Trinity Elms</b>   | <b><u>\$ 224</u></b> | <b><u>\$ 230</u></b> | <b><u>\$ 234</u></b> | <b><u>\$ 237</u></b> | <b><u>\$ 241</u></b> |

Source: Management

Notes:

(1) Management has excluded the operating expenses of LSA Elms at Tanglewood, Inc., Lutheran Home Forsyth County, Inc., Lutheran Home Forsyth County Property, Inc., and LSA Elms Property, Inc.

(2) The principal and interest allocated above represent the principal and interest owed on the Series 2021 Bonds, which is the sole responsibility of Lutheran Retirement Center - Clemmons, Inc. Lutheran Retirement Center - Clemmons, Inc. is not allocated any of the principal and interest payments from other outstanding long-term indebtedness of the Obligated Group.

(3) Lutheran Retirement Center - Clemmons, Inc. occupancies as of September 30,

|                                     |            |            |            |            |            |
|-------------------------------------|------------|------------|------------|------------|------------|
| IL Available Units                  | 54.0       | 54.0       | 54.0       | 54.0       | 54.0       |
| IL Occupied Units                   | 52.4       | 52.4       | 52.4       | 52.4       | 52.4       |
| Occupancy Percentage - Trinity Elms | <u>97%</u> | <u>97%</u> | <u>97%</u> | <u>97%</u> | <u>97%</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.

## Summary of Significant Projection Assumptions and Accounting Policies

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

#### Property and Equipment

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

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

|                                    | 2022             | 2023             | 2024             | 2025             | 2026             |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Land and Land Improvements         | \$ 3,526         | \$ 3,526         | \$ 3,526         | \$ 3,526         | \$ 3,526         |
| Building and Building Improvements | 30,884           | 31,186           | 31,494           | 31,809           | 32,131           |
| Certificate of Need                | 1,250            | 1,250            | 1,250            | 1,250            | 1,250            |
| Furnishings and Equipment          | 3,165            | 3,295            | 3,427            | 3,562            | 3,700            |
| Computer Software                  | 65               | 65               | 65               | 65               | 65               |
| Automotive Equipment               | 49               | 49               | 49               | 49               | 49               |
|                                    | <u>38,939</u>    | <u>39,371</u>    | <u>39,811</u>    | <u>40,261</u>    | <u>40,721</u>    |
| Less: Accumulated Depreciation     | (11,168)         | (12,439)         | (13,753)         | (15,112)         | (16,516)         |
| Net Property and Equipment         | <u>\$ 27,771</u> | <u>\$ 26,932</u> | <u>\$ 26,058</u> | <u>\$ 25,149</u> | <u>\$ 24,205</u> |

Source: Management

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

|                                | 2022   | 2023   | 2024   | 2025   | 2026   |
|--------------------------------|--------|--------|--------|--------|--------|
| Capital Expenditures - Routine | \$ 612 | \$ 432 | \$ 440 | \$ 450 | \$ 460 |

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 Elms is one of several members of LSA that are part of an Obligated Group (the "Obligated Group") which was established as part of its previous financings. The Obligated Group has a number of existing outstanding debt agreements which Trinity Elms is subject to. Management has indicated that the long-term debt of the Obligated Group consisted of the following at October 1, 2021:

- \$109,960,000 (Series 2021A Bonds)
  - In June 2021, LSA issued an aggregate of \$118,660,413 (\$109,960,000 PAR) and \$8,700,413 premium) tax exempt Health Care Facilities First Mortgage Revenue Refunding Bonds (Lutheran Services for the Aging) Series 2021A Bonds through the North Carolina Medical Care Commission ("Commission") under the Master Trust Indenture and other related agreements.
- \$12,774,767 (Series 2021B Bonds)
  - During 2021, LSA also issued \$12,774,767 tax exempt Health Care Facilities First Mortgage Revenue Refunding Bonds Series 2021B Bonds through the Commission. The Series 2021B Bonds have a draw-down structure and can be drawn down up to a total of \$41,250,000.

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

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

- \$39,065,000 ("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. Management has projected the refunding of the Series 2012A Bonds with the closing of the Series 2021C Bonds as described hereinafter.

The Series 2021C Bonds are forward delivery bonds that closed on December 1, 2021 (fiscal year 2022). The Series 2021C Bonds refunded the Series 2012A Bonds. The Series 2021C Bonds consist of the following:

- \$12,455,000 of tax-exempt fixed-rate serial bonds issued with a fixed coupon ranging from 4.00% to 5.00% with principal payments from March 1, 2023 through 2031. Interest is payable March 1

## Summary of Significant Projection Assumptions and Accounting Policies

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

and September 1 of each year beginning on March 1, 2022, with principal payments beginning March 1, 2023.

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

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

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

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

|   | Series 2021A<br>Bonds | Series 2021B<br>Bonds | Series 2021C<br>Bonds |
|---|-----------------------|-----------------------|-----------------------|
| Trinity Elms health and rehab               | 0.0%                  | 0.0%                  | 0.0%                  |
| Lutheran Home Forsyth County Property, Inc. | 43.8%                 | 0.0%                  | 0.0%                  |
| Trinity Elms assisted living                | 0.2%                  | 0.0%                  | 0.0%                  |
| LSA Elms Property, Inc.                     | 0.4%                  | 0.0%                  | 21.9%                 |
| Trinity Elms retirement                     | 0.0%                  | 0.0%                  | 0.0%                  |
| All Other Members of the Obligated Group    | 55.6%                 | 100.0%                | 78.1%                 |
| Total                                       | 100.0%                | 100.0%                | 100.0%                |

### **Paycheck Protection Loans**

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

The Obligated Group received total PPP loans in the total amount of approximately \$10,616,000 and has elected to account for the funds received in accordance with ASC Topic 470, *Debt*. Trinity Elms received approximately \$1,447,000 in PPP loans. In order to be forgiven, funds from these loans may only be used to satisfy payroll costs, costs used to continue health care benefits, mortgage payments, rent, utilities, and interest on certain other debt obligations. The Obligated Group believes they have used the proceeds of the loans for qualifying expenses under the PPP. However, additional steps must be taken to apply for and receive forgiveness. The loans accrue interest at a rate of 1% and mature five years from the date of the loans. Payments are deferred during the deferred period, which began on the loan origination date and extended for 10 months beyond the last day of the Obligated Group's covered period.

## Summary of Significant Projection Assumptions and Accounting Policies

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

Any unforgiven portion of the PPP loan is payable in equal installments of principal and interest from the end of the deferral period through the scheduled maturity date. In addition, to the extent the loan is not forgiven, any interest accrued during the deferral period is due on the date of the first payment after the end of the deferral period. Management has projected receiving forgiveness of the PPP loan during the fiscal year ending September 30, 2022 and as a result has shown the forgiveness of the PPP loan as a gain on the forgiveness of debt on the combined projected statement of operations and changes in net assets.

The following table summarizes the existing and proposed debt obligations:

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

| Year       | Series 2021A | Series 2021B | Series 2021C | Total     |
|------------|--------------|--------------|--------------|-----------|
|            | Bonds        | Bonds        | Bonds        |           |
| 2022       | \$ 532       | \$ -         | \$ 755       | \$ 1,287  |
| 2023       | 656          | -            | 248          | 904       |
| 2024       | 678          | -            | 261          | 939       |
| 2025       | 707          | -            | 274          | 981       |
| 2026       | 740          | -            | 288          | 1,028     |
| 2027       | 778          | -            | 303          | 1,081     |
| 2028       | 818          | -            | 318          | 1,136     |
| 2029       | 856          | -            | 332          | 1,188     |
| 2030       | 891          | -            | 346          | 1,237     |
| 2031       | 927          | -            | 361          | 1,288     |
| Thereafter | 15,231       | -            | 5,079        | 20,310    |
| Total      | \$ 22,814    | \$ -         | \$ 8,565     | \$ 31,379 |

Source: Management and the Underwriter

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

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

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

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

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

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

##### **Due from Affiliate**

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

**See Independent Accountants' Compilation Report**



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

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

#### **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 Elms, COVID-19 may impact various parts of its 2022 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 Elms 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. While assisted living and skilled nursing occupancies were impacted by COVID-19 during the fiscal year ending September 30, 2021, Management has projected that its assisted living and 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.

## 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 Elms during each fiscal year ending September 30 during the Projection Period:

| For the fiscal year ending September 30, 2022 |   |                                 |                            |  |   |                |   |
|---|---|---------------------------------|----------------------------|--|---|----------------|---|
|   | Lutheran<br>Retirement Center<br>- Clemmons, Inc. | LSA Elms at<br>Tanglewood, Inc. | LSA Elms<br>Property, Inc. | Lutheran Home -<br>Forsyth County,<br>Inc. | Lutheran Home<br>Forsyth County<br>Property, Inc. | Eliminations   | Combined Total<br>Operating<br>Expenses |
| Expenses                                      |   |                                 |                            |  |   |                |   |
| Health Care                                   | \$ -  | \$ 1,435                        | \$ -                       | \$ 5,300                                   | \$ -  | \$ -           | \$ 6,735                                |
| Operations:                                   |   |                                 |                            |  |   |                |   |
| Maintenance                                   | 67  | 103                             | -                          | 132  | -   | -              | 302                                     |
| Utilities                                     | 59  | 151                             | -                          | 154  | -   | -              | 364                                     |
| Laundry                                       | -   | 58                              | -                          | 168  | -   | -              | 226                                     |
| Housekeeping                                  | 39  | 199                             | -                          | 315  | -   | -              | 553                                     |
| Groundskeeping                                | -   | 27                              | -                          | 36   | -   | -              | 63                                      |
| Security                                      | -   | -                               | -                          | -  | -   | -              | -                                       |
| Dietary                                       | 14  | 517                             | -                          | 889  | -   | -              | 1,420                                   |
| Activities, Transportation, and Ministry      | 16  | 120                             | -                          | 191  | -   | -              | 327                                     |
| Administrative                                | 185   | 1,700                           | 14                         | 2,393                                      | 46  | (1,585)        | 2,753                                   |
| Management Fees                               | 62  | 242                             | -                          | 502  | -   | -              | 806                                     |
| Subtotal                                      | <b>442</b>  | <b>4,552</b>                    | <b>14</b>                  | <b>10,080</b>                              | <b>46</b>   | <b>(1,585)</b> | <b>13,549</b>                           |
| Depreciation                                  |   |                                 |                            |  |   |                | 1,205                                   |
| Interest Expense and Amortization             |   |                                 |                            |  |   |                | 702                                     |
| Total Operating Costs and Expenses            |   |                                 |                            |  |   |                | <b>\$ 15,456</b>                        |

| For the fiscal year ending September 30, 2023 |   |                                 |                            |  |   |                |   |
|---|---|---------------------------------|----------------------------|--|---|----------------|---|
|   | Lutheran<br>Retirement Center<br>- Clemmons, Inc. | LSA Elms at<br>Tanglewood, Inc. | LSA Elms<br>Property, Inc. | Lutheran Home -<br>Forsyth County,<br>Inc. | Lutheran Home<br>Forsyth County<br>Property, Inc. | Eliminations   | Combined Total<br>Operating<br>Expenses |
| Expenses                                      |   |                                 |                            |  |   |                |   |
| Health Care                                   | \$ -  | \$ 1,493                        | \$ -                       | \$ 5,510                                   | \$ -  | \$ -           | \$ 7,003                                |
| Operations:                                   |   |                                 |                            |  |   |                |   |
| Maintenance                                   | 69  | 107                             | -                          | 138  | -   | -              | 314                                     |
| Utilities                                     | 61  | 157                             | -                          | 161  | -   | -              | 379                                     |
| Laundry                                       | -   | 61                              | -                          | 174  | -   | -              | 235                                     |
| Housekeeping                                  | 40  | 207                             | -                          | 328  | -   | -              | 575                                     |
| Groundskeeping                                | -   | 29                              | -                          | 36   | -   | -              | 65                                      |
| Security                                      | -   | -                               | -                          | -  | -   | -              | -                                       |
| Dietary                                       | 14  | 538                             | -                          | 924  | -   | -              | 1,476                                   |
| Activities, Transportation, and Ministry      | 17  | 125                             | -                          | 198  | -   | -              | 340                                     |
| Administrative                                | 193   | 1,768                           | 14                         | 2,305                                      | 47  | (1,648)        | 2,679                                   |
| Management Fees                               | 64  | 258                             | -                          | 502  | -   | -              | 824                                     |
| Subtotal                                      | <b>458</b>  | <b>4,743</b>                    | <b>14</b>                  | <b>10,276</b>                              | <b>47</b>   | <b>(1,648)</b> | <b>13,890</b>                           |
| Depreciation                                  |   |                                 |                            |  |   |                | 1,271                                   |
| Interest Expense and Amortization             |   |                                 |                            |  |   |                | 705                                     |
| Total Operating Costs and Expenses            |   |                                 |                            |  |   |                | <b>\$ 15,866</b>                        |

## 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, 2024 |   |                                 |                            |  |   |                |   |
|---|---|---------------------------------|----------------------------|--|---|----------------|---|
|   | Lutheran<br>Retirement Center<br>- Clemmons, Inc. | LSA Elms at<br>Tanglewood, Inc. | LSA Elms<br>Property, Inc. | Lutheran Home -<br>Forsyth County,<br>Inc. | Lutheran Home<br>Forsyth County<br>Property, Inc. | Eliminations   | Combined Total<br>Operating<br>Expenses |
| Expenses                                      |   |                                 |                            |  |   |                |   |
| Health Care                                   | \$ -  | \$ 1,538                        | \$ -                       | \$ 5,677                                   | \$ -  | \$ -           | \$ 7,215                                |
| Operations:                                   |   |                                 |                            |  |   |                |   |
| Maintenance                                   | 71  | 110                             | -                          | 142  | -   | -              | 323                                     |
| Utilities                                     | 63  | 161                             | -                          | 166  | -   | -              | 390                                     |
| Laundry                                       | -   | 62                              | -                          | 180  | -   | -              | 242                                     |
| Housekeeping                                  | 42  | 213                             | -                          | 337  | -   | -              | 592                                     |
| Groundskeeping                                | -   | 29                              | -                          | 38   | -   | -              | 67                                      |
| Security                                      | -   | -                               | -                          | -  | -   | -              | -                                       |
| Dietary                                       | 15  | 554                             | -                          | 952  | -   | -              | 1,521                                   |
| Activities, Transportation, and Ministry      | 17  | 128                             | -                          | 205  | -   | -              | 350                                     |
| Administrative                                | 199   | 1,821                           | 14                         | 2,375                                      | 49  | (1,697)        | 2,761                                   |
| Management Fees                               | 65  | 265                             | -                          | 513  | -   | -              | 843                                     |
| Subtotal                                      | <b>472</b>  | <b>4,881</b>                    | <b>14</b>                  | <b>10,585</b>                              | <b>49</b>   | <b>(1,697)</b> | <b>14,304</b>                           |
| Depreciation                                  |   |                                 |                            |  |   |                | 1,314                                   |
| Interest Expense and Amortization             |   |                                 |                            |  |   |                | 680                                     |
| Total Operating Costs and Expenses            |   |                                 |                            |  |   |                | <b>\$ 16,298</b>                        |

| For the fiscal year ending September 30, 2025 |   |                                 |                            |  |   |                |   |
|---|---|---------------------------------|----------------------------|--|---|----------------|---|
|   | Lutheran<br>Retirement Center<br>- Clemmons, Inc. | LSA Elms at<br>Tanglewood, Inc. | LSA Elms<br>Property, Inc. | Lutheran Home -<br>Forsyth County,<br>Inc. | Lutheran Home<br>Forsyth County<br>Property, Inc. | Eliminations   | Combined Total<br>Operating<br>Expenses |
| Expenses                                      |   |                                 |                            |  |   |                |   |
| Health Care                                   | \$ -  | \$ 1,583                        | \$ -                       | \$ 5,847                                   | \$ -  | \$ -           | \$ 7,430                                |
| Operations:                                   |   |                                 |                            |  |   |                |   |
| Maintenance                                   | 73  | 113                             | -                          | 147  | -   | -              | 333                                     |
| Utilities                                     | 64  | 166                             | -                          | 172  | -   | -              | 402                                     |
| Laundry                                       | -   | 64                              | -                          | 186  | -   | -              | 250                                     |
| Housekeeping                                  | 43  | 219                             | -                          | 348  | -   | -              | 610                                     |
| Groundskeeping                                | -   | 30                              | -                          | 39   | -   | -              | 69                                      |
| Security                                      | -   | -                               | -                          | -  | -   | -              | -                                       |
| Dietary                                       | 15  | 571                             | -                          | 980  | -   | -              | 1,566                                   |
| Activities, Transportation, and Ministry      | 18  | 132                             | -                          | 210  | -   | -              | 360                                     |
| Administrative                                | 205   | 1,875                           | 15                         | 2,445                                      | 50  | (1,748)        | 2,842                                   |
| Management Fees                               | 67  | 272                             | -                          | 524  | -   | -              | 863                                     |
| Subtotal                                      | <b>485</b>  | <b>5,025</b>                    | <b>15</b>                  | <b>10,898</b>                              | <b>50</b>   | <b>(1,748)</b> | <b>14,725</b>                           |
| Depreciation                                  |   |                                 |                            |  |   |                | 1,359                                   |
| Interest Expense and Amortization             |   |                                 |                            |  |   |                | 667                                     |
| Total Operating Costs and Expenses            |   |                                 |                            |  |   |                | <b>\$ 16,751</b>                        |

| For the fiscal year ending September 30, 2026 |   |                                 |                            |  |   |                |   |
|---|---|---------------------------------|----------------------------|--|---|----------------|---|
|   | Lutheran<br>Retirement Center<br>- Clemmons, Inc. | LSA Elms at<br>Tanglewood, Inc. | LSA Elms<br>Property, Inc. | Lutheran Home -<br>Forsyth County,<br>Inc. | Lutheran Home<br>Forsyth County<br>Property, Inc. | Eliminations   | Combined Total<br>Operating<br>Expenses |
| Expenses                                      |   |                                 |                            |  |   |                |   |
| Health Care                                   | \$ -  | \$ 1,631                        | \$ -                       | \$ 6,023                                   | \$ -  | \$ -           | \$ 7,654                                |
| Operations:                                   |   |                                 |                            |  |   |                |   |
| Maintenance                                   | 75  | 117                             | -                          | 151  | -   | -              | 343                                     |
| Utilities                                     | 66  | 171                             | -                          | 177  | -   | -              | 414                                     |
| Laundry                                       | -   | 66                              | -                          | 191  | -   | -              | 257                                     |
| Housekeeping                                  | 44  | 226                             | -                          | 358  | -   | -              | 628                                     |
| Groundskeeping                                | -   | 31                              | -                          | 40   | -   | -              | 71                                      |
| Security                                      | -   | -                               | -                          | -  | -   | -              | -                                       |
| Dietary                                       | 15  | 588                             | -                          | 1,011                                      | -   | -              | 1,614                                   |
| Activities, Transportation, and Ministry      | 18  | 136                             | -                          | 217  | -   | -              | 371                                     |
| Administrative                                | 212   | 1,932                           | 15                         | 2,516                                      | 52  | (1,800)        | 2,927                                   |
| Management Fees                               | 69  | 279                             | -                          | 535  | -   | -              | 883                                     |
| Subtotal                                      | <b>499</b>  | <b>5,177</b>                    | <b>15</b>                  | <b>11,219</b>                              | <b>52</b>   | <b>(1,800)</b> | <b>15,162</b>                           |
| Depreciation                                  |   |                                 |                            |  |   |                | 1,404                                   |
| Interest Expense and Amortization             |   |                                 |                            |  |   |                | 673                                     |
| Total Operating Costs and Expenses            |   |                                 |                            |  |   |                | <b>\$ 17,239</b>                        |

See Independent Accountants' Compilation Report

# **Exhibit D**

# **Residency Agreement**



**RESIDENCY AGREEMENT**

This Lease Agreement (this "Agreement") is made as of the \_\_\_\_\_ day \_\_\_\_\_ by and between Lutheran Retirement Center-Clemmons, Inc. d/b/a Trinity Elms, an affiliate of Lutheran Services Carolinas, hereinafter referred to as "TRINITY ELMS", and \_\_\_\_\_ herein referred to as "Resident" (and, if more than one, collectively the "Resident").

WHEREAS Trinity Elms, a not-for-profit 501 (3)(c) corporation affiliated with the North Carolina Synod of the Evangelical Lutheran Church in America, has developed an independent living rental community located at 7543 Fair Oaks Drive, Clemmons, North Carolina, (herein referred to as "The Community"); and

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

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

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

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

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

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

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

- d. **Meals.** A meal plan or meal credit is not included in the monthly rent for the Apartment. A Resident may purchase an individual meal or a monthly meal plan for an additional cost. The Resident should review the Dining Plan options in the Resident Handbook for The Community for details on the costs and procedures for ordering meals.
- e. **Housekeeping Services.** Trinity Elms shall provide housekeeping services every other week, including vacuuming, dusting, cleaning of baths and kitchens, and trash removal. Heavy housekeeping services shall be provided on an annual basis, including cleaning of refrigerators, oven/range, windows, baseboards, light fixtures, and carpet cleaning, as may be needed. Any extra cleaning services shall be at the Resident's sole cost and expense.
- f. **Laundry Services.** Trinity Elms shall not provide any laundry services. Each unit is equipped with a hook-up for a washer and dryer, which must be provided by the Resident at the Resident's sole cost and expense.
- g. **Maintenance and Repairs.** Trinity Elms shall provide for the maintenance, repair and up-keep of The Community's facilities, improvements, fixtures, furnishings, and equipment. Individual apartment maintenance is included for appliances, fixtures, etc. that belong to Trinity Elms and are part of the Apartment. Trinity Elms will not be responsible for the cost of equipment and/or labor for maintenance required for any personal belongings of the Resident. It is the responsibility of the Resident to review the Maintenance Policy for the Apartments, which is included in the Resident Handbook. A Resident must contact Trinity Elms immediately in the event of a maintenance need that would be considered an emergency, including, without limitation, water leaks, electrical issues and plumbing issues. Notwithstanding anything herein to the contrary, Trinity Elms shall not be responsible for any maintenance and/or repairs that arise as a result of the Resident's negligence or intentional acts.
- h. **Grounds keeping.** Trinity Elms shall furnish grounds keeping services to The Community, including lawn, tree and shrubbery care. Subject to approval by Trinity Elms, Residents may plant and maintain certain areas designated for such purpose by Trinity Elms. Trinity Elms must pre-approve in writing all plantings in accordance with the landscape design plan.
- i. **Parking.** Trinity Elms shall provide parking areas for the Resident's personal vehicle (limited to one vehicle for each individual apartment, unless otherwise approved in writing by Trinity Elms).
- j. **Common Facilities.** Trinity Elms will provide common facilities for the common use and benefit of all Residents such as a multi-purpose room, day room with fireplace, and the community building. Residents of Trinity Elms will also have access to common facilities in Trinity Elms health and rehab and Trinity Elms assisted living facilities located adjacent to the community each of which are operated by separate entity affiliates of Lutheran Retirement Center – Clemmons, Inc..
- k. **Transportation.** Trinity Elms may provide transportation for Community scheduled outings for residents at no additional charge.
- l. **Activities.** Trinity Elms may provide, from time to time, planned social, recreational, spiritual, educational, and cultural activities for the Residents.
- m. **Emergency Assistance.** Trinity Elms does not provide emergency call systems in the Apartments or common areas. The Resident may elect to purchase equipment and services for their own personal emergency assistance device. Residents are not permitted to install any emergency assistance device/equipment in an Apartment or common area without the prior, written approval from the Executive Director of Trinity Elms.
- n. **Health Care.** Residents of the Trinity Elms apartments will have priority application access to assisted living and skilled nursing care at the adjacent facilities operated by its affiliates. A Resident must meet all of the regulatory and admission requirements to receive assisted living or skilled nursing care.

Trinity Elms cannot guarantee that a room will be available at the time a Resident needs a higher level of care; in the event that there is no availability and/or the Resident does not qualify for such admission, Trinity Elms will make every effort to assist the Resident in finding placement in another community. The Resident will be given priority access to other assisted living and skilled nursing communities owned and operated by affiliates of Lutheran Services Carolinas.

2. **Admission Requirements.** All residents of The Community must be 62 years of age or older. Trinity Elms will provide facilities and services to individuals regardless of race, color, religion, sex, handicap, familial status, national origin, marital status, veteran status, sexual orientation, or any other prohibited categories. The Resident is required to meet the following standards prior to admission to Trinity Elms:

- a. **Age.** The Resident must be 62 years of age or older.
- b. **Personal Interview.** The Resident may be requested to have an interview with a representative from Trinity Elms prior to taking residency.
- c. **Application Forms.** The Resident shall submit for review an Application for Admission (the "Application") provided by Trinity Elms upon or prior to execution of this Agreement.
- d. **Notification.** Trinity Elms shall review the information provided on the Application forms and the personal interview and will notify the Resident about qualifying for admission within ten (10) business days of receipt of the completed Application. If a Resident does not qualify for admission, this Agreement will automatically terminate on the date of notification of such qualifications.
- e. **Health Requirements.** The Resident shall be ambulatory, generally in good health, able to live independently without assistance, and free of any communicable diseases in order to meet the admission requirements for the Apartment.
- f. **Financial Requirements.** The Resident must have assets and income sufficient under foreseeable circumstances to pay the financial obligations of the Resident under this Agreement and to meet ordinary living expenses of the Resident.

### 3. Terms of Residency.

- a. **Use.** The Apartment and the Community are for the use, benefit and enjoyment of the Resident as their full-time personal residence and for no other purpose whatsoever. The Resident agrees only the Resident, except for short-term guests from time to time, will occupy the Apartment.
- b. **Term.** The initial term of this Agreement is for thirteen (13) months from the initial date of occupancy defined as the date the Monthly Charge commences, and shall continue on a month-to-month basis after the first thirteen (13) months, subject, however, to the earlier termination provisions of Section 4 hereof.
- c. **Availability Date.** The Availability Date is the date that the Apartment is ready for occupancy. The Resident does not have to take occupancy on the Availability Date [see Section 3(d) herein below for details on occupancy], but the Resident agrees to begin paying the rent for the selected Apartment on the Availability Date of the Apartment. Lutheran Retirement Center-Clemmons, Inc. will make every effort to give advanced notice to the Resident(s) of the Availability Date. It is further understood that if a Resident fails to begin paying the Monthly Charge on the Availability Date of the Apartment unless otherwise agreed to in writing by the Executive Director and the Resident, the Resident may forfeit their right to rent the Apartment and this Agreement may automatically terminate at the sole and absolute discretion of Trinity Elms.
- d. **Occupancy.** The "Date of Occupancy" shall be defined as the date the Monthly Charge commences.

- e. **Visitors.** Except for short-term visitors, no person other than the Resident may reside in the Apartment without the prior, written approval of Trinity Elms. Short-term visitors shall mean visitors who stay less than 14 consecutive days or 21 days in the aggregate in any calendar month period, and no longer than 30 days in any given calendar year, unless otherwise pre-approved in writing by the Executive Director, at the Executive Director's sole discretion.
- f. **Loss of Property.** Trinity Elms shall not be responsible for the loss of any property belonging to the Resident due to theft, mysterious disappearance, flood, water drainage, fire or any other cause whatsoever. It is understood that the Resident will have the responsibility of providing any desired insurance protection covering any such loss of its property.
- g. **Assignment and Subletting.** Without the prior written consent of Trinity Elms, Resident shall not assign under this Agreement, or sublet the Apartment or any part thereof. Consent by Trinity Elms to one assignment or subletting shall not be deemed to be consent to any subsequent assignment or subletting.
- h. **Showing Premises.** Resident hereby grants permission to Trinity Elms to show the Apartment to prospective residents at reasonable hours during the sixty (60) days written notice period as outlined in Section (4) below.
- i. **Entry for Inspection, Repairs, and Alterations.** Trinity Elms shall have the right to enter the Apartment at reasonable hours for inspection and, whenever necessary, to make necessary repairs and alterations to the Apartment.
- j. **Care of Apartment and Premises.** Trinity Elms shall deliver to the Resident the Apartment in good and habitable condition. Resident shall maintain the Apartment and deliver the Apartment and all property belonging to Trinity Elms in good, clean and habitable order and condition, reasonable wear and tear excepted, upon termination of this Agreement. Resident may paint the Apartment only with the prior written consent of Trinity Elms. It is agreed that Resident will not make or permit any alterations, improvements, or changes to the Apartment without, in each case, first obtaining the prior, written consent of Trinity Elms. All such alterations, changes, and improvements, with the exception of fixtures owned by the Resident and removable without damage, shall, unless otherwise provided by written agreement between Trinity Elms and Resident, be the property of Trinity Elms and remain in the Apartment premises at the termination of this Agreement.
- k. **Pets.** All pets must meet the established criteria per the Pet Policy which can be found in the Resident Handbook. Residents with pets must abide by all guidelines and policies.
- l. **Neat and Orderly Condition.** Resident agrees to keep the Apartment and premises in a neat and orderly condition, free of any trash or materials considered to be a nuisance by Trinity Elms.
- m. **Policies, Procedures, Rules, and Regulations.** Resident agrees to abide by the policies, procedures, rules, and regulations and such reasonable guidelines as set forth in the Resident's Handbook (as may be amended from time to time by Trinity Elms), which will be made available for Resident prior to execution of this Agreement.
- o. **Laws/Ordinances.** Resident agrees to fully comply with all applicable laws, rules, regulations and ordinances.
- p. **Inability to Pay.** Resident understands that in the event he/she shall become unable to pay the Monthly Rental Fee, or any part thereof, Trinity Elms may, at its sole discretion, terminate the Residency Agreement.



#### 4. Rescission and Termination Provisions.

- a. **Termination by Resident before Occupancy.** The Resident has the right to rescind this Agreement for any or no reason within thirty (30) days from the date of this Agreement by giving Trinity Elms written notice of such intention to rescind. In the event of such rescission, Trinity Elms will, within thirty (30) days of notification thereof, refund the Security Deposit paid to Trinity Elms minus the \$400 administrative fee. Any cost for upgrades agreed upon by Trinity Elms and the Resident that have already been paid for by Trinity Elms will be the financial responsibility of the Resident and will be deducted from the Security Deposit or directly billed to the Resident, if not already collected.

Resident shall pay any amounts due to Trinity Elms within thirty (30) days of Resident's receipt of such bill.

After the thirty (30) day rescission period, Resident may terminate this Agreement for any reason by giving Trinity Elms written notice of intention to terminate. In event of such termination before occupancy, Resident will not receive a refund of the Security Deposit paid to Trinity Elms. Any costs for upgrades completed by Trinity Elms at the request of the Resident must be paid in full. The Resident agrees to pay any outstanding balance to Trinity Elms within thirty (30) days of termination of this Agreement.

A full refund will be made, however, if such termination should occur because of death of Resident or a Resident's spouse if the Resident hereunder consists of a married couple, or because of a change in the physical or mental condition, which would make Resident or Resident's spouse ineligible for admission to Trinity Elms, minus the cost of upgrades completed by Trinity Elms at the request of the Resident. Trinity Elms will, within thirty (30) Days of notification thereof, provide the Resident with any refund. The Resident agrees to pay any outstanding balance to Trinity Elms within thirty (30) days of termination of the date of this Agreement.

- b. **Termination after Occupancy.** After occupancy by Resident, this Agreement shall terminate no earlier than thirteen (13) months from the initial Date of Occupancy, provided that Resident shall provide Trinity Elms at least sixty (60) days advance written notice prior to termination. Without such notice, this Agreement shall continue in full force and effect on a month-to-month basis thereafter, subject to increases as set forth in Section (6) below and subject to the foregoing requirement of 60-days' advance written notice.

If the Resident terminates this Agreement prior to the completion of the initial thirteen (13) month term for any reason other than by death or if the Resident no longer meets the Admission Requirements, the Resident forfeits the entire Security Deposit, unless otherwise determined by Trinity Elms.

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

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

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

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

## 5. Transfers.

- a. **Change in Apartments.** It is understood Trinity Elms, in its sole discretion, has the right to make a change in apartment assignments if necessary in order to best serve the needs of the Resident. A Resident may not transfer from one apartment to another apartment during the initial thirteen (13) month term unless pre-approved in writing by the Director of Trinity Elms. Approval is subject to the sole and absolute discretion of the Director of Trinity Elms on a case by case basis.
- b. **Transfer to Trinity Elms Assisted Living.** Resident agrees that Trinity Elms shall have the authority to determine when or if a Resident should be transferred from the Apartment to Trinity Elms assisted living for assisted living care facilities operated by its affiliates. Such determination shall be made based on the professional opinion of the Executive Director of Trinity Elms and shall be made only after consultation, to the extent practical, with the Resident, a representative of the Resident's family or the sponsor of Resident, the Resident's attending physician, as well as the Director of Health Services at Trinity Elms assisted living. Admission to such assisted living facility is contingent upon a Resident meeting the regulatory requirements for admission and upon bed availability. If there is no bed available at Trinity Elms' affiliates, or a Resident does not meet the admission requirements, Trinity Elms will make reasonable efforts to assist the Resident in finding placement at another community. The Resident will be given priority application access at other assisted living communities operated by Lutheran Services Carolinas or its affiliates.
- c. **Transfer to Trinity Elms Health and Rehab.** Resident agrees that Trinity Elms shall have the authority to determine when or if a Resident should be transferred from the Apartment to the Trinity Elms health and rehab for skilled nursing care. Such determination shall be made based on the professional opinion of the Executive Director of Trinity Elms and shall be made only after consultation, to the extent practical, with the Resident, a representative of the Resident's family or the sponsor of Resident, the Resident's attending physician, as well as the Director of Nursing at Trinity Elms health and rehab. Admission to Trinity Elms health and rehab is contingent upon the Resident meeting the regulatory requirements for admission and upon bed availability. If there is no bed available at Trinity Elms, or a resident does not meet the admission requirements, Trinity Elms will make reasonable efforts to assist the Resident in finding placement at another community. The Resident will be given priority application access at other skilled nursing communities operated by Lutheran Services Carolinas or its affiliates.
- d. **Transfer to Other Health Care Facility.** If it is determined by the Executive Director that the Resident needs care beyond that which can be provided by Trinity Elms, Resident may be transferred to a hospital or other center or institution equipped to give such care, which care will be at the expense of Resident. Such transfer of Resident will be made only after consultation, to the extent possible, with Resident, a representative of Resident's family or the sponsor of Resident, and Resident's attending physician.
- e. **Permanent Transfers.** If a determination is made by Trinity Elms that any transfers are permanent in nature, Resident agrees to surrender the Apartment. If Trinity Elms subsequently determines that the Resident can resume occupancy in any apartment, Resident shall have application priority to a comparable apartment as soon as it would become available. Resident will be obligated to pay rent for the Apartment until all personal belongings are removed from the Apartment.

## 6. Financial Arrangements.

- a. **One-Time Administrative Fee.** In consideration for refurbishment of the Apartment at the conclusion of this Agreement, and certain administrative costs associated with the initiation and maintenance of this Agreement, Resident agrees to pay a one-time administrative fee of \$ 400.00 . Such fee is due upon execution of this Agreement and is non-refundable. Such fee will be deducted from the Security Deposit referenced in Section 6.b. hereof.

b. **Security Deposit.** A resident will provide a Security Deposit equal to one month's rent. Upon termination of the Agreement, if the Resident fulfills the a minimum of a 13 month lease, the Resident will receive a refund of the Security Deposit, less any money owed to Trinity Elms for damages beyond normal wear and tear or any other charges or fees owed to Trinity Elms hereunder and less the \$400.00 administrative fee referenced in Section 6.a. hereof.

c. **Damages beyond Normal Wear and Tear.** Resident understands that the one-time administrative fee covers only normal wear and tear.

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

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

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

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

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

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

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

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

## 7. General Provisions

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

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

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

- d. **Will.** Resident is strongly encouraged to have a will providing for the disposition of his or her real and personal property and provision for proper burial at his or her own expense. Resident agrees to notify the Executive Director of Trinity Elms as to the location of this will and to notify Trinity Elms of the Resident's the Executor under such will.
- e. **Subordination.** Resident's rights under this Agreement shall be subject and subordinate to the lien of any deed of trust now or hereafter placed on the premises by Trinity Elms.
- f. **Entire Agreement.** This Agreement constitutes the entire agreement between Trinity Elms and the Resident.
- g. **Successors and Assigns.** Except as set forth herein, this Agreement shall bind and inure to the benefit of the successors and assigns of Trinity Elms and the heirs, executors, administrators, and assigns of Resident.
- h. **Governing Law.** This Agreement shall be governed by the laws of the State of North Carolina. The venue for any action arising hereunder shall be Forsyth County, North Carolina.
- i. **Counterparts/Copies.** This Agreement may be executed simultaneously in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. Further, copies of signatures hereto shall constitute originals for all purposes.

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

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

ATTEST:

TRINITY ELMS

\_\_\_\_\_

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

WITNESS

Executive Director

\_\_\_\_\_

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

WITNESS

Resident

\_\_\_\_\_

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

WITNESS

Resident

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

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

\_\_\_\_\_  
Telephone

240045\_4





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## Addendum I Commencement of Residency

On the availability date of the residence, the resident must sign this form as an agreement that the date on this form indicates the day the resident becomes an official resident at Trinity Elms.

Please note, the availability date and the actual occupancy date may be different dates. However, the resident is responsible for the monthly fee beginning on the availability date. The date on this form, the availability date, will be recorded as the first day of residency.

I, \_\_\_\_\_, understand that this \_\_\_\_\_ day  
of \_\_\_\_\_ 20\_\_ is the availability date for residence \_\_\_\_\_  
\_\_\_\_\_.

---

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

---

Trinity Elms Executive Director or Designee \_\_\_\_\_ Date \_\_\_\_\_



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## Addendum II

### Notice of Health and Financial Status

If the personal health statement and financial statement were completed more than sixty (60) days prior to the availability date of the residence, the resident(s) will complete this form to note any changes in health or financial status from the time when the application was completed.

Any changes that may affect one's eligibility to live independently at Trinity Elms must be disclosed at this time. Trinity Elms, at their sole discretion, may request updated financial and medical forms to be submitted with this form prior to occupancy.

I, \_\_\_\_\_, attest that there have been no changes in my financial or health status that would negatively affect my eligibility to live at Trinity Elms.

---

Resident Signature Date

---

Trinity Elms Director or Designee Date

---

Witness Name (please print)

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Witness Signature Date





## Addendum III Receipt of Disclosure Statement

I \_\_\_\_\_, with this statement, acknowledge receipt of the Disclosure Statement for Lutheran Retirement Center-Clemmons, Inc. dated \_\_\_\_\_. The Disclosure Statement was made available to me prior to signing the Residency Agreement for Trinity Elms.

\_\_\_\_\_  
Name

\_\_\_\_\_  
Address

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

\_\_\_\_\_  
Date



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## Addendum IV Transfer Amendment

When a Resident(s) transfers to another Residence, this Transfer Amendment will become part of the original Residency Agreement. The new monthly fee will begin on the date of occupancy of the new Residence, and will be prorated if the date of occupancy is not on the first of the month.

By signing this Amendment, the Resident(s) also agrees to pay any applicable transfer fee and a portion of the charges and expenses associated with refurbishing the residence being vacated.

**Transfer Fee:** \_\_\_\_\_

**Refurbishing Fee:** \_\_\_\_\_

**Residence Being Vacated:** \_\_\_\_\_

Date Residence will be Vacated: \_\_\_\_\_

Current Monthly Fee: \_\_\_\_\_

**New Residence:** \_\_\_\_\_

Date Occupancy will Begin: \_\_\_\_\_

New Monthly Fee: \_\_\_\_\_



## Addendum IV Transfer Amendment (continued)

I/We agree to and understand the Transfer Amendment requirements in the Residency Agreement.

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Resident Printed Name

Signature

Date

---

Resident Printed Name

Signature

---

Executive Director Printed Name

Signature

---

Witness Printed Name

Signature