



## **Disclosure Statement**

**February 28, 2022**

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

**DBA**

**Trinity Landing**

**4915 Masonboro Loop Road**

**Wilmington, North Carolina 28412**

**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 LANDING DISCLOSURE STATEMENT

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### **Included at the end of the Disclosure Statement are five exhibits:**

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

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

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

Lutheran Retirement Center-Wilmington, Inc. DBA Trinity Landing 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.

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. LSAM has been the managing entity for all of the communities since its incorporation in 2004 and provides all of the day-to-day operational oversight and management.

### **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**

Trinity Landing will be constructed on a site of approximately 49 acres. The site is located at 4915 Masonboro Loop Road, Wilmington, North Carolina. Trinity Landing will be located approximately two miles from Trinity Grove, which is the community that will offer skilled nursing care to the residents of Trinity Landing. Trinity Grove has been in operation since 2011 and consists of 100 skilled nursing beds that are both Medicare and Medicaid certified. Of the 100 beds, 25 are in a secured memory care neighborhood. The total number of residents being served at Trinity Grove on the date of this disclosure statement is 89.

The first phase of Trinity Landing will consist of a total of 184 residences. There will be 60 villa residences and a three-story main building, referred to as the "Town Center" that will include 124 apartments. Construction of the first phase of this project began in August 2020 and is expected to be completed by August 2022. The first phase of construction includes the 184 residences, a waterfront pavilion with boat dock, multiple gardens and the "Town Center". The "Town Center", in addition to housing the 124 apartments, includes a bistro/market, administrative/marketing office suite, beauty/barber spa, library/living area, art studio, parlor/card room, resident mailboxes, dining venues, and a wellness center. The second phase of the project began in January 2022 and is expected to be completed by August 2022. Phase two includes 24 additional villa units.

Trinity Landing will offer a variety of community amenities to its Residents in order to provide a quality lifestyle. The community amenities are further defined in the Resident Agreement.

Lutheran Services Carolinas continues to plan for future growth opportunities for the Trinity Landing and Trinity Grove campuses. Potential opportunities for growth include a future residents program which could be part of a continuing care retirement community "without walls" concept, additional independent living apartments, an assisted living community and a home care agency.

The financing for Trinity Landing was finalized in 2020, and the details of the Trinity Landing financing include two different NC Medical Care Commission issued tax-exempt loans totaling \$115,338,000 ("Series 2020A Bonds"). The loans have been made by a banking syndication group led by Truist that also includes First Citizens Bank and Atlantic Union Bank. The Bonds have a stated maturity date of five years from the date of issuance which is August 2025. The first loan is \$74,088,000 ("Series 2020A Bonds – Long Term Bank Loan").

Trinity Landing is able to make draws on the Trinity Landing Long-Term Bank Loan. The Trinity Landing Long-Term Bank Loan is structured as interest-only payments until August 1, 2024, at which time monthly principal and interest payments will begin, effective September 1, 2024. Interest for the interest rate for the Trinity Landing Long-Term Bank Loan is based on 79% of 1-Month LIBOR plus 2.09% prior to stabilization (defined by Management as 95% occupancy), and is projected at 2.88% during the Projection Period. The second loan is \$41,250,000 (the “Entrance Fee Direct Purchase Bonds”). Trinity Landing is able to make draws on the Entrance Fee Direct Purchase Bonds, with interest only payments, based on 79% of one-month LIBOR plus 0.97%, payable on a monthly basis. Management has projected the average interest rate for the Entrance Fee Direct Purchase Bonds would be 2.67% during the Principal payments and are required to be made monthly from the initial entrance fees received from the Trinity Landing Project. Management has projected initial entrance fees from the Project’s independent living units to be sufficient to repay the Entrance Fee Direct Purchase Bonds.

The following is the basic outline of uses for the financing:

Trinity Landing construction GMP	\$83,107,658
Trinity Landing addit'l construction	\$273,000
Trinity Landing FFE	\$1,838,000
Trinity Landing soft cost	\$6,001,000
Trinity Landing marketing	\$4,956,000
Trinity Landing owner's contingency	\$5,750,000
Non-Trinity Landing projects	\$5,322,348
Series 2020 CoI	\$2,306,760
Series 2020 funded interest	\$5,783,234
<b>PROJECT TOTAL</b>	<b>\$115,338,000</b>

The key covenants of the loans are:

- Debt Service Coverage Ratio of at least 1.20x, calculated on a last twelve month (“LTM”) basis, measured quarterly
- Days Cash on Hand of 120, measured semi-annually
- Presales of at least 75% at all times prior to funding and during construction
- Occupancy for non-Project units of at least 83%, at all times, measured quarterly
- Occupancy for Project, commencing with the first quarter which ends 60 days from issuance of the certificate of occupancy as follows:

Occupancy Quarter	% of Units Occupied
1	5%
2	10%
3	20%
4	35%
5	45%
6	55%
7	65%
8	75%
9	75%
10	85%

Occupancy for the project is expected to meet the covenant and is conservatively based upon historical estimates. The Trinity Landing project is 100% private pay and therefore changes or fluctuations in government funding should not affect expected revenues.

A significant portion of the land for the Trinity Landing Project was donated decades ago. Additional purchases of adjacent parcels of land have been purchased over the years to total +/- 55 acres. The land represents the primary equity contribution to the project.

Trinity Landing is a member of an Obligated Group (the “Obligated Group”) which was established as part of Lutheran Services for the Aging’s (LSA) previous financings. The Obligated Group has a number of existing outstanding debt agreements which the Trinity Landing is subject to. Any additional needed funding for the Trinity Landing project would likely be sourced through a short-term borrowing from other members in the Obligated Group.

Entrance fee receipts and refunds are based on historical experience of operating other facilities of LSA. Additionally, LSA obtained an actuarial study projecting resident turnover. Total first generation entry fees are projected to be \$45,674,000; the entry fees will be booked as revenue based upon the life expectancy of the resident in the Trinity Landing independent living setting.

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

Trinity Landing is a not-for-profit North Carolina corporation 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 will provide management services to Trinity Landing. LSA will be responsible for the financial and/or contractual obligations of Trinity Landing.

Through private contributions, Trinity Landing expects to have, from time to time, funds to assist Residents unable to meet the full cost of the monthly fees, but it cannot contract in advance for such assistance.

### **C. Organization Leadership**

Ted W. Goins, Jr., President and CEO, Lutheran Services Carolinas (LSC) --Prior to being named President in 2000, 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 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.

John C. Frye, Jr, Project Management, Trinity Landing – John C. Frye, Jr. joined LSC in May 2009 as administrator of Trinity Grove in Wilmington. Frye was the administrator at Trinity Grove until 2014 when he became the Director of Business Development. Through this position, he became familiar with the Trinity Landing project and vision and was named the Executive Director off Trinity Landing in 2017 and moved to Project Management in 2021. Frye has a BS in Engineering Operations from North Carolina State University and has been a licensed nursing home administrator since 1989.

Bonnie J. Skobel, Executive Director. Trinity Landing – Bonnie J. Skobel joined LSC in May of 2011 as Social Worker of Trinity Grove in Wilmington. Skobel was the Social Worker until 2014 when she received her administrator’s license and began serving Trinity Grove in that capacity. In 2021, Skobel was named Executive Director of Trinity Landing. Skobel has Bachelor of Social Work from the University of North Carolina Wilmington and has been serving senior communities since 2004.



**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

**Vice Chair of the Board and Director**

Mr. Cary Grant  
113 Bennington Parkway  
Durham, NC 27713

**President and Director**

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

**Secretary**

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

**Treasurer**

(Treasurer of Lutheran Retirement Center – Wilmington, Inc. dba Trinity Landing)  
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 Landing.

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 Landing subject to the terms and conditions of this section.

#### **A. Binding Residency Agreement**

Upon selection of a Residence, Resident will execute a Residency Agreement. Accompanying this Residency Agreement will be a Reservation Fee, which will be equal to 10% of the current Entrance Fee. The Reservation Fee will be placed in Escrow with an FDIC-insured financial institution by Trinity Landing, subject to applicable law. Interest earned on the Reservation Fee will be retained by Trinity Landing and will not be paid to Resident or credited toward the fees due by Resident at the time of signing this Agreement. The 10% Entrance Fee will be credited to the total Entrance Fee. The Entrance Fee for reserving the Residence shall not be increased above the Entrance Fee set forth herein unless this Agreement is terminated pursuant to Section (III) (H) of the Disclosure Statement.

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

#### **B. 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 no later than 30 days following the 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 Landing. The Resident must have an interview with a representative from Trinity Landing prior to being approved by the Admissions Committee. The Admissions Committee will accept or deny the application within 45 days of receipt of completed documents, based on criteria and policies established by the Board of Directors. The Executive Director will notify the Resident in writing of the action taken by the Admissions Committee. If the Resident does not meet Trinity Landing's admissions requirements, this Agreement shall be null and void and the Resident shall receive a refund of any Entrance Fee 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 Landing as soon as possible. Based on the available information, Trinity Landing will make every effort to provide a final determination regarding residency at least 90 days prior to the availability date for occupancy.

### **C. Addendums**

- Addendum I, Commencement of Residency. This addendum must be signed to acknowledge the Availability Date of the Residence. The monthly fee will begin on the Availability Date. The remainder of the Entrance Fee must be paid no later than 10 days prior to 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, Meal Allowance. This addendum will be provided to the Resident upon request or no later than the date the Disclosure Statement is given to the Resident.
- Addendum V, 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.

### **C. Notification of Availability.**

After the Resident is initially approved for admission, the Executive Director will notify the Resident of the Residence's projected date of availability for occupancy. Trinity Landing will make every effort to give a ninety (90) day notice of availability. A resident must pay the remaining Entrance Fee at least 10 days prior to the date of Availability, as described in Section (V). The Resident must begin paying the Monthly Fee on the date of Availability. All notifications of availability shall be in writing and mailed to the address of the Resident as provided in this Agreement unless otherwise requested by Resident.

### **E. Health Criteria**

Admission is restricted to persons sixty-two (62) years of age or older. However, a Resident may have a companion/roommate that is fifty-five (55) years of age or older live in the same residence. Trinity Landing 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 Landing 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 Landing shall have the right to decline admission of the Resident(s) and to terminate the agreement, or at the discretion of Trinity Landing, to permit the Resident(s) to take occupancy of accommodations at Trinity Grove suitable to the needs of the Resident(s).

#### **F. 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 Landing are expected to have sufficient financial resources to pay the entrance fee, 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 Landing shall have the right to decline admission of the Resident(s) and to terminate the agreement, or at the discretion of Trinity Landing, to permit the Resident(s) to take occupancy of accommodations at Trinity Grove suitable to the needs of the Resident(s).

Resident shall maintain Medicare Part A, Medicare Part B and one supplemental health insurance policy or maintain equivalent insurance coverage comparable to Medicare and approved by the Executive Director to assure Resident's ability to cover such health care related costs, and shall furnish to Trinity Landing 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 Landing. 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.

#### **G. Cancellation/Termination.**

**Right of Rescission.** Notwithstanding anything herein to the contrary, Resident may rescind any contract with Trinity Landing requiring the payment of an entrance 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 Landing will be returned in full, less any standard customary charges the Resident and Trinity Landing 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 Landing's 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 receive a refund of any money paid to Trinity landing less a service charge as follows:

- **Entrance Fee:** Resident shall receive a refund of the Entrance Fee paid to Trinity Landing less a service charge as determined by Trinity Landing not to exceed the greater of one thousand dollars (\$1000) or one percent (1%) of the Entrance Fee.

- **Monthly Fee:** Resident's refund shall be further reduced by the prepared Monthly Fee applicable for the period Resident occupied his/her Residence.
- **Nonstandard Costs:** Resident's refund shall be further reduced by any nonstandard costs, if any, specifically incurred by Trinity Landing at the request of Resident consistent with terms and conditions of this Agreement.

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 Landing 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 any Entrance Fee paid by Resident, without interest, less (i) any nonstandard costs, if any, incurred by Trinity Landing at the request of Resident.

This Agreement may be terminated by Resident at any time for any reason prior to Resident taking occupancy at Trinity Landing and after the Rescission Period as described in Section (H) by Resident giving written notice to Trinity Landing. In this event, Resident will receive a refund of the Entrance Fee paid by Resident less a (i) any nonstandard costs, if any, and; (ii) less a service charge as determined by Trinity Landing not to exceed the greater of one thousand dollars (\$1,000) or one percent (1%) of the Entrance Fee.

This Agreement may be terminated by Trinity Landing at any time prior to the date that the Resident takes occupancy if Trinity Landing 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 Entrance Fee paid by the Resident, less (i) any nonstandard costs, if any. Any refund due shall be paid within sixty (60) days of (i) Trinity Landing's receipt of written request to terminate Agreement; (ii) from the day the Agreement automatically terminates; or (iii) from the day Trinity Landing terminates Agreement for any of the reasons in Section (H).

**Termination after Occupancy:** 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 ninety (90) days before Resident intends to move out of Trinity Landing. Resident is responsible to pay Monthly Fees during the ninety (90) day period or until the residence is vacated, whichever occurs last. See Section (J) for details on Refunds.

**Termination by Death after Occupancy:** In the event of the death of Resident after occupancy, the Residency Agreement shall be subject to termination as follows:

(i) If there is only one Resident occupying the Living Residence, the Residency Agreement shall be automatically terminated as of the date of death of such Resident or the date thereafter upon which all of Resident's property is removed from the Residence, all keys, pendant, entrance slide and garage door opener (if applicable) have been turned in to the Executive Director. The Monthly Fee shall automatically be terminated at this point. Resident's Estate is responsible for any payment due Trinity Landing. The balance of the Entrance Fee to be reimbursed to the Resident after termination of the Residency Agreement (or to the Resident's estate upon death) will be paid by Trinity Landing after the Residence is vacated and reoccupied. Resident's Entrance Fee is subject to refund as provided in Section (K).

(ii) If there is more than one Resident occupying the Residence, 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, in which event there will be no refund of the Entrance Fee except as provided in the Termination and Refund Provisions of Section (III) (H) and (K). If the second Resident elects to terminate the original Residency Agreement, Trinity Landing must receive a written notice of such election within sixty (60) days after the date of the first Resident's death. The Monthly Fee shall continue until the removal of all Resident's property, and until all keys, pendant, entrance slide and garaged door opener (if applicable) are turned into the Executive Director.

**Termination by Trinity Landing.** The Executive Director may, upon notice and opportunity to cure as herein provided, revoke Resident's right to reside at Trinity Landing 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 Landing 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 Landing shall not terminate the Agreement as provided herein until Trinity Landing 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 Landing shall not terminate the Agreement as provided herein until Trinity Landing 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 Landing 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 Landing may, at its sole option, terminate the Residency Agreement at the expiration of the thirty (30) day period.

**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 Landing 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 Landing liquidated damages in an amount equal to the full amount of the Monthly 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 Landing in this document, and all rights and remedies given by law or equity shall be cumulative and concurrent.

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

**Permitted Occupants.** The parties hereto recognize and agree that the amount of wear and tear evident in the Residence depends in part upon the number of persons regularly occupying the Residence. It is therefore 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, in which event there will be no refund of the Entrance Fee, except as provided in the Termination and Refund Provisions of Sections (III) (H) and (K). The remaining or surviving Resident will thereafter pay the Monthly Fee for one Resident 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 the Trinity Landing, 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 as provided in the Termination and Refund Provisions of Sections (H) and (K). Such Residents will pay the Monthly/Daily Fee for double occupancy associated with the Residence occupied by them. In the event that a Resident shall marry a person who is not a Resident of Trinity Landing, 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 Landing; enters into a then current version of the Residency Agreement with the Corporation; and pays an Entrance Fee in an amount determined by the Corporation in its sole discretion. The Resident and new Resident shall pay the Monthly Fee for double occupancy associated with the Residence occupied by them. If the Non-Resident does not meet the requirements of Trinity Landing 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.

## **I. Moves and Transfers**

**Transfer to Another Residence.** All residence transfers must be approved by the Executive Director of Trinity Landing. The Monthly Fee will be adjusted, and the Entrance Fee may be adjusted accordingly, all as set forth in a Transfer Amendment to the Residency Agreement. Residents transferring residences will pay an applicable transfer fee and a portion of the charges and expenses associated with refurbishing the residence being vacated. The Monthly Fee paid by the resident will be adjusted to the level of the current Monthly Fee for the new residence as of the date of occupancy of the new residence. The Resident will be responsible for paying any difference in the Entrance Fee, if the amount of the Entrance Fee of the new Residence is greater than the Entrance Fee for the previous Residence to be vacated. If the Entrance Fee for the new Residence is smaller than the Entrance Fee for the previous Residence to be vacated, no refund will be paid for the difference except as provided in the Termination and Refund Provisions of Sections (H) and (K). Please see the Executive Director for further details on residence transfers.



**Transfer to Healthcare Center or Hospital.** If it is determined by the Executive Director and if needed, other health care support staff that the Resident needs care beyond the scope of the facility and personnel of Trinity Landing, the Resident will be transferred to a qualified hospital, nursing center or institution equipped to give such care, at the expense of the Resident. Such transfer of the Resident will be made only after consultation to the extent possible with the Resident, a representative of the Resident's family or sponsor, and the Resident's physician.

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

Trinity Landing is not designed or licensed to care for persons who have certain medical or mental conditions or suffer from certain contagious or dangerous diseases. If it is determined by the Executive Director and/or other health care support staff, using standard legal/medical and acceptable evaluation procedures, that a Resident suffers from a medical or mental condition, so that a Resident's continuing presence at Trinity Landing is detrimental to the health or safety of the Resident or other Residents, then the Resident may be transferred to an institution capable of administering needed care and his/her Residence shall be assigned to others, subject to the rights of any remaining second Residence Resident. In such situations, the expenses of such institution will be the responsibility of the Resident. The final determination will be at the discretion of the Executive Director.

If the Resident's physician, the Executive Director and if needed, other health care support staff, subsequently determine that the Resident can resume occupancy in accommodations equivalent to those previously occupied by the Resident, the Resident shall have priority to such accommodations as soon as they become available, with no additional Entrance Fee unless the Entrance Fee has been refunded under the provisions described in this Agreement.

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

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

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

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

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

- I. The amount of medical expenses incurred by Trinity Landing for Resident's care during the term of his/her residency, unpaid by Resident at date of termination;
- II. The amount of any Monthly Fee or other sums owed by Resident to Trinity Landing under the Residency Agreement;
- III. The amount of any Monthly Fee, the collection of which may have been deferred by Trinity Landing on behalf of Resident; and
- IV. The cost of any extraordinary repairs or refurbishing with respect to the residence, including entry and doors, or any alterations required to restore the residence to standard design or condition.

It is understood that when two persons are named in this Agreement, reimbursement of the refundable portion of Entrance Fee, if any, and in accordance with Section (K) will be made only after the termination of this Agreement.

**K. Inability to Pay.** Resident agrees that in the event he/she shall become unable to pay the Monthly Fee, or any part thereof, Trinity Landing may, at its sole discretion, credit such fees or charges against any amounts which Trinity Landing would be required to reimburse to Resident under the provisions of Section (K) of this document.

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

#### **L. 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 Section 8 of the Residency Agreement. Nothing contained herein shall be construed or is intended to require that Trinity Landing care for the Resident for life, nor shall this Agreement be construed as a life-care contract.

#### **M. Rights of Resident.**

Signing of this Residency Agreement and payment of the Entrance Fee does not deliver title to real or personal property, and may not be assigned, transferred, inherited or devised. Any rights, privileges, benefits, or interests created by or under this Agreement shall be subordinated to any mortgage, deed of trust, or other security interest created on any of the premises or interests in real estate of Trinity Landing and to all amendments, modifications, replacements or refunding thereof. Resident agrees to execute and deliver any document required by Trinity Landing or by the holder of any mortgage, deed of trust or other interest to evidence or effect such subordination.

#### **N. Alteration or Modification.**

Notwithstanding any other provisions in this Agreement, Trinity Landing 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. If Trinity Landing approves an alteration of modification, all work must be arranged and completed by a contractor selected by Trinity Landing. The Resident understands that Trinity Landing may require the Resident to return the Residence to its original design at time of vacancy. If this request is made, the Resident is responsible for all costs associated with returning the Residence to its original design.

**O. 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 Landing which are included in the base fee are as follows: Residences, individually controlled heating/air conditioning, water/sewer, electricity, internet access, phone, cable, trash removal, certain furnishings, meal allowance, weekly housekeeping services, grounds keeping, maintenance, transportation, activities, maintenance, use of the wellness center, 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 or the Executive Director prior to signing the Residency Agreement. Trinity Landing 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, but not limited to those optional services described above, shall be established by Trinity Landing's Board of Directors and shall be made available to Resident at or before the time the Resident receives the Disclosure Statement.

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

**Trinity Grove.** Health care accommodations and services at Trinity Grove 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 Grove has no beds available, Trinity Landing will assist Resident in finding another health care center as close as possible to quality and price as Trinity Grove.

Trinity Grove will contract 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 Grove and to perform such other duties described in this document or prescribed by Trinity Grove. Expenses for Resident-related physician services are the responsibility of the Resident. Trinity Grove 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, limited pharmacy services, and laboratory tests. All Residents at Trinity Grove 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 Grove, Trinity Landing will assist a Resident in finding another health care center as close as possible to the quality and price of Trinity Grove.

**Temporary Stay.** If a temporary stay at Trinity Grove, a Resident will continue to pay the Monthly Fee for their Trinity Landing residence.

**Permanent Stay.** If a permanent transfer to Trinity Grove, the Resident will continue paying the Monthly Fee until the residence is vacated including the return of the keys to the residence, entrance door cards, and personal pendent if applicable. See Section (III) (H) for more details on Termination.

## **V. Fees**

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

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

The balance of any Entrance Fees will be reimbursed by Trinity Landing after termination of the Residency Agreement, after the Residence is vacated and after the Residence has been reoccupied.

- Amount of Entrance Fee: \$ \_\_\_\_\_
- **50% Refund Plan:** The Entrance Fee is refundable at a minimum of fifty percent (50%). The Entrance Fee is reduced by a two percent (2.0%) at the time of initial occupancy and by one percent (1.0%) per month for the first forty-eight (48) months of occupancy after which a fifty percent (50%) refund will be paid to the Resident or the Resident's estate if the Residence is vacated. The balance of any Entrance Fees will be reimbursed by Trinity Landing after termination of the Residency Agreement, after the Residence is vacated and after the Residence has been reoccupied.
  - Amount of Entrance Fee: \$ \_\_\_\_\_
- **Limited Refund Plan:** The Entrance Fee is reduced by a four percent (4%) service fee at the time of occupancy and by two percent (2%) per month for the first forty-eight (48) months of occupancy. The Entrance Fee is non-refundable after forty-eight (48) months.
  - Amount of Entrance Fee: \$ \_\_\_\_\_

Resident Agrees to pay Trinity Landing an Entrance Fee deposit of \$ \_\_\_\_\_ which shall be 10% of the required Entrance Fee as designated above. The Entrance Fee deposit will be due and payable upon signing of this Agreement. The balance of the Entrance Fee will be due and payable no later than ten (10) days prior to Resident's Availability Date. Resident's projected Availability Date is \_\_\_\_\_, 20\_\_\_. Resident's Residency Date will begin on the Availability Date of the Residence as described in this Agreement and Addendum I.

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

See Section (VIII) (E) for a list of projected rates.

Article 64 of Chapter 58 of the General Statutes of North Carolina includes a requirement that Residents' Entrance Fees received by Trinity Landing be placed in an escrow account as specified in the statutes.

Facilities that have met pre-sales or occupancy requirements as outlined in NCGS 58-64-35(a) (2) a, are not required to escrow Entrance Fees, unless otherwise required by the Commissioner of Insurance. Trinity Landing has not met these particular requirements and is currently escrowing Entrance Fees.

**B. Monthly Fee.** Resident shall pay to Trinity Landing a Monthly Fee by the 10th day of each month after occupancy commences. An additional Resident shall pay a Second Resident Fee. The Monthly Fee for any part of a month occurring at the beginning of occupancy shall be prorated and become due and payable upon occupancy. Late payments will be assessed a penalty of twenty-five dollars (\$25). It is agreed that monthly payments for residency shall continue during any temporary absence from Trinity Landing.

The initial Monthly Fee will be equal to the then current Monthly Fee for the Reserved Residence as of the Availability Date and will begin on the Availability Date, unless otherwise agreed to in writing by Trinity Landing. The Monthly Fee is subject to change as described in this Disclosure Statement. See Section (E) for details on Fee Change policy.

As of the date of this Agreement, Resident agrees to pay a monthly fee during the term of this Agreement (“Monthly Fee”). As of the date of this Agreement, the current monthly fee associated with the Residence indicated in this Agreement is approximately \$\_\_\_\_\_ per month, and an additional \$\_\_\_\_\_ per month if a second Resident occupies the Residence. This rate is subject to change by Trinity landing prior to occupancy of the Residence. See Section (E) for details on Fee Change policy.

*If you do not take occupancy by the Availability Date, you shall accept financial responsibility for the Reserved Residence and pay the balance of any unpaid Non-Standard Costs, and begin paying the applicable Monthly Fees on the Availability Date, unless the Binding Agreement is terminated prior to the Availability Date pursuant to Section (8) of this Agreement.*

See Exhibit D for a list of projected rates.

**C. Fee Change Policy.** Trinity Landing may, at its sole discretion and upon sixty (60) days prior written notice to Resident, increase or decrease the Monthly Fee to cover the cost of maintaining the services and to maintain the financial integrity of Trinity Landing, including maintaining adequate reserve funds. Residents can generally anticipate an annual increase in monthly fees of 2-6% based on inflation, health care inflation, market conditions, insurance increases, rising expenses, etc. Fees for additional and optional services may be increased or decreased at Trinity Landing’s discretion without such notice.

**D. Trinity Grove Daily Fees/Charges.** Trinity Landing will obtain and publish, from time to time, daily rates from Trinity Grove. If a Resident is admitted to Trinity Grove (or any other nursing center if space is not first available at Trinity Grove), the Resident will continue to pay the Monthly Fee for his/her Residence. When eligible for Medicare benefits, Medicare pays first for health care. All Residents at Trinity Grove are responsible for their pharmacy copayments.

**E. Additional Charges.** Trinity Landing 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 this Agreement and any and all charges for additional or optional services provided to the Resident.

**F. Monthly Statements.** Trinity Landing will furnish the Resident with a monthly statement on or about the fifth of the month showing the total amount of the Monthly Fee and all other charges owed by the Resident. All charges will be due and payable by the tenth (10th) day of each month. Late payments will be assessed a penalty of twenty-five dollars (\$25).

**G. 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. LSA, Inc. currently operates two CCRC's: Trinity Oaks and Trinity Elms. Trinity Oaks is located in Salisbury, North Carolina and provides skilled nursing services, assisted living services, and independent living residences. Trinity Elms is located in Clemmons, North Carolina and provides skilled nursing services, assisted living service and rental apartments for independent living.

**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

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

<b>Independent Living</b>	2018	2019	2020	2021	2022
% Increase	Opened	0%	0%	3%	3%
1 Bedroom-Pine	\$1700	\$1700	\$1700	\$1751	\$1804
1 Bedroom-Birch	\$1850	\$1850	\$1850	\$1906	\$1963
1 Bedroom-Hickory	\$1850	\$1850	\$1850	\$1906	\$1963
1 Bedroom with den-Oak	\$2100	\$2100	\$2100	\$2163	\$2228
2 Bedroom	\$2250	\$2250	\$2250	\$2318	\$2388

Trinity Landing may, at its sole discretion and upon sixty (60) days prior written notice to Resident, increase or decrease the Monthly Fee to cover the cost of maintaining the services and to maintain the financial integrity of Trinity Landing, including maintaining adequate reserve funds. Residents can generally anticipate an annual increase in monthly fees of 2-6% based on inflation, health care inflation, market conditions, insurance increases, rising expenses, etc. Fees for additional and optional services may be increased or decreased at Trinity Landing’s discretion without such notice.

**VI. Miscellaneous Provisions**

**A. Religious Affiliation.** Trinity Landing is a non-stock, nonprofit North Carolina corporation sponsored by Lutheran Services for the Aging, Inc., a not-for-profit social ministry agency serving senior adults of all faiths. It is affiliated with the North Carolina Synod of the Evangelical Lutheran Church in America, and is a 501(c) (3) tax exempt organization under the Internal Revenue Code. Lutheran Services for the Aging, Inc. will be responsible for the contractual obligations of Trinity Landing. Through private contributions, Trinity Landing expects to have, from time to time, funds to assist Residents unable to meet the full cost of the monthly fees, but it cannot contract in advance for such assistance.

**B. Funeral Expenses.** Trinity Landing 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 Landing by the Resident will remain the property of the Resident. Unless special arrangements are made in writing by the Resident with the Executive Director, Trinity Landing will not be responsible for the loss or theft thereof. Resident shall, prior to occupancy of the Residence make provisions in a last will and testament for the final disposition of his/her furniture and possessions located at Trinity Landing, for burial and payment of funeral expenses and for the appointment of a personal representative.



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

**D. Indebtedness to Trinity Landing and LSA Affiliates.** To the extent allowed by applicable law, Trinity Landing 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 Landing 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 Landing and other LSC affiliates by Resident.

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

**(a) Total Destruction.** If Resident's Residence at Trinity Landing is totally destroyed or damaged by fire or other casualty not occurring through fault or negligence of Trinity Landing or those employed by or acting for Trinity Landing, 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 Fee shall abate for the balance of the term as of the date of the casualty. Trinity Landing will maintain "property" insurance coverage to cover the building and contents losses sustained because of the necessary termination of operations from an insured peril.

**(b) Partial Destruction.** If the damage caused as described in Section 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 Landing may, at its option, terminate this Agreement, provide alternative temporary housing, or restore Trinity Landing to such condition reserving the right to enter the Residence for that purpose. In any event, the Monthly Fee shall be reduced during the time Trinity Landing is in possession, taking into account the extent that the Residence is rendered untenable and the duration of Trinity Landing's possession. Trinity Landing will maintain "business income" and "extra expense" insurance coverage to cover losses sustained because of the necessary suspension of operations from an insured peril.

**(c) Condemnation.** If Trinity Landing 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 Landing can no longer be operated reasonably in the opinion of Trinity Landing's 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 Landing, 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 Landing 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 Landing.** The death of the Resident will cancel any and all obligations or liability of Trinity Landing under the terms of this Agreement.

**H. Rights of Management.** The absolute rights of management are reserved by Trinity Landing. Trinity Landing reserves the right to accept or reject any person for residency. The rights of the Residents do not include any right to participate in the management of Trinity Landing, to determine admissions or terms of admission of any other Resident, to alter common areas within Trinity Landing, or to make unapproved alterations to their Residence. Resident agrees to allow Trinity Landing, 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 Landing 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 Landing employees nor hire former Trinity Landing employees without the prior written consent of management.

**J. Durable Power of Attorney.** Resident agrees to execute under seal and maintain in effect a Durable Power of Attorney that is valid under North Carolina law and will survive Resident's incapacity or mental incompetence. This Durable Power of Attorney may be effective only upon certification by a licensed physician that Resident is incapacitated or mentally incompetent, and shall designate as Resident's attorney-in-fact a bank or some responsible person of his/her choice to act for him/her managing his/her financial affairs and in filing for insurance and/or other benefits under private and public assistance programs in as full and complete a manner as Resident could do if acting personally for himself/herself. Resident shall deliver a fully executed original of this Durable Power of Attorney to Trinity Landing prior to occupancy of the Residence.

**K. Binding Effect.** The covenants and conditions of this Agreement shall bind and benefit respectively Trinity Landing 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.

**L. Interruptions.** Trinity Landing 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 Landing and which by the exercise of ordinary care Trinity Landing is unable, wholly or in part, to prevent or overcome.

**M. 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.

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

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

**P. 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 Landing 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 Landing' right to thereafter enforce the same strictly in the event of a continuing or subsequent default on the part of the Resident.

**Q. 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.

**R. 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 Landing Campus.

**S. 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 Landing:**

**(i) LUTHERAN RETIREMENT CENTER - WILMINGTON, INC.**  
**Attn: Executive Director**  
**5215 Junction Park Circle, Suite 102**  
**Wilmington, N. C. 28412-2287**

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

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

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

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

**U. Material Differences Between Forecasted Statements and Actual Statements.** In 2021, the material differences between the forecasted statements and the actual statements are in Trinity Landing's favor. Please see following statements for further explanation.

## Trinity Landing Campus Consolidated Balance Sheet

Assets	Actual 2021	Forecast 2021	Difference	Explanation
<b>Current Assets</b>				
Cash and cash equivalents	\$ 6,283,943	\$ 690,000	\$ 5,593,943	Categorization of funds
Investments	1,778,440	7,639,000	(5,860,560)	Categorization of funds
Receivables, net of allowance	1,335,326	1,116,000	219,326	
Other	1,024,318	57,000	967,318	Sales tax receivable
Inventories	67,857	62,000	5,857	
<b>Total current assets</b>	<b>10,489,885</b>	<b>9,564,000</b>		
Assets limited as to use	5,126,048	5,014,000	112,048	
Net Property and Equipment	84,697,123	74,562,000	10,135,123	
<b>Total assets</b>	<b>\$ 100,313,056</b>	<b>\$ 89,140,000</b>		
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Current portion of long-term debt	\$ 410,000	\$ 410,000	-	
Accounts payable - trade	6,457,819	757,000	5,700,819	Timing of construction
Accounts payable to affiliate	13,170,793	12,332,000		
Accrued salaries and payroll taxes	351,801	437,000	(85,199)	
Accrued employee benefits	27,179	50,000	(22,821)	
Accrued interest payable	-	230,000	(230,000)	
Refundable fee deposits - current	12,359	15,000	(2,641)	
<b>Total current liabilities</b>	<b>20,429,950</b>	<b>14,231,000</b>		
<b>Other liabilities and credits</b>				
Refundable fee deposits	5,257,055	4,681,000	576,055	
Deferred revenue	1,528,360	-	1,528,360	COVID related
Long-term debt	82,587,420	77,628,000	4,959,420	Timing of construction
<b>Total other liabilities and credits</b>	<b>89,372,835</b>	<b>96,540,000</b>		
Unrestricted	(9,512,886)	(7,409,000)		
Temporarily restricted	23,157	9,000		
<b>Total net assets</b>	<b>(9,489,729)</b>	<b>(7,400,000)</b>		
<b>Total liabilities and net assets</b>	<b>\$ 100,313,056</b>	<b>\$ 89,140,000</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 Landing Campus Consolidated Income Statement

	Actual 2021	Forecast 2021	Difference	Explanation
<b>Revenue and other Support</b>				
Net resident service revenue	\$ 12,204,329	\$ 11,275,000	\$ 929,329	COVID add-on rates
Amortization of deferred entrance fee:	-	-	-	
Restricted funds released for operation	-	-	-	
Other revenue	445,218	660,000	(214,782)	
<b>Total revenue and other support</b>	<u>\$ 12,649,547</u>	<u>\$ 11,935,000</u>	<u>\$ 714,547</u>	
<b>Expenses</b>				
Health care	6,138,122	6,526,000	(387,878)	Staffing
Maintenance	466,227	352,000	114,227	
Laundry	87,411	86,000	1,411	
Housekeeping	404,144	343,000	61,144	
Grounds	-	29,000	(29,000)	
Dietary	888,135	856,000	32,135	
Life Enrichment Services	245,881	257,000	(11,119)	
Administration	4,024,527	3,306,000	718,527	CIVID related
Depreciation	390,593	485,000	(94,407)	
Interest expense	756,694	792,000	(35,306)	
<b>Total expenses</b>	<u>13,401,734</u>	<u>13,032,000</u>	<u>369,734</u>	
<b>Operating income (loss)</b>	<b>(752,187)</b>	<b>(1,097,000)</b>	<b>344,814</b>	
<b>Other Income</b>				
Investment Income	482,920	284,000	198,920	
Unrealized Gain (Loss)	186,944	-	186,944	
Unrestricted contributions and beques	9,725	23,000	(13,275)	
<b>Total other income (loss)</b>	<u>679,589</u>	<u>307,000</u>	<u>372,589</u>	
<b>Excess revenues over expenses</b>	<b>\$ (72,598)</b>	<b>\$ (790,000)</b>	<b>\$ 717,403</b>	
Other changes in unrestricted net assets	(2,380,240)	-	(2,380,240)	Refunding
<b>Increase (decrease) unrestricted assets</b>	<b>\$ (2,452,838)</b>	<b>\$ (790,000)</b>	<b>\$ (1,662,838)</b>	
<b>Temporary restricted</b>				
Contributions	12,830	-	12,830	
Net assets released from restrictions	(34,848)	-	(34,848)	
<b>Increase (decrease) temp. restricted</b>	<u>(22,018)</u>	<u>-</u>	<u>(22,018)</u>	
<b>Increase (decrease) net assets</b>	<b>(2,474,856)</b>	<b>(790,000)</b>	<b>(1,684,856)</b>	
Net assets - beginning of year	(7,014,873)	(6,610,000)		
<b>Net assets - end of year</b>	<u><b>\$ (9,489,729)</b></u>	<u><b>\$ (7,400,000)</b></u>		

*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 Landing Campus Consolidated Statement of Cash Flows

	Actual 2021	Forecast 2021	Difference	Explanation
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Change in net assets	\$ (2,474,856)	\$ (790,000)	\$ (1,684,856)	Timing of construction
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Amortization of debt issuance costs from advance fees	-	97,000	-	
Depreciation	390,593	485,000	(94,407)	
(Gain) loss on disposal of assets	-	-	-	
Realized/unrealized (gain) loss on invest	(186,944)	-	(186,944)	
(Increase) decrease in other current ass	486,434	(39,000)	525,434	Sales tax receivable
Increase (decrease) in accounts payable	4,618,065	204,000	4,414,065	Timing of construction
Increase (decrease) in deferred revenue	996,461	(617,000)	1,613,461	COVID related
<b>Net cash provided by operating activities</b>	<b>3,829,754</b>	<b>(660,000)</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Purchase of property and equipment	(57,873,868)	(44,596,000)	(13,277,868)	Timing of construction
Investments (net)	2,830	624,000	(621,170)	In short term cash
(Increase) decrease in assets whose use is	(1,066,579)	(351,000)	(715,579)	10% Depositors
<b>Net cash used in investing activities</b>	<b>(58,937,617)</b>	<b>(44,323,000)</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Net proceeds from bond issue/debt paym	58,695,312	44,709,000	13,986,312	Timing of construction
Advanced fees received, net	1,234,570	343,000	891,570	10% Depositors
<b>Net cash provided by financing activities</b>	<b>59,929,882</b>	<b>45,052,000</b>		
<b>NET CHANGE IN CASH AND CASH EQUIVALEI</b>	<b>4,822,019</b>	<b>\$ 69,000</b>		
<b>CASH AND CASH EQUIVALENTS BEGINNING C</b>	<b>1,461,924</b>	<b>\$ 621,000</b>		
<b>CASH AND CASH EQUIVALENTS, END OF YEA</b>	<b>\$ 6,283,943</b>	<b>\$ 690,000</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 \$1,304,000. 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.

Trinity Landing has established an escrow account for all priority deposits and future residency deposits.

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

The Financial Statements of Trinity Landing 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**

The Projected Financial Statements for the five years ending September 30<sup>th</sup>, 2026 are included as Exhibit C.

### **E. Actuarial Report**

The Actuarial Report for Trinity Landing is included as Exhibit D.

## **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 E.



# **Exhibit A**

# **Interim Financials**

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

**ASSETS**

**Current Assets**

Cash and Cash Equivalents	6,262,125
Investments	1,776,063
Receivables - Net of Allowance	1,304,542
Other	422,189
Inventories	67,857
Prepaid Expenses	16,529
Assets Limited - Residents	12,359
<b>Total Current Assets</b>	<b>9,861,665</b>

**Non-Current Assets Limited as to Use** **5,442,206**

**Property & Equipment** **94,018,925**

**Total Assets** **109,322,796**

**LIABILITIES**

**Current Liabilities**

Current Portion of Long-Term Debt	410,000
Accounts Payable - Trade	204,846
Accounts payable to affiliate	13,629,572
Accrued Salaries and Payroll	506,984
Accrued Employee Benefits	27,179
Resident' Funds	12,359
<b>Total Current Liabilities</b>	<b>14,790,940</b>

**Other Liabilities and Credits**

Long-Term Debt	96,723,885
Deferred Revenue	1,476,890
Refundable Fees	5,655,869
<b>Total Other Liabilities and Credits</b>	<b>103,856,645</b>

**Total Liabilities** **118,647,585**

**Net Assets**

Unrestricted	(9,347,946)
Temporarily Restricted	23,157
<b>Total Net Assets</b>	<b>(9,324,789)</b>

**Total Liabilities and Net Assets** **109,322,796**

**Trinity Landing 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	\$ 4,260,064
Released from Restrictions for Operation	348
Other Revenue	390,019
In-Kind Contribution	8,633
<b>Total Operating Income</b>	<b>4,659,065</b>
<b>Expenses</b>	
Salaries and Wages	1,858,021
Employee Benefits	309,002
Supplies and Other	1,718,838
Bed Assessment	128,400
Marketing	115,018
Depreciation	124,000
Interest and Amortization	246,493
<b>Total Expenses</b>	<b>4,499,772</b>
<b>Operating Income (Loss)</b>	<b>159,292</b>
<b>Non-Operating Gains (Losses)</b>	
Investment Income	23,709
Unrealized Gain (Loss) on Investment	(23,122)
Contributions	1,970
<b>Total Non-Operating Gains (Losses)</b>	<b>2,557</b>
<b>Excess Revenues Over Expenses</b>	<b>161,850</b>
<b>Temporarily Restricted</b>	
Contributions and Grants	1,430
Investment Income	2,009
Release of Restricted Funds	(348)
<b>Change in Temporarily Restricted Net Assets</b>	<b>3,090</b>
<b>Increase (Decrease) in Net Assets</b>	<b>164,940</b>
<b>Net Assets Beginning of Year</b>	<b>(9,489,729)</b>
<b>Current Net Assets</b>	<b>\$ (9,324,789)</b>

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

<b>Change in net assets</b>	\$	164,940
<b>Cash flows from operating activities:</b>		
Depreciation and amortization		124,000
Amortization of deferred entrance fees		
(Increase) decrease in assets		604,025
Increase (decrease) in liabilities		( 5,639,010 )
Net adjustments		<u>( 4,910,985 )</u>
Net cash provided by operating activities		<u>( 4,746,045 )</u>
<b>Cash flows from purchase of property and equipment</b>		(9,445,802)
<b>Cash flows from financing activities:</b>		
Change in refundable deferred fees		398,814
Change in deferred revenue		(51,469)
Change in debt		<u>14,136,466</u>
Net cash used by financing activities		<u>14,483,810</u>
Net increase (decrease) in cash		291,963
<b>Cash flows from purchase from investments</b>		( 313,781 )
<b>Cash at the beginning of the year</b>		6,283,943
<b>Cash at the end of the period</b>		<u><u>\$ 6,262,125</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 allowance for doubtful accounts of approximately \$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 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><u>137,382,234</u></b>	<u>131,334,149</u>
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><u>131,613,145</u></b>	<u>126,995,282</u>
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><u>8,355,247</u></b>	<u>5,807,290</u>
Excess of revenues over expenses	<b><u>14,124,336</u></b>	<u>10,146,157</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

(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:

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

<u>2021</u>	<u>PACE @ Home, Inc.</u>	<u>50% equity interest 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 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 Piedmont</u>	<u>50% equity interest PACE of Southern 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 Piedmont</u>	<u>50% equity interest PACE of Southern Piedmont</u>
Assets	\$ 6,028,268	\$ 3,014,134
Liabilities	4,147,288	2,073,644
Equity	1,880,980	940,490
Net income	1,502,373	430,495

**Unity Senior Care Group, LLC**

LSA is a 5.6% 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 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 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>

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

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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 fee less a four percent non-refundable fee paid at the time of occupancy and two percent (2%) per month for the first 48 months, after which the entrance fee is non-refundable. Any refund is payable upon 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	<u>415,039</u>	<u>-</u>	<u>159,458</u>	<u>36,424</u>	<u>13,197</u>	<u>-</u>	<u>624,118</u>
Total	<u>\$ 84,751,836</u>	<u>\$ 7,050</u>	<u>\$ 17,761,603</u>	<u>\$ 10,022,193</u>	<u>\$ 1,113,779</u>	<u>\$ 22,468,107</u>	<u>\$ 136,124,568</u>

	<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	<u>308,289</u>	<u>23,258</u>	<u>367,564</u>	<u>26,215</u>	<u>15,822</u>	<u>582,790</u>	<u>1,323,938</u>
Total	<u>\$ 81,720,222</u>	<u>\$ 39,051</u>	<u>\$ 14,847,409</u>	<u>\$ 10,853,738</u>	<u>\$ 530,979</u>	<u>\$ 22,744,612</u>	<u>\$ 130,736,011</u>



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

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

	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total Net Endowment Assets</u></b>
<b><u>LSA:</u></b>			
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:

	2021		
	LSA	LFS	Total
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>
	2020		
	LSA	LFS	Total
Land	\$ 12,978,224	\$ 242,182	\$ 13,220,406
Land improvements	4,310,739	90,933	4,401,672
Building and building improvements	142,085,691	1,788,740	143,874,431
Certificate of need	4,212,500	-	4,212,500
Leasehold improvements	-	359,792	359,792
Furnishings and equipment	19,465,043	645,885	20,110,928
Computer software	847,235	39,086	886,321
Automotive equipment	1,166,098	754,355	1,920,453
Construction in progress	<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>
	<u>172,383,281</u>	<u>2,866,856</u>	<u>175,250,137</u>
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>\$176,540,769</u>	<u>\$ 2,684,215</u>	<u>\$ 179,224,984</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>
	<u>97,819,507</u>	<u>1,062,309</u>	<u>98,881,816</u>
Less current maturities of long-term debt	(2,973,792)	(360,406)	(3,334,198)
Less discount on bonds payable, net	(24,776)	-	(24,776)
Less bond issuance costs, net	<u>(3,155,122)</u>	<u>-</u>	<u>(3,155,122)</u>
	<u>\$ 91,665,817</u>	<u>\$ 701,903</u>	<u>\$ 92,367,720</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>LSA</b>	<b>LFS</b>	<b>Total</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 In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<b><u>LSA:</u></b>				
Measured on a recurring basis:				
Assets:				
Money market funds	\$ 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 In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<b><u>LSA:</u></b>				
Measured on a recurring basis:				
Assets:				
Money market funds	\$ 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 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>LFS:</b>	<u>2021</u>	<u>2020</u>
Equipment	\$ 49,988	\$ 49,988
Vehicles	128,900	107,900
Less accumulated amortization	<u>(158,893)</u>	<u>(127,895)</u>
	<u>\$ 19,995</u>	<u>\$ 29,993</u>

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

<b><u>Year ending September 30,</u></b>	
2022	<u>\$ 12,510</u>
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 and General</b>	<b>Development</b>	<b>Marketing</b>	<b>Total</b>
	<b>Senior Services</b>	<b>Child and Family 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 and General</b>	<b>Development</b>	<b>Marketing</b>	<b>Total</b>
	<b>Senior Services</b>	<b>Child and Family 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 Place Albemarle	Trinity Village Hickory	Trinity Ridge Hickory	Trinity Oaks H&R Salisbury	Trinity Grove Wilmington	Trinity Glen Winston-Salem	Trinity Elms H&R Clemmons	Total Nursing
<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	1,960,890	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	(1,082,339)	3,108,605	(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)	(6,208)	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 Place Albemarle	Trinity Village Hickory	Trinity Ridge Hickory	Trinity Oaks H&R Salisbury	Trinity Grove Wilmington	Trinity Glen Winston-Salem	Trinity Elms H&R Clemmons	Total Nursing
<b>LIABILITIES AND NET ASSETS</b>								
Current liabilities:								
Current maturities of long-term debt	\$ 8,034	\$ 15,090	\$ 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	249,083	-	184,000	72,188	355,760	179,650	353,434	1,394,115
Deferred revenue from grants and other	-	-	-	-	-	-	-	-
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	1,026,520	1,886,197	1,145,427	1,330,422	1,133,731	1,108,917	1,045,566	8,676,780
Total 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	\$ 17,409,206	\$ 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 Albemarle Property	Lutheran Home Hickory Property	Lutheran Home Hickory West Property	Lutheran Home Salisbury Property	Lutheran Home Wilmington Property	Lutheran Home Winston-Salem Property	Lutheran Home Forsyth County Property	LSA Elms Property	Lutheran Services Property	Total Property
<b>ASSETS</b>										
Current assets:										
Cash and cash equivalents	\$ 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 Albemarle Property	Lutheran Home Hickory Property	Lutheran Home Hickory West Property	Lutheran Home Salisbury Property	Lutheran Home Wilmington Property	Lutheran Home Winston-Salem Property	Lutheran Home Forsyth County Property	LSA Elms Property	Lutheran Services Property	Total Property
<b>LIABILITIES AND NET ASSETS</b>										
Current liabilities:										
Current maturities of long-term debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Current 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 Oaks RC Salisbury	Trinity View Arden	LRC - Wilmington	Trinity Elms IL Clemmons	Total 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 Oaks RC Salisbury	Trinity View Arden	LRC - Wilmington	Trinity Eims IL Clemmons	Total 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	10,760,693	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 Elms AL Clemmons	Trinity Living Center Salisbury	Trinity at Home Salisbury	LSA Pharmacy Salisbury	Total Other Operations
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 1,047,330	\$ 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 Elms AL Clemmons	Trinity Living Center Salisbury	Trinity at Home Salisbury	LSA Pharmacy Salisbury	Other Operations Total
<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  
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	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 Management	LSA Foundation	LSA Therapy	Total 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  
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	LFS Real Properties	LFS in the Carolinas Child and Family	Total LFS
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 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 Properties	LFS in the Carolinas Child and Family	Total 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  
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	Total LSA	Total LFS	Eliminations	Total	Obligated 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 LSA	Total LFS	Eliminations	Total	Obligated Group*
<b>LIABILITIES AND NET ASSETS</b>					
Current liabilities:					
Current maturities of long-term debt	\$ 2,430,475	\$ 182,641	\$ -	\$ 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	10,158,589	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  
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	Trinity Place Albemarle	Trinity Village Hickory	Trinity Ridge Hickory	Trinity Oaks H&R Salisbury	Trinity Grove Wilmington	Trinity Glen Winston-Salem	Trinity Elms H&R Clemmons	Total Nursing
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	22,980	46,771	51,438	25,152	14,103	57,303	230,270
Management fees	9,093,911	15,897,255	14,113,473	13,617,139	12,633,925	11,753,283	11,783,767	88,892,753
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
Salaries and wages	836,861	1,519,160	1,027,131	1,023,319	1,026,140	964,454	822,380	7,219,445
Employee benefits	3,407,613	6,322,035	5,379,560	5,363,195	5,292,335	4,623,570	4,249,114	34,637,422
Supplies and other	271,671	357,896	435,694	-	361,987	359,182	211,575	1,998,005
Medicaid bed assessment	13,557	7,441	18,933	51,708	47,024	10,975	3,920	153,558
Marketing expense	88,578	123,756	161,477	67,693	92,066	147,646	151,436	832,652
Depreciation and amortization	2,619	4,284	-	2,558	740	31	-	10,232
Interest expense	8,844,980	15,788,185	12,598,128	11,859,759	12,210,737	11,455,135	10,084,751	82,841,675
Total operating costs and expenses	248,931	109,070	1,515,345	1,757,380	423,188	298,148	1,699,016	6,051,078
Operating income (loss)	48,445	94,944	340	316,808	28,329	-	-	488,866
Nonoperating gains (losses):	122,667	237,706	-	801,038	72,736	-	-	1,234,147
Investment income	-	-	-	-	-	-	-	-
Unrealized gains (losses) on investments	-	-	-	-	-	-	-	-
Net gain (loss) on disposal of property and equipment	-	-	-	-	-	-	-	-
Market value adjustment on swap agreement	6,244	28,210	5,932	11,867	18,294	7,255	14,295	92,097
Contributions	(1,457)	(2,383)	-	(1,423)	(411)	(18)	-	(5,692)
Loss on extinguishment of debt	175,899	358,477	6,272	1,128,290	118,948	7,237	14,295	1,809,418
Total nonoperating gains (losses)	424,830	467,547	1,521,617	2,885,670	542,136	305,385	1,713,311	7,860,496
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 Place Albermarle	Trinity Village Hickory	Trinity Ridge Hickory	Trinity Oaks H&R Salisbury	Trinity Grove Wilmington	Trinity Glen Winston-Salem	Trinity Elms H&R Clemmons	Total Nursing
Excess of revenue over expenses	\$ 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  
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Year Ended September 30, 2021

	Lutheran Home Albemarle Property	Lutheran Home Hickory Property	Lutheran Home Hickory West Property	Lutheran Home Salisbury Property	Lutheran Home Wilmington Property	Lutheran Home Winston-Salem Property	Lutheran Home Forsyth County Property	LSA Elms Property	Lutheran Services Property	Total Property
Changes in net assets without donor restrictions:										
Revenues and other support:										
Net service revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization of deferred entrance fees	-	-	-	-	-	-	-	-	-	-
Service fees - state, county and other	-	-	-	-	-	-	-	-	-	-
Federal grants and other	-	-	-	-	-	-	-	-	-	-
Net assets released from restrictions for operating purposes	-	-	-	-	-	-	-	-	-	-
Management fees	-	-	-	-	-	-	-	-	-	-
Other revenue	385,000	600,000	820,000	653,600	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 Albemarle Property	Lutheran Home Hickory Property	Lutheran Home Hickory West Property	Lutheran Home Salisbury Property	Lutheran Home Wilmington Property	Lutheran Home Winston-Salem Property	Lutheran Home Forsyth County Property	LSA Elms Property	Lutheran Services Property	Total Property
Excess of revenue over expenses	\$ 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	-	-	-	-	-	-	-	-	-	-
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 Oaks RC Salisbury	Trinity View Arden	LRC - Wilmington	Trinity Eims IL Clemmons	Total 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 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	3,104,596	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 Oaks RC Salisbury	Trinity View Arden	LRC - Wilmington	Trinity Eims IL Clemmons	Total 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 Elms AL Clemmons	Trinity Living Center Salisbury	Trinity at Home Salisbury	LSA Pharmacy Salisbury	Total Other Operations
Changes in net assets without donor restrictions:					
Revenues and other support:					
Net service revenue	\$ 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 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 Elms AL Clemmons	Trinity Living Center Salisbury	Trinity at Home Salisbury	LSA Pharmacy Salisbury	Total 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	-	-	-	-	-
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	\$ 12,842,971	\$ 19,048,015

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

	LSA	LSA Management	LSA Foundation	LSA Therapy	Total Other
Changes in net assets without donor restrictions:					
Revenues and other support:					
Net service revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization of deferred entrance fees	-	-	-	-	-
Service fees - state, county and other	-	-	-	-	-
Federal grants and other	-	-	-	-	-
Net assets released from restrictions 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

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)

	LSA	LSA Management	LSA Foundation	LSA Therapy	Total 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  
 in Net Assets (Deficit)  
 Year Ended September 30, 2021

	LFS Real Properties	LFS in the Carolinas Child and Family	Total LFS
Changes in net assets without donor restrictions:			
Revenues and other support:			
Net service revenue	\$ -	\$ 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 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	-	-	-
Net gain (loss) on disposal of property and equipment	-	(5,925)	(5,925)
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 Properties	LFS in the Carolinas Child and Family	Total 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:	15,990	785,016	801,006
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 intercompany	-	56,734	56,734
Net assets released from restrictions	-	(758,196)	(758,196)
Change in net assets with donor restrictions:	-	32,317	32,317
Change in net assets	15,990	817,333	833,323
Net assets at beginning of year	1,899,452	(2,297,623)	(398,171)
Net assets at end of year	\$ 1,915,442	\$ (1,440,290)	\$ 475,152

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

	Total LSA	Total LFS	Eliminations	Total	Obligated 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 for operating purposes	499,470	758,196	-	1,257,666	\$ -
Management fees	8,982,434	-	(7,814,711)	1,167,723	\$ 498,241
Other revenue	6,960,255	638,418	(5,375,705)	2,222,968	\$ 3,470,732
Total revenue	130,654,602	23,298,304	(16,570,672)	137,382,234	\$ 560,217
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	\$ 109,095,366
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 LSA	Total LFS	Eliminations	Total	Obligated 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	(368,171)	-	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**

# **Rates**

**LUTHERAN HOME – WILMINGTON, INC.  
LUTHERAN HOME WILMINGTON PROPERTY, INC.  
LUTHERAN RETIREMENT CENTER – WILMINGTON, INC. D/B/A  
TRINITY LANDING**

**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**

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## INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Board of Trustees  
Lutheran Home – Wilmington, Inc.  
Lutheran Home Wilmington Property, Inc.  
Lutheran Retirement Center – Wilmington, Inc. d/b/a Trinity Landing  
Wilmington, North Carolina

Management is responsible for the accompanying projected financial statements of Lutheran Home – Wilmington, Inc., Lutheran Home Wilmington Property, Inc., and Lutheran Retirement Center – Wilmington, Inc. (“Trinity Landing” or the “Project”), collectively referred to as the “Community”, 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 combined financial statements or the assumptions. Furthermore, even if the hypothetical assumptions as noted in Management’s Summary of Significant Projection Assumptions and Accounting Policies on page 5 (the “Hypothetical Assumptions”) occur as projected, 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 Landing’s 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 28, 2022

**LUTHERAN HOME – WILMINGTON, INC.**  
**LUTHERAN HOME WILMINGTON PROPERTY, INC.**  
**LUTHERAN RETIREMENT CENTER – WILMINGTON, INC. D/B/A TRINITY LANDING**  
**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)*

	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
<b>Operating Revenue</b>					
Patient Service Revenues:					
Monthly Fee Revenues	\$ 144	\$ 4,150	\$ 9,155	\$ 11,168	\$ 11,457
Health Care Revenues - Assisted Living and Nursing	12,495	12,342	12,626	12,917	13,215
Amortization of Deferred Entrance Fees	751	1,449	2,200	3,709	3,674
Federal Grants and Other	356	-	-	-	-
Other Operating Revenue	37	79	130	151	155
Total Operating Revenue	<u>13,783</u>	<u>18,020</u>	<u>24,111</u>	<u>27,945</u>	<u>28,501</u>
<b>Expenses</b>					
Health Care	6,368	6,623	6,821	7,026	7,236
Operations:					
Maintenance	285	580	593	608	623
Utilities	300	558	666	724	745
Laundry	105	126	137	144	148
Housekeeping	483	725	831	898	926
Groundskeeping	97	239	244	251	259
Security	52	161	165	170	175
Dietary	1,104	2,226	2,895	3,272	3,356
Activities, Transportation, and Ministry	386	711	764	800	825
Administrative	3,546	3,135	3,221	3,316	3,415
Management Fees	597	670	785	1,178	1,207
Depreciation	590	3,308	3,366	3,454	3,529
Interest Expense and Amortization	822	4,317	4,131	3,889	3,380
Total Operating Costs and Expenses	<u>14,735</u>	<u>23,379</u>	<u>24,619</u>	<u>25,730</u>	<u>25,824</u>
Operating Income (Loss)	(952)	(5,359)	(508)	2,215	2,677
<b>Non-Operating Gains:</b>					
Investment Income	99	198	238	245	275
Gain on extinguishment of debt	1,172	-	-	-	-
Contributions	22	23	23	24	25
Total Non-Operating Income	<u>1,293</u>	<u>221</u>	<u>261</u>	<u>269</u>	<u>300</u>
<b>Excess of Revenues over (under) Expenses</b>	341	(5,138)	(247)	2,484	2,977
Changes in Net Assets Under Donor Restrictions	-	-	-	-	-
Contributions and Grants	-	-	-	-	-
Total Change in Net Assets Under Donor Restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in Net Assets	341	(5,138)	(247)	2,484	2,977
Net Assets at Beginning of Year	(9,490)	(9,149)	(14,287)	(14,534)	(12,050)
Net Assets at End of Year	<u>\$ (9,149)</u>	<u>\$ (14,287)</u>	<u>\$ (14,534)</u>	<u>\$ (12,050)</u>	<u>\$ (9,073)</u>

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

**LUTHERAN HOME – WILMINGTON, INC.**  
**LUTHERAN HOME WILMINGTON PROPERTY, INC.**  
**LUTHERAN RETIREMENT CENTER – WILMINGTON, INC. D/B/A TRINITY LANDING**  
**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
<b>Cash Flows from Operating Activities:</b>					
Changes in Net Assets	\$ 341	\$ (5,138)	\$ (247)	\$ 2,484	\$ 2,977
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:					
Depreciation	590	3,308	3,366	3,454	3,529
Amortization of Debt Issuance Costs	50	53	53	50	42
Amortization of Bond Premium	(285)	(299)	(296)	(279)	(246)
Gain on Extinguishment of Debt	(1,172)	-	-	-	-
Amortization of Deferred Entrance Fees	(751)	(1,449)	(2,200)	(3,709)	(3,674)
Receipt of Non-Refundable Entrance Fees - Unit Turnover	-	-	-	1,781	2,457
Changes in Assets and Liabilities:					
Accounts Receivable, Residents and Clients	(52)	(383)	(530)	(233)	(61)
Other Current Assets	9	(6)	(4)	(5)	(2)
Accounts Payable and Other Accrued Liabilities	(6,188)	137	66	61	25
Deferred Revenue from Grants and Other	(356)	-	-	-	-
Other Liabilities	(56)	12	2	2	-
Net Cash Provided (Used) by Operating Activities	(7,870)	(3,765)	210	3,606	5,047
<b>Cash Flows from Investment Activities:</b>					
Routine Purchases of Property and Equipment	(165)	(470)	(580)	(690)	(800)
Purchases of Property and Equipment - Project-Related	(40,320)	-	-	-	-
Interest Costs Capitalized During Construction, Net of Interest Earnings	(3,143)	-	-	-	-
Change in Investments, Net	(1,032)	(465)	(780)	(1,435)	(199)
Change in Assets Limited as to Use	(4,184)	(24,844)	(15,924)	51,243	80
Net Cash Used in Investment Activities	(48,844)	(25,779)	(17,284)	49,118	(919)
<b>Cash Flows from Financing Activities:</b>					
Cash Borrowed (Paid) to Related Party	8,284	7,398	-	(10,000)	(3,000)
Allocated Proceeds from Issuance of Long-Term Debt	42,475	-	-	-	-
Allocated Payments of Long-Term Debt	(588)	(4,049)	(3,305)	(41,932)	(705)
Receipt of Refundable Entrance Fees- Unit Turnover	-	-	-	172	236
Receipt of Initial Entrance Fees- Project	6,158	26,387	20,524	-	-
Refunds of Refundable Fees	-	-	-	(827)	(583)
Net Cash Provided (Used) by Financing Activities	56,329	29,736	17,219	(52,587)	(4,052)
<b>Change in Cash and Cash Equivalents</b>	(385)	192	145	137	76
Cash, Cash Equivalents and Restricted Cash, Beginning of Year	2,485	2,100	2,292	2,437	2,574
Cash, Cash Equivalents, and Restricted Cash, End of Year	\$ 2,100	\$ 2,292	\$ 2,437	\$ 2,574	\$ 2,650
<b>Supplemental Disclosure of Cash Flow Information:</b>					
Cash Paid During the Year for Interest, Net of Amounts Capitalized	\$ 4,048	\$ 4,411	\$ 4,228	\$ 3,978	\$ 3,450

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

**LUTHERAN HOME – WILMINGTON, INC.  
LUTHERAN HOME WILMINGTON PROPERTY, INC.  
LUTHERAN RETIREMENT CENTER – WILMINGTON, INC. D/B/A TRINITY LANDING  
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	\$ 2,088	\$ 2,280	\$ 2,425	\$ 2,562	\$ 2,638
Investments	2,810	3,275	4,055	5,490	5,689
Current Portion of Assets Limited as to Use	4,803	2,101	-	-	-
Accounts Receivable, Residents, and Clients, Net of Allowance for Doubtful Accounts	1,387	1,770	2,300	2,533	2,594
Other Receivable	1,946	1,946	1,946	1,946	1,946
Inventories	69	68	69	71	73
Prepaid Expenses	6	13	16	19	19
Residents' Funds	12	12	12	12	12
Total Current Assets	13,121	11,465	10,823	12,633	12,971
Assets Limited as to Use:					
Entrance Fee Fund and Resident Deposits	10,679	33,540	51,419	-	-
Operating Reserve Requirement	1,304	4,408	2,453	2,629	2,549
Assets Restricted for Investments in Property and Equipment	4	4	4	4	4
Capitalized Interest Fund	1,121	-	-	-	-
Total Assets Limited as to Use	13,108	37,952	53,876	2,633	2,553
Less: Current Portion	(4,803)	(2,101)	-	-	-
Total Assets Limited as to Use	8,305	35,851	53,876	2,633	2,553
Property and Equipment, Net	127,735	124,897	122,111	119,347	116,618
Total Assets	\$ 149,161	\$ 172,213	\$ 186,810	\$ 134,613	\$ 132,142
<b>LIABILITIES AND NET ASSETS</b>					
Current Liabilities					
Current Maturities of Long-Term Debt	\$ 407	\$ 429	\$ 451	\$ 705	\$ 728
Accounts Payable, Trade	283	408	464	515	530
Payable to Affiliate	17,849	25,247	25,247	15,247	12,247
Accrued Salaries and Payroll Taxes	276	287	296	305	314
Accrued Health Benefits	34	47	50	53	54
Residents' Funds Liability	4,963	2,261	160	160	160
Total Current Liabilities	23,812	28,679	26,668	16,985	14,033
Long-Term Liabilities:					
Long-Term Debt, Less Current Maturities	125,309	121,162	117,762	75,506	74,711
Unamortized Issuance Costs	(1,075)	(1,022)	(969)	(919)	(877)
Unamortized Bond Premium	4,551	4,328	4,105	3,896	3,717
Deposit Liability	503	2,768	4,530	3,858	3,487
Deferred Revenue from Advance Fees	5,210	30,585	49,248	47,337	46,144
Total Long-Term Liabilities	134,498	157,821	174,676	129,678	127,182
Total Liabilities	158,310	186,500	201,344	146,663	141,215
Net Assets:					
Net Assets Without Donor Restriction					
Unrestricted, Undesignated	(9,172)	(14,310)	(14,557)	(12,073)	(9,096)
Unrestricted, Board Designated Funds	-	-	-	-	-
Total Net Assets Without Donor Restriction	(9,172)	(14,310)	(14,557)	(12,073)	(9,096)
Net Assets With Donor Restriction					
Total Net Assets	23	23	23	23	23
Total Net Assets	(9,149)	(14,287)	(14,534)	(12,050)	(9,073)
Total Liabilities and Net Assets	\$ 149,161	\$ 172,213	\$ 186,810	\$ 134,613	\$ 132,142

**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

The financial projection presents, to the best of the knowledge and belief of management (“Management”) of Lutheran Home – Wilmington, Inc., Lutheran Home Wilmington Property, Inc. (collectively “Trinity Grove”), and Lutheran Retirement Center – Wilmington, Inc. (“Trinity Landing” or the “Project”), collectively Trinity Landing and Trinity Grove are the “Community”, 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 Period”).

As part of its efforts to be licensed as a continuing care retirement community (“CCRC”), the North Carolina Department of Insurance, as part of Trinity Landing’s disclosure requirements, have asked Management to prepare this combined presentation for its financial projection.

Accordingly, the projection reflects Management’s judgment as of February 28, 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 the Community depends.

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

Management has prepared its financial projection with the following hypothetical assumptions (the “Hypothetical Assumptions”):

- Construction of the Project (as defined hereinafter) occurs at the costs and timeline presented hereafter;
- The Project achieves the projected occupancy and fills as projected;
- The Project achieves its operating expense assumptions as projected;
- The Medicaid Bed Assessment expense ends at the time of the Project’s opening in August 2022, with a related decrease in the Medicaid per diem rate, as projected;
- 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; and
- 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 Landing, 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 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 \$356,000 of provider relief funds in fiscal year 2022 on expenses related to preventing, preparing for, or responding to the COVID-19 pandemic.

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

### **INTRODUCTION (CONTINUED)**

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 Landing's 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

### Background

Trinity Grove and Trinity Landing are affiliates 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. Lutheran Home – Wilmington, Inc., Lutheran Home Wilmington Property, Inc., Lutheran Retirement Center – Wilmington, Inc., and LSA are nonprofit corporations under section 501(c)(3) of the Internal Revenue Code and are located in Wilmington, North Carolina (the members of the Community) and Salisbury, North Carolina (LSA).

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	208	-	-	208
Lutheran Retirement Center - Hickory, Inc. <sup>(7)</sup>	-	Hickory, NC	-	-	-	-
Lutheran Retirement Center - Hickory West, Inc. <sup>(7)</sup>	-	Hickory, NC	-	-	-	-
<u>Other</u>						
Abundant Living Adult Day Services, Inc.	Lutheran Services Property, Inc.	Salisbury, NC	-	-	-	-
LSA Management, Inc.	-	Salisbury, NC	-	-	-	-
LSA Pharmacy, Inc.	-	Salisbury, NC	-	-	-	-
The Foundation for Abundant Living	-	Salisbury, NC	-	-	-	-
<b>Total</b>			<b>519</b>	<b>295</b>	<b>732</b>	<b>1,546</b>

Source: Management

**See Independent Accountants' Compilation Report**

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

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

Notes to Table 1:

- (1) In January 2020, the number of assisted living beds at Trinity Place increased from 10 to 27.
- (2) Although Trinity View is licensed for 24 assisted living units, the facility consistently operates only 20 units due to using four semi-private rooms as private rooms.
- (3) Lutheran Home at Trinity Oaks, Inc. (Trinity Oaks health and rehab) and Lutheran Retirement Center – Salisbury, Inc. (Trinity Oaks) operate together as a North Carolina licensed “continuing care retirement community.”
- (4) Trinity Elms 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 208 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.

#### **Trinity Grove**

Trinity Grove consists of 100 nursing facility beds (60 private), with 25 of those beds being certified for Alzheimer’s care. Trinity Grove opened in June 2011 and reached stabilized occupancy in February 2012. Trinity Grove was designed with a home-like environment being its core focus. This facility has what is referred to as a “neighborhood design” concept with each neighborhood containing approximately 25 beds. At the time of Project opening, it is intended that Trinity Grove and Trinity Landing will operate together as a North Carolina licensed continuing care retirement community.

#### **The Project**

LSA was donated property in the “Monkey Junction” section of Wilmington, North Carolina years ago with the goal of being able to establish retirement services in the area. Over the years, LSA has purchased adjacent tracts and now owns approximately 50 contiguous acres of property bordering the inland coastal waterway on Masonboro Loop Road.

In 2007, LSA applied for, and was granted by the State of North Carolina, a certificate of need (CON) for a 100 bed nursing home in Wilmington. As a part of the CON, LSA planned to sell the acres on Masonboro Loop Road to help fund the nursing home project that was planned a few miles away. The real estate market for the inland waterway property deteriorated, and therefore construction of the new 100-bed nursing home named Trinity Grove proceeded during 2009 and 2010 without the funds from the 50 acres on Masonboro Loop Road. Trinity Grove opened in 2011.

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

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

As the real estate market has rebounded in the ten years since 2008, proposals were considered for the development of land adjacent to Trinity Grove as well as the inland waterway property on Masonboro Loop Road. Ultimately, the inland waterway property on Masonboro Loop Road was chosen and plans to develop 208 independent living units (the “Project” or “Trinity Landing”) started in 2016 with the selection of an architect and marketing to assist LSA with project development.

In January 2019, Trinity Landing received approval from the North Carolina Department of Insurance (NCDI) to begin its 10% depositor marketing phase. This allows prospective residents who have paid \$100 to be on the future priority list to have first opportunity to secure their new home at Trinity Landing by depositing 10% of the Entrance Fee, as defined hereinafter, in escrow for their new home. When the Project is completed, it’s Management’s intention for Trinity Landing and Trinity Grove to associate and become an officially licensed Continuing Care Retirement Community (“CCRC”) as defined in the North Carolina State regulation. The NC Department of Insurance has already granted Step 3 approval in their 4-step approval process, meaning that vertical construction of the Project is permitted to commence.

Trinity Landing, which is anticipated to be a Type C, fee-for-service facility, is planned to be developed in two phases. The Project, which is Phase I, began construction in August 2020, and will consist of the development of 208 independent living units that will consist of 124 apartments and 84 villas. The main building will contain 124 one and two bedroom apartments along with multiple dining venues, a fitness center, pool, hair salon and other amenities. Additionally, there will be several two and three story villas containing 84 villas, a pavilion building near the waterfront and 9 boat slips for water access.

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

Trinity Landing plans to offer three entrance fee plans for all of its apartments and villas (as further described in “Refundable Fees and Deferred Revenue from Advance Fees” on page 15). Trinity Landing is anticipated to be a Type C, fee-for-service facility. The Entrance Fee entitles occupancy of a residence by the resident at Trinity Landing, together with the use and benefits of its common areas, amenities, services and programs. The Entrance Fee also provides the residents priority access to healthcare services at Trinity Grove. Upon leaving Trinity Landing’s independent living units, the resident or the resident’s estate will receive a refund of the Entrance Fee, once the vacated unit has been reoccupied, depending upon the Entrance Fee plan selected. The Monthly Service Fee for the independent living apartments and villas will include all occupancy costs and a monthly dining allowance that can be used in any of the dining venues on campus. Service fees are based on the size and type of apartment or villa occupied. Apartments and villas occupied by more than one person are assessed a fee for each additional occupant to cover the additional maintenance and meal cost.

### **Health Care Services**

Trinity Grove offers nursing services to residents. The health care facilities house their own dining facilities, lounges, and recreational areas. In general, the operations of the health care units are supervised by a 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 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.

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

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

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 Trinity Grove residents professional care, immediate attention, and emergency consultations 24 hours per day. When a Trinity Landing resident's medical condition requires health care services, the resident will move from a Trinity Landing independent living 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 Trinity Grove also receive housekeeping service and a total of three meals per day. Certain additional ancillary health care services are not included in the Private Pay 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 Grove. 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

### BACKGROUND INFORMATION (CONTINUED)

The following table summarizes the unit types, approximate square footages, and fees of the Project, effective through December 31, 2022.

**Table 2**  
**Project - Type, Number, Square Footage, and 2022 Monthly Service Fees and Entrance Fees**

Unit Name	Unit Type	No. of Units	Square Feet	Monthly Service Fee (2022)	Entrance Fees (2022)		
					Limited Refund	50% Refund	90% Refund
Apartments:							
Pamlico	1 BR	22	870	\$ 3,097	\$146,200 - \$156,600	\$212,000 - \$227,100	\$263,200 - \$281,900
Pamlico II	1 BR	1	1,000	\$ 3,550	\$179,100	\$259,700	\$322,400
Ocracoke	1 BR/Den	25	1,070	\$ 3,731	\$192,500 - \$206,200	\$279,100 - \$299,000	\$346,500 - \$371,200
Ocracoke II	1 BR/Den	2	1,115	\$ 3,979	\$209,500 - \$213,700	\$303,800 - \$309,900	\$377,100 - \$384,700
Ocracoke III	1 BR/Den	2	1,150	\$ 4,051	\$217,500 - \$219,600	\$315,400 - \$318,400	\$391,500 - \$395,300
Currituck	2 BR	21	1,310	\$ 4,285	\$243,000 - \$252,700	\$352,400 - \$366,400	\$437,400 - \$454,900
Currituck II	2 BR	1	1,305	\$ 4,266	\$241,900	\$350,800	\$435,400
Roanoke	2 BR Deluxe	3	1,390	\$ 4,446	\$259,600 - \$262,100	\$376,400 - \$380,000	\$467,300 - \$471,800
Roanoke II	2 BR Deluxe	15	1,410	\$ 4,501	\$260,100 - \$265,300	\$377,100 - \$384,700	\$468,200 - \$477,500
Roanoke III	2 BR Deluxe	2	1,435	\$ 4,586	\$267,700 - \$271,900	\$388,200 - \$394,300	\$481,900 - \$489,400
Roanoke IV	2 BR Deluxe	2	1,470	\$ 4,642	\$278,500 - \$281,200	\$403,800 - \$407,700	\$501,300 - \$506,200
Manteo	2 BR / Den	16	1,505	\$ 4,721	\$290,900 - \$302,400	\$421,800 - \$438,500	\$523,600 - \$544,300
Manteo II	2 BR / Den	1	1,610	\$ 4,831	\$316,200	\$458,500	\$569,200
Beaufort	2 BR / Den Deluxe	9	1,640	\$ 4,940	\$313,800 - \$317,000	\$455,000 - \$459,700	\$564,800 - \$570,600
Beaufort II	2 BR / Den Deluxe	2	1,660	\$ 5,039	\$320,100 - \$323,300	\$464,100 - \$468,800	\$576,200 - \$581,900
Total / Weighted Average		124	1,251	\$ 4,109	\$ 235,223	\$ 341,080	\$ 423,411
Second Person				\$ 977	\$ 10,929	\$ 15,848	\$ 19,673

Unit Type	No. of Units	Square Feet	Monthly Service Fee (2022)	Entrance Fees (2022)			
				Limited Refund	50% Refund	90% Refund	
Villas:							
Sealevel	1 BR/Den	2	1,165	\$ 3,988	\$246,500 - \$248,900	\$357,400 - \$360,900	\$443,700 - \$448,000
Rodanthe	2 BR	16	1,260	\$ 4,264	\$263,200 - \$276,400	\$381,600 - \$400,800	\$473,800 - \$497,500
Nags Head	2 BR Deluxe	10	1,450	\$ 4,709	\$301,900 - \$310,900	\$437,800 - \$450,800	\$543,400 - \$559,600
Hatteras	2 BR / Den	6	1,550	\$ 4,945	\$338,200 - \$351,400	\$490,400 - \$509,500	\$608,800 - \$632,500
Kitty Hawk	2 BR / Den	24	1,590	\$ 4,953	\$347,700 - \$361,400	\$504,200 - \$524,000	\$625,900 - \$650,500
Southport	2 BR / Den Deluxe	20	1,675	\$ 5,033	\$371,600 - \$386,000	\$538,800 - \$559,700	\$668,900 - \$694,800
Bald Head	2 BR Sunrise / Der	6	1,765	\$ 5,402	\$413,000 - \$420,900	\$598,900 - \$610,300	\$743,400 - \$757,600
Total / Weighted Average		84	1,530	4,820	\$ 339,666	\$ 492,514	\$ 611,403
Second Person				\$ 977	\$ 10,929	\$ 15,848	\$ 19,673

Source: Management

**Summary of Significant Projection Assumptions and Accounting Policies**  
**BACKGROUND INFORMATION (CONTINUED)**

The following table summarizes the combined post-Project unit configuration of the Community.

**Table 3**  
**Post-Project Unit Configuration**

Location	Facility Name	Independent Living			Assisted		Facility
		Existing	Additions	Total	Living	Nursing	Total
Wilmington, NC	Trinity Grove	-	-	-	-	100	100
Wilmington, NC	Trinity Landing <sup>(1)</sup>	-	208	208	-	-	208
		-	208	208	-	100	308

Source: Management

Note:

(1) The Project independent living units are anticipated to open in August 2022.

Management has projected the following timeline for the Project:

**Table 4**  
**Project Timeline**

Event	Date
Construction Completed <sup>(1)</sup>	August 2022
Fill-Up of the Project Begins	August 2022
Project Achieves Targeted Occupancy (95%)	September 2024

Source: Management

Note:

(1) The Trinity Landing Project began construction in July 2019 under a limited notice to proceed; however, only limited construction could occur until permanent financing was obtained with the Series 2020 Bonds in August 2020. The Series 2020 Bonds were refinanced with the Series 2021 Bonds, as described hereinafter.

The Stabilization Date, as defined in the Master Trust Indenture, is based on 90% occupancy. As noted in Table 5, 90% Occupancy is achieved in July 2024; however, Management has projected a target occupancy related to the Project of 95%, which is projected to be achieved in September 2024.



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

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

The following table reflects Management's anticipated move-in schedule for the Project during the Projection Period.

**Table 5**  
**Projected Fill Schedule**

	Total Units	Fill	Cumulative Occupancy	Occupancy Percentage
Fiscal Year 2022				
August	208	11	11	5.3%
September	208	11	22	10.6%
Fiscal Year 2023				
October	208	10	32	15.4%
November	208	9	41	19.7%
December	208	7	48	23.1%
January	208	8	56	26.9%
February	208	7	63	30.3%
March	208	9	72	34.6%
April	208	9	81	38.9%
May	208	9	90	43.3%
June	208	8	98	47.1%
July	208	8	106	51.0%
August	208	8	114	54.8%
September	208	7	121	58.2%
Fiscal Year 2024				
October	208	7	128	61.5%
November	208	7	135	64.9%
December	208	7	142	68.3%
January	208	7	149	71.6%
February	208	7	156	75.0%
March	208	7	163	78.4%
April	208	7	170	81.7%
May	208	7	177	85.1%
June	208	6	183	88.0%
July	208	5	188	90.4%
August	208	5	193	92.8%
September	208	5	198	95.2%
Thereafter			198	95.2%

Source: Management

Management has based the above fill-up of the Project and subsequent sustained occupancy based upon its market research and input from marketing personnel of the Project.

**See Independent Accountants' Compilation Report**

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

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

#### **Basis of Accounting**

The Community maintains its accounting and financial records according to the accrual basis of accounting.

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

The Community considers all unrestricted short-term investments with an original maturity of three months or less when purchased to be cash equivalents. The Community maintains their cash accounts with high quality financial institutions, which, at times, may exceed federally insured limits. The Community has not experienced any losses in such accounts. The Community 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	\$ 2,088	\$ 2,280	\$ 2,425	\$ 2,562	\$ 2,638
Residents' Funds	12	12	12	12	12
Total Cash, Cash Equivalents and Restricted Cash Shown in Projected Combined Statements of Cash Flows	\$ 2,100	\$ 2,292	\$ 2,437	\$ 2,574	\$ 2,650

#### **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 the Community are reported at the estimated transaction price from residents, third party payors and others for services rendered. The Community 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.

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

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

The Community performs 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.

#### **Revenue Recognition**

The Community 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.

##### *Patient Service Revenue:*

The Community provides assisted living and nursing care to residents and other patients who are covered by government, commercial, and private payors. The Community 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.

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

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

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

Assets limited as to use are projected to primarily include resident deposits, assets held under bond agreements, and the operating reserve required by the North Carolina Department of Insurance. 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.

#### **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.

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.

The Community evaluates, 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. Management has not assumed any impairment on property and equipment during the Projection Period.

#### **Compensation Absences**

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

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

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

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

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

For Entrance Fees, Trinity Landing offers a limited refund plan (the “Limited Refund Plan”), a 50 percent refundable plan (the “50% Refund Plan”) and a 90 percent refundable plan (the “90% Refund Plan”).

*Limited Refund Plan*—This plan states the refund is equal to the Entrance Fee less a four percent (4%) non-refundable fee paid at the time of occupancy and two percent (2%) per month for the first 48 months, after which the Entrance Fee is non-refundable.

*50% Refund Plan*—This 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 a 50% refund will be paid to the resident or the resident’s estate if the living unit is vacated and then re-occupied.

*90% Refund Plan*—This 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 a 90% refund will be paid to the resident or the resident’s estate if the living unit is vacated and then re-occupied.

#### **Net Assets**

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 Restriction – Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions – Resources that carry a donor imposed restriction that permits the Community to use or expend the donated assets as specified, is satisfied by the passage of time or by action of the Community, or that the assets be maintained in perpetuity. Donor restricted net assets are available primarily to fund certain resident care expenses. Generally, the donors of assets required to be maintained in perpetuity permit the Community to use all or part of the earnings on related investments for general or specific purposes.

#### **Excess of Revenue over Expenses**

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

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

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

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

Unconditional promises to give cash and other assets 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 restriction in the same period.

#### **Advertising Costs**

Advertising costs are charged to operations when incurred.

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

The Community 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, the Community 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.

#### **Use of Estimates**

The preparation of projected combined financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the projected combined financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

#### **Income Taxes**

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

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

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

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

Resident service revenue is composed of:

- 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; and
- Revenue for the nursing units based on assumed daily charges, as well as based on management's expectations of Medicare and Medicaid reimbursement, as well as other state supplemental income.

### **Projected Occupancy Levels**

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

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**Table 6**  
**Average Yearly Projected Utilization of Trinity Landing - Independent Living Units<sup>(1)</sup>**  
**For the Years Ending September 30,**

---

	2022	2023	2024	2025	2026
Average Units Occupied	3	77	165	198	198
Average Units Available	35	208	208	208	208
Average Occupancy Percentage	8.6%	37.0%	79.3%	95.2%	95.2%

---

Source: Management

Note:

- (1) Management has projected that the Project's independent living units will be available for occupancy beginning August 2022 and the units available have been prorated for purposes of presenting occupancy in 2022.

Management has projected approximately 55 percent for a second person occupancy percentage for the Project during the Projection Period.

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**Table 7**  
**Average Yearly Projected Utilization of Nursing - Trinity Grove**  
**For the Years Ending September 30,**

---

Location	Facility Name	2022	2023	2024	2025	2026
Wilmington	Trinity Grove	94%	96%	96%	96%	96%

---

Source: Management

**Summary of Significant Projection Assumptions and Accounting Policies**  
**MANAGEMENT'S BASIS FOR PROJECTION OF REVENUE (CONTINUED)**

**Projected Entrance Fees, Monthly Fees and Daily Fees Increases**

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

**Table 8**  
**The Community 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%
Insurance	n/a <sup>(1)</sup>	3.00%	3.00%	3.00%	3.00%
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)(2)</sup>	3.00%	3.00%	3.00%	3.00%
Entrance Fee	n/a <sup>(1)(2)</sup>	1.00%	1.00%	1.00%	1.00%

Source: Management

Notes:

- (1) The nursing units rates noted in Table 9 are in 2022 dollars. Inflation begins in the following year.
- (2) Project independent living rates in Table 2 are in 2022 dollars, the year of Project opening, and begin inflating in the following year.

**Nursing Fees**

The following tables summarize Management's projected per diem rates for Trinity Grove based on inflationary increases.

**Table 9**  
**Projected Nursing Daily Rates**  
**For the Years Ending September 30,**

Facility Name	2022		2023		2024		2025		2026	
Payer Mix										
<b>Trinity Grove</b>										
Private Pay - Private Room	\$	289	\$	298	\$	307	\$	316	\$	325
Private Pay - Semi Private	\$	280	\$	288	\$	297	\$	306	\$	315
Insurance	\$	535	\$	551	\$	568	\$	585	\$	602
Medicare	\$	535	\$	546	\$	557	\$	568	\$	579
Medicaid <sup>(1)(2)</sup>	\$	256	\$	193	\$	195	\$	197	\$	199
Hospice	\$	205	\$	207	\$	209	\$	211	\$	213

Source: Management

Note:

- (1) Note that Management projects that the Medicaid Bed Assessment will end at the time of Project opening in August 2022, with a related decrease in the Medicaid revenue rate of \$13.68 per resident day.
- (2) 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

**See Independent Accountants' Compilation Report**



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

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

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.

#### **Nursing Payer Mix**

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

**Table 10**  
**Trinity Grove – Projected Nursing Payer Mix By Resident Type**  
**For the Years Ending September 30,**

Payer Mix	2022	2023	2024	2025	2026
Trinity Grove					
Private Pay	32.0%	33.5%	33.5%	33.5%	33.5%
Insurance	19.5%	19.1%	19.1%	19.1%	19.1%
Medicare	19.1%	18.7%	18.7%	18.7%	18.7%
Medicaid	29.4%	28.7%	28.7%	28.7%	28.7%
	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Management

#### **Entrance Fee Receipts and Refunds**

Entrance fee receipts and refunds are based on information provided by Management based on historical experience of operating other facilities of LSA, as well as Management's assumptions relating to occupancy increases during the Projection Period. The following table reflects entrance fees received and refunds paid during the projected period for Trinity Landing, as projected by Management.

**Table 11**  
**Trinity Landing Independent Living Projected Entrance Fees, Net**  
**For the Years Ending September 30,**  
**(In Thousands of Dollars)**

	2022	2023	2024	2025	2026
Initial Entrance Fees from the Project	\$ 6,464	\$29,089	\$22,625	\$ -	\$ -
Entrance Fee Receipts from Unit Turnover	-	-	-	1,953	2,693
Entrance Fee Refunded from Unit Turnover	-	-	-	(827)	(583)
Entrance Fees Received, Net of Refunds	\$ 6,464	\$29,089	\$22,625	\$ 1,126	\$ 2,110

Source: Management

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

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

Entrance fee receipts, net of refunds, are based on the available units of the Project coming online. The following table presents Management's projected entrants for both initial unit occupancy and entrants from anticipated unit turnover.

**Table 12**  
**Projected Unit Fill and Turnover**  
**For the Years Ending September 30,**

	2022	2023	2024	2025	2026
Initial Entrants	22	99	77	-	-
Turnover Entrants	-	-	-	6	8
	22	99	77	6	8

Source: Management

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

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

#### **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 the Community.

**Table 13**  
**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	3.50%	3.50%	3.50%	3.50%	3.50%

Source: Management

Management does not project any unrealized gains/losses from the valuation of investments during the Projection Period. Management did not project any investment return on cash and cash equivalents or assets limited as to use.

#### **Amortization of Deferred Entrance Fees**

Management has projected amortization income relating to deferred revenue from entrance fees based on the anticipated life expectancy of residents.

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

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

#### **Other Operating Revenue**

Other operating revenue is estimated based upon Management's experience in operating other LSA communities and consists principally of revenue from guest and employee meals, guest rooms, miscellaneous facility rentals, beauty salon, rebates and refunds, and other miscellaneous charges. Management has not projected any other operating revenue during the Projection Period.

As of September 30, 2021, the Community had approximately \$356,000 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 \$356,000 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 \$1,172,000 of PPP loans for the Community during fiscal year 2022 and as such, has projected a gain on the forgiveness of debt of approximately \$1,172,000 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**

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#### **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 the Community, based on the historical operations of other facilities of LSA. 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.

Staffing for Trinity Grove approximate 128 FTEs during the Projection Period. Management has indicated that it would add approximately 59 FTEs as a result of staffing needs related to its Project.

#### **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 Landing. These benefit costs have been projected by department based on the historical experience of Trinity Landing. Management has projected that benefits would approximate 20 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 the Community, 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.

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

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

Nursing facilities in North Carolina are required to pay a bed assessment monthly on all skilled nursing non-Medicare days, which is then received as part of the Medicaid reimbursement. The amount due per bed day can vary based on the number of skilled nursing beds in each facility. Management has projected the Medicaid bed assessment based on its historical experience. Management assumes that, upon opening of the Project, the Medicaid bed assessment will not longer be required and as such, Management has not projected any Medicaid bed assessment fee subsequent to the Project opening in August 2022.

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

Non-salary related costs in this department include Management's estimate of the costs for service contracts, repairs, general maintenance, and operating supplies which Management assumes are primarily fixed in nature, and adjusted to reflect changes in occupancy levels. Management assumes that these costs would vary with changes in occupancy levels as well as 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 Management's estimates and industry experience. Management assumes that these costs would vary with changes in occupancy levels as well as 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 vary with changes in occupancy levels as well as increase 4.0 percent in 2023 and 3.0 percent annually, thereafter, for inflation during the Projection Period.

#### **Dietary**

Non-salary related costs of the dining services department include Management's estimate of the costs for raw food, contracted services, dietary supplies, equipment, linens and other such costs. Nutrition costs are projected to vary with changes in meal consumptions as a result in changes in occupancy levels and inflation. Management assumes that these costs would vary with changes in occupancy levels as well as Management has assumed the costs for raw food would increase 4.0 percent in 2023 and 3.0 percent annually, thereafter, for inflation during the Projection Period 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, Concessions, and Ministry**

Activity, transportation, concessions, and ministry costs have been estimated based upon Management's estimates and industry experience. Management assumes that these costs would vary with changes in occupancy levels as well as increase 4.0 percent in 2023 and 3.0 percent annually, thereafter, for inflation during the Projection Period.

#### **Administrative**

Non-salary related costs of administration are projected to include Management's estimate of costs for professional fees, insurance, supplies, equipment rentals, 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 vary with the projected increase in

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

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

occupancy as well as 4.0 percent in 2023 and 3.0 percent annually, thereafter, for inflation during the Projection Period.

In addition, included in administration expense is the North Carolina State bed assessment (currently \$13.68 per day), which is applied to non-Medicare skilled nursing bed days. Management has assumed the Community will collectively become a North Carolina licensed continuing care retirement community ("CCRC") upon the Project opening in August 2022. As a licensed CCRC, the bed assessment will no longer be applied and as such, Management has not projected a bed assessment from September 2022 through the remainder of the Projection Period. Management has also projected a related decrease in the Medicaid revenue rate of \$13.68 per resident day at that same point in time to account for no longer being required to pay the bed assessment.

Also included in Administration during the fiscal year ending September 30 2022, Management has projected COVID related expense of approximately \$356,000 and is included in the projected combined statements of operations and changes in net assets.

#### **Management Fee**

##### *Trinity Grove*

Effective October 1, 2017, Trinity Grove entered into a Management Services Agreement with LSA Management, Inc. to provide management services on behalf of Trinity Grove. 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 Grove. The Management Services Agreement may be immediately terminated if any party is in default under its terms and the default is not cured within the applicable cure period. Management has projected that it would extend the Management Services Agreement upon its expiration.

According to the terms of the Management Services Agreement, LSA Management, Inc. is to be paid a management fee equal to 4.75% of net resident revenue of Trinity Grove, 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.

##### *Trinity Landing*

Upon opening, Trinity Landing will enter into a Management Services Agreement with LSA Management, Inc. to provide management services on behalf of Trinity Landing. The Management Services Agreement is anticipated to 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 consistent with the period the facility is owned by Trinity Landing. 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 LSA Management, Inc. will be paid a management fee equal to 2% of gross revenue of Trinity Landing, net of contractual adjustments for the first two years of operations, and then 4.75% thereafter. The expense is shown as an operating expense on the projected combined statements of operations and changes in net assets.

#### **Depreciation**

Property and equipment are projected to be depreciated over their estimated useful lives by the straight-line method.

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

Interest expense is projected related to the debt service requirements of the Series 2021 Bonds.

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

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

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

##### *Cash and Cash Equivalents*

Cash and cash equivalent balances for the Projection Period are based on the results of the projected combined statements of cash flows.

##### *Accounts Receivable, Residents, Net of Allowance for Doubtful Accounts*

Accounts receivable, net of allowance for non-collectible accounts, are projected by Management to approximate 36 days of operating resident revenues during the Projection Period.

##### *Other Receivables*

Other receivables have been projected based on historical experience and Management has not projected that the balances would change during the Projection Period.

##### *Inventories*

Inventories have been projected by Management to range between 1 and 2 days of operating expenses, net of depreciation, amortization, and interest expense.

##### *Prepaid Expenses*

Prepaid expenses have been projected by Management to approximate 1 day of operating expenses, net of depreciation, amortization, and interest expense.

##### *Residents' Funds*

Residents' funds have been projected based on a fixed amount and Management has not projected that the balances would change during the Projection Period.

##### *Accounts Payable, Trade*

Accounts payable, trade, have been projected by Management to approximate 18 days of operating expenses, net of salaries, benefits, depreciation, amortization, and interest expense, for each year of the Projection Period for Trinity Grove and at approximately 18 day of operating expenses, net of salaries, benefits, depreciation, amortization and interest expense for the Project, beginning in fiscal year 2022.

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

Accrued salaries and payroll taxes have been projected by Management to approximate 23 days of salaries and benefits expense for Trinity Grove for each year of the Projection Period and at approximately 23 days of salaries and benefits expense for the Project, beginning in fiscal year 2022.

##### *Accrued Health Benefits*

Accrued Health Benefits have been projected by Management to approximate 3 days of salaries and benefits expense.

##### *Residents' Funds Liability*

Residents' funds liability has been projected based on historical experience and Management's assumed collection of deposits for future residence at the Project during the Projection Period.

## Summary of Significant Projection Assumptions and Accounting Policies

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

#### Assets Limited as to Use

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

*Entrance Fee Fund and Resident Deposits* – Represents deposits that Management will ask prospective residents to deposit in order to add their name to the prospect priority list, allowing them to choose their future residence at the Project. In addition, this also includes those residents that Management has projected will put down a 10% Entrance Fee deposit to lock in their choice of residences. These funds are held in an escrow account until the time of move-in.

*Operating Reserve Requirement* – 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 Landing can exclude interest and principal payments if a separate debt service reserve fund has been established. The statutory operating reserve can be accessed for operating needs, but permission must be granted by the North Carolina Department of Insurance.

Management has projected the statutory operating reserve as follows:

**Table 14**  
**Projected Operating Reserve Calculation – Trinity Landing <sup>(1)(2)</sup>**  
**For the Years Ending September 30,**  
**(In Thousands of Dollars)**

	2022	2023	2024	2025	2026
Projected Total Operating Expenses	\$ 14,735	\$ 23,379	\$ 24,619	\$ 25,730	\$ 25,824
Less:					
Depreciation	(590)	(3,308)	(3,366)	(3,454)	(3,529)
Interest Expense and Amortization	(822)	(4,317)	(4,131)	(3,889)	(3,380)
Projected Operating Expenses of Lutheran Home - Wilmington, Inc. and Lutheran Home Wilmington Property, Inc. <sup>(1)</sup>	(11,089)	(10,934)	(11,258)	(11,592)	(11,935)
Adjusted Operating Expenses	\$ 2,234	\$ 4,820	\$ 5,864	\$ 6,795	\$ 6,980
Include					
Principal Payment - Trinity Landing <sup>(2)</sup>	588	3,642	2,876	41,481	231
Interest Payment - Trinity Landing <sup>(2)</sup>	3,517	3,880	3,718	3,490	2,985
Exclude					
Principal to be Redeemed from Entrance Fees	(588)	(3,526)	(2,645)	(41,250)	-
Interest Payment Funded with Bond Proceeds	(3,143)	-	-	-	-
<b>Total Operating Costs</b>	<b>\$ 2,608</b>	<b>\$ 8,816</b>	<b>\$ 9,813</b>	<b>\$ 10,516</b>	<b>\$ 10,196</b>
Operating Reserve Percentage <sup>(3)</sup>	50%	50%	25%	25%	25%
<b>Operating Reserve - Trinity Landing</b>	<b>\$ 1,304</b>	<b>\$ 4,408</b>	<b>\$ 2,453</b>	<b>\$ 2,629</b>	<b>\$ 2,549</b>

Source: Management

Notes:

(1) Management has excluded the operating expenses of Lutheran Home - Wilmington, Inc. and Lutheran Home Wilmington 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 - Wilmington, Inc. Lutheran Retirement Center - Wilmington, 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 - Wilmington, Inc. occupancies as of September 30,

Total Independent Living Available Units	208	208	208	208	208
Total Independent Living Occupied Units	22	121	198	198	198
Occupancy Percentage - Trinity Landing	11%	58%	95%	95%	95%

**See Independent Accountants' Compilation Report**



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

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

*Capitalized Interest Fund* – A portion of the proceeds from the Series 2021A Bonds and the Series 2021B Bonds are forecasted to be deposited into a capitalized interest fund that will fund interest expense on the portion of the Series 2021 Bonds related to the Project. Interest is funded on the Series 2021A Bonds until March 30, 2023.

#### **Investments**

Investments reflect amounts whose maturities exceeding three months or that are not highly liquid. Projected changes in investments are a result of the projected combined statements of cash flows, less amounts that are included in cash and cash equivalents.

#### **Property and Equipment**

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

The following table reflects management's assumed capital additions during the Projection.

**Table 15**  
**Projected Property and Equipment Additions**  
**For the Years Ending September 30,**  
**(In Thousands of Dollars)**

	2022	2023	2024	2025	2026
Project Costs	\$40,320	\$ -	\$ -	\$ -	\$ -
Capitalized Interest	3,143	-	-	-	-
Routine Purchases of Capital Expenditures	165	470	580	690	800
<b>Total</b>	<b>\$43,628</b>	<b>\$ 470</b>	<b>\$ 580</b>	<b>\$ 690</b>	<b>\$ 800</b>

Source: Management

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

Trinity Landing is one of several members of LSA that are part of an Obligated Group (the "Obligated Group"). The Obligated Group has a number of existing outstanding debt agreements which Trinity Landing 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)
  - 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

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

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

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 2021A 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 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 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 Landing presents

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

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

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 related to the Series 2021A Bonds and Series 2021B Bonds.

Based in part on strong demand for the Project's independent living units, Management added 24 additional villa units. Management estimated that the total cost for the construction of these villas would approximate \$14 million dollars and would be funded from a bank loan. The loan matures in 8 years, is interest only for the first 18 months, and thereafter its principal amortized on a monthly basis assuming a 30 year term for purposes of the amortization. Management has projected an interest rate of 4.5 percent on this bank loan.

#### **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*. The Community received approximately \$1,172,000 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 deferral period, which began on the loan origination date and extended for 10 months beyond the last day of the Obligated Group's 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. 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.

***Summary of Significant Projection Assumptions and Accounting Policies***  
**MANAGEMENT'S BASIS FOR PROJECTION OF OTHER ITEMS (CONTINUED)**

The following table summarizes the existing and proposed debt obligations, **excluding the PPP loan**:

**Table 16**  
**Projected Principal Payments**  
**For the Years Ending September 30,**  
**(In Thousands of Dollars)**

Year	Series 2021A Bonds	Series 2021B Bonds	Series 2021C Bonds	Bank Loan	Total
2022	\$ -	\$ -	\$ -	588	\$ 588
2023	-	-	407	3,642	4,049
2024	-	-	429	2,876	3,305
2025	-	41,250	451	231	41,932
2026	-	-	474	231	705
2027	-	-	497	231	728
2028	-	-	523	231	754
2029	-	-	546	5,970	6,516
2030	-	-	570	-	570
2031	-	-	593	-	593
2032	-	-	616	-	616
Thereafter	67,255	-	7,644	-	74,899
Total	\$ 67,255	\$ 41,250	\$ 12,750	\$ 14,000	\$ 135,255

Source: Management

**Security**

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

***Summary of Significant Projection Assumptions and Accounting Policies***  
**MANAGEMENT'S BASIS FOR PROJECTION OF OTHER ITEMS (CONTINUED)**

**Table 17**  
**Obligated Group Facilities Pledged as Mortgaged Property**

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

Source: Management

Note:

- (1) Lutheran Home at Trinity Oaks and Trinity Oaks operate together as a North Carolina licensed continuing care retirement community.
- (2) Trinity Grove and Trinity Landing 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**

***Due to Affiliate***

The payable to affiliate reflects amounts that have been provided by LSA to members of the Community. The balance includes the balances of previous cash transfers that were funded by other members of the Obligated Group as well as cash transfers received and paid related to funding of the Project. In addition, bond premiums and debt issuance costs have been allocated for presentation purposes during the Projection Period. There is no formal payback agreement and, as such, payments could be materially different than projected.

## ***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 Landing, 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 Landing is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of the date of this Projection. Management has projected that its skilled nursing occupancies would 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**

For the fiscal year ending September 30, 2022					
	LRC - Wilmington	Lurtheran Home Wilmington Property	Trinity Grove Wilmington	Eliminations	Combined Total Operating Expenses
Expenses					
Health Care	\$ -	\$ -	\$ 6,368	\$ -	\$ 6,368
Operations:					
Maintenance	126	-	159	-	285
Utilities	81	-	219	-	300
Laundry	5	-	100	-	105
Housekeeping	75	-	408	-	483
Groundskeeping	67	-	30	-	97
Security	52	-	-	-	52
Dietary	268	-	836	-	1,104
Activities, Transportation, and Ministry	137	-	249	-	386
Administrative	1,420	47	2,829	(750)	3,546
Management Fees	3	-	594	-	597
Subtotal	2,234	47	11,792	(750)	13,323
Depreciation	240				590
Interest Expense and Amortization	215				822
Total Operating Costs and Expenses	\$ 2,689				\$ 14,735

For the fiscal year ending September 30, 2023					
	LRC - Wilmington	Lurtheran Home Wilmington Property	Trinity Grove Wilmington	Eliminations	Combined Total Operating Expenses
Expenses					
Health Care	\$ -	\$ -	\$ 6,623	\$ -	\$ 6,623
Operations:					
Maintenance	414	-	166	-	580
Utilities	330	-	228	-	558
Laundry	23	-	103	-	126
Housekeeping	301	-	424	-	725
Groundskeeping	208	-	31	-	239
Security	161	-	-	-	161
Dietary	1,357	-	869	-	2,226
Activities, Transportation, and Ministry	452	-	259	-	711
Administrative	1,490	49	2,376	(780)	3,135
Management Fees	84	-	586	-	670
Subtotal	4,820	49	11,665	(780)	15,754
Depreciation	2,892				3,308
Interest Expense and Amortization	3,710				4,317
Total Operating Costs and Expenses	\$ 11,422				\$ 23,379

Source: Management

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

### **MANAGEMENT'S SCHEDULE OF DETAIL OPERATING EXPENSES BY ENTITY**

For the fiscal year ending September 30, 2024					
	LRC - Wilmington	Lutheran Home Wilmington Property	Trinity Grove Wilmington	Eliminations	Combined Total Operating Expenses
Expenses					
Health Care	\$ -	\$ -	\$ 6,821	\$ -	\$ 6,821
Operations:					
Maintenance	422	-	171	-	593
Utilities	432	-	234	-	666
Laundry	30	-	107	-	137
Housekeeping	394	-	437	-	831
Groundskeeping	212	-	32	-	244
Security	165	-	-	-	165
Dietary	2,000	-	895	-	2,895
Activities, Transportation, and Ministry	498	-	266	-	764
Administrative	1,526	50	2,448	(803)	3,221
Management Fees	185	-	600	-	785
Subtotal	<b>5,864</b>	<b>50</b>	<b>12,011</b>	<b>(803)</b>	<b>17,122</b>
Depreciation	2,932				3,366
Interest Expense and Amortization	3,548				4,131
Total Operating Costs and Expenses	<b>\$ 12,344</b>				<b>\$ 24,619</b>

For the fiscal year ending September 30, 2025					
	LRC - Wilmington	Lutheran Home Wilmington Property	Trinity Grove Wilmington	Eliminations	Combined Total Operating Expenses
Expenses					
Health Care	\$ -	\$ -	\$ 7,026	\$ -	\$ 7,026
Operations:					
Maintenance	432	-	176	-	608
Utilities	482	-	242	-	724
Laundry	34	-	110	-	144
Housekeeping	448	-	450	-	898
Groundskeeping	218	-	33	-	251
Security	170	-	-	-	170
Dietary	2,350	-	922	-	3,272
Activities, Transportation, and Ministry	526	-	274	-	800
Administrative	1,571	52	2,521	(828)	3,316
Management Fees	564	-	614	-	1,178
Subtotal	<b>6,795</b>	<b>52</b>	<b>12,368</b>	<b>(828)</b>	<b>18,387</b>
Depreciation	3,002				3,454
Interest Expense and Amortization	3,331				3,889
Total Operating Costs and Expenses	<b>\$ 13,128</b>				<b>\$ 25,730</b>

Source: Management



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

**MANAGEMENT'S SCHEDULE OF DETAIL OPERATING EXPENSES BY ENTITY**

For the fiscal year ending September 30, 2026					
	LRC - Wilmington	Lutheran Home Wilmington Property	Trinity Grove Wilmington	Eliminations	Combined Total Operating Expenses
Expenses					
Health Care	\$ -	\$ -	\$ 7,236	\$ -	\$ 7,236
Operations:					
Maintenance	442	-	181	-	623
Utilities	496	-	249	-	745
Laundry	35	-	113	-	148
Housekeeping	462	-	464	-	926
Groundskeeping	225	-	34	-	259
Security	175	-	-	-	175
Dietary	2,406	-	950	-	3,356
Activities, Transportation, and Ministry	542	-	283	-	825
Administrative	1,618	53	2,596	(852)	3,415
Management Fees	579	-	628	-	1,207
Subtotal	<b>6,980</b>	<b>53</b>	<b>12,734</b>	<b>(852)</b>	<b>18,915</b>
Depreciation	3,057				3,529
Interest Expense and Amortization	2,848				3,380
Total Operating Costs and Expenses	<b>\$ 12,885</b>				<b>\$ 25,824</b>

Source: Management

# **Exhibit D**

# **Actuarial Report**

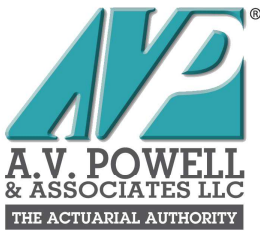
**ACTUARIAL  
POPULATION PROJECTION  
for  
LUTHERAN RETIREMENT CENTER WILMINGTON  
dba TRINITY LANDING  
BASED ON JULY 2021 OPENING DATE**

January 31, 2019

1604 Hilltop West Executive Ctr., Suite 311  
Virginia Beach, Virginia 23451  
404.514.0340

[www.avpowell.com](http://www.avpowell.com)





January 31, 2019

Mr. Kirby Nickerson  
Chief Financial Officer  
Lutheran Services Carolinas  
1416 S. Martin Luther King Jr. Ave.  
Salisbury, NC 28145

Dear Mr. Nickerson:

This report describes the procedures and results of the actuarial population flow projections for Trinity Landing. These actuarial population flows show projected independent living turnover and projected health care utilization over a 20-year period.

Based on the fee, contract, and occupancy assumptions provided by you, A.V. Powell & Associates LLC believes that these projections are reasonable and can be relied on for financial feasibility analysis. Any reference to A.V. Powell & Associates in the feasibility study must be approved in advance, in writing, by A.V. Powell & Associates. This report can not be included in any registration statement or offering material associated with the public offering or private placement of any security.

Thank you for providing us the opportunity to conduct this review on your behalf. Please call us if you have any questions or need additional projections.

Sincerely,

BY:   
MICHAEL K. HOPPER, CPA  
FOR A.V. POWELL & ASSOCIATES LLC

  
AMY M. LAMPO, MAAA, ASA

***Providing actuarial and financial projections to organizations serving senior populations***

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***OTHER OFFICES: Atlanta, GA • Grover, MO • Kansas City, MO***

## **OVERVIEW**

We have developed a set of actuarial projections of future population flows for Trinity Landing. The population projection models are based on the occupancy schedule provided by you. The assumed opening date is July 2021. Fill-up of 175 out of 184 independent living units is assumed over the next 30 months. New entrants are projected in order to maintain the assumed 95% occupancy after fill-up.

Table 2.1 shows a summary of the projection results. The annual independent living turnover after 2027 is expected to range between 11 and 16 units per year. Based on projections in Table 2.1, contractholders who were direct entrants to independent living are expected to annually utilize 38 assisted living beds and 35 nursing care beds by the end of the 20-year projection period. Variation in expected health care utilization is not likely to exceed plus-or-minus 20%.

## **ASSUMPTIONS**

Table 0.2 shows the entrance fees by unit type. Table 0.3.1 shows the number of units by level of care. Beginning-of-year and average occupancy assumptions by unit type are shown on Tables 0.3.2 and 0.3.3. Table 0.5 contains age- and gender-specific probabilities of actuarial decrement assumptions.

Our projections are based on assumptions regarding rates of death (mortality), rates of assisted living and nursing care utilization (morbidity), and probabilities of move-out. Assuming that residents will leave Trinity Landing at these rates, we added new entrants to achieve occupancy levels defined by the community's management.

The selection of the mortality, morbidity, and move-out assumptions was influenced by the contract provisions and levels of care offered at Trinity Landing. To develop assumptions, we used the experience of similar communities in A.V. Powell & Associates' database of CCRC residents.

We developed life expectancies for individuals and couples (Table 1.3) based on the mortality and morbidity rate assumptions for Trinity Landing. The individual life expectancies are provided in five-year intervals in total and in each level of care. For couples, the last survivor life expectancy is the number of years that at least one member of a couple is expected to live in the community.

To project new entrants into the community, we made assumptions concerning the gender, age, and double occupancy rate of future residents. These assumptions, based on Trinity Landing’s management’s input as well as experience from AVP’s database on new start CCRCs, are shown in Table 1.4. We assumed that the average age at entry increases by one year for every five years of operation to correspond to the “aging in place” of the existing population and the difficulty in attracting younger entrants that most CCRCs experience.

Refund calculations were based on the entrance fees shown on Table 0.2 and the following refund provisions:

- Contract 10 – Limited refund plan is reduced 4% at the time of occupancy and 2% per month for the first 48 months, with a zero refund thereafter. Contract terminates upon death, withdrawal, or permanent transfer to an off-site assisted living or nursing care facility.
- Contract 11 – 90% refundable plan is reduced 1% at the time of occupancy and 0.5% per month for the first 18 months of occupancy, with a 90% refund thereafter. Contract terminates upon death, withdrawal, or permanent transfer to an off-site assisted living or nursing care facility.
- Contract 12 – 50% refundable plan is reduced 2% at the time of occupancy and 1% per month for the first 48 months of occupancy, with a 50% refund thereafter. Contract terminates upon death, withdrawal, or permanent transfer to an off-site assisted living or nursing care facility.

The assumed contract distribution for new entrants is shown on Table 1.4.

## **METHODOLOGY**

To simulate the future population flow, we performed the following steps 500 times for each year of the 20 -year projection period:

1. The assumptions described above were applied to the resident census at the beginning of the projection year to generate the number of deaths, withdrawals, and permanent and temporary transfers to health care. In determining turnover, only deaths or permanent transfers from single residents in independent living cause a unit turnover.
2. New entrants were generated to fill the appropriate number of double or single units.

This process produces expected values as well as a range of possible values for certain statistics. Our methodology is defined in *Continuing Care Retirement Communities: An Empirical, Financial, and Legal Analysis* by H.E. Winklevoss and A.V. Powell and the *Society of Actuaries' Textbook on Life Contingencies* by C.W. Jordan.

## **DETAILED RESULTS**

Detailed results of the projections are presented in Tables 2.1 through 2.16.

**Table 2.1** contains a *summary* of the projection results. The table shows the independent living turnover, including sales of units that were not previously occupied, the annual number of new entrants, and total deaths or move-outs. The table also shows the average number of contractholders and the assisted living and nursing care usage by permanent and temporary residents, for each year in the projection period.

**Table 2.2** shows the *demographic statistics* at the beginning of each year in the projection period, including resident counts, average age, and years in the community.

**Table 2.3** shows projected resident *movement statistics* by level of care.

**Table 2.4** contains independent living *turnover statistics* and new entrant characteristics. Columns three and four reflect the number of new entrants and the total turnover associated with units that were previously occupied and new sales of units that were not previously occupied. This table also shows the number of deaths, move-outs, and permanent transfers that caused unit turnover. New sales represent the difference between the beginning of year occupancy from one year to the next.

**Table 2.5** shows the projected average number of *contractholder days by level of care*. Permanent and temporary nursing care usage is shown separately, since temporary residents are expected to return to their permanent care level. The sum of total contractholder days will exceed the total number of residents given in Table 2.2 since residents on temporary transfer are counted in both their permanent status and their temporary status.

**Table 2.13** contains the projected independent living *turnover by unit type*. Unit types are assigned to one of six groupings, as shown at the bottom of the table.

**Table 2.14** contains the number of direct admissions to assisted living and transfers from independent livings to assisted living. It also contains the ***projected refunds due to death or move-out*** and the number of contract terminations with paid refunds.

**Table 2.15** contains the ***range in independent living turnover and health care utilization***. Health care utilization is the sum of the projected assisted living and nursing care usage. The likely minimum, average, and likely maximum values are provided for turnover and health care utilization. The minimum and maximum values are also expressed as a percentage of the average.

**Table 2.16** shows the number of ***assisted living and nursing care contractholders per 100 independent living residents***. The likely minimum and likely maximum values are also given.

**Table 6.1** shows the projected ***entry fees received and refund payouts***.

### **CERTIFICATION**

A.V. Powell & Associates LLC believes that these projections form a reasonable basis for financial projections of Trinity Landing. It should be noted that our projections of health care usage and independent living turnover due to resident moves are based on assumptions that residents will move to different levels of care as their “needs” dictate. Also, future health care usage can be influenced by several factors that may change in the future or cannot be effectively modeled such as:

- contract provisions or health screening criteria at admission
- management philosophy in regard to aging-in-place
- number and acuity mix of health care beds
- availability of home care services and private duty nurses

Therefore, based on the preceding issues and “actuarially small” census size, it is unlikely that actual experience will match these projections exactly. The projections should be re-evaluated from time to time to reflect updated community experience.



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(NOTE: THE TABLE LABELING PURPOSELY SKIPS CERTAIN NUMBERS)

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TABLE 6.1..... Net Entry Fee Projections



Table 0.2

Trinity Landing  
 Fee Structure as of October 1, 2020

Contract 10 (Declining Refund)

Unit Type -----	Monthly Fee		Advance Fee	
	One Person	Second Person	One Person	Second Person
-----	-----	-----	-----	-----
Independent Living:				
1Br - Apt . . . . .	\$ 3,026	\$ 977	\$ 151,550	\$ 10,929
1Br/Den - Apt . . . . .	3,661	977	200,400	10,929
2Br Sm - Apt . . . . .	4,159	977	247,253	10,929
2Br Lg - Apt . . . . .	4,374	977	264,714	10,929
2Br/Den Sm - Apt . . . . .	4,591	977	297,159	10,929
2Br/Den Lg - Apt . . . . .	4,813	977	315,527	10,929
1Br/Den - Villas . . . . .	3,872	977	247,700	10,929
2Br Sm - Villas . . . . .	4,139	977	269,992	10,929
2Br Lg - Villas . . . . .	4,686	977	325,425	10,929
2Br/Den Sm - Villas . . . . .	4,809	977	354,575	10,929
2Br/Den Lg - Villas . . . . .	5,006	977	389,328	10,929

Table 0.2 (continued)

Trinity Landing  
Fee Structure as of October 1, 2020

Contract 11 (90% Refundable)

Unit Type -----	Monthly Fee		Advance Fee	
	One Person	Second Person	One Person	Second Person
-----	-----	-----	-----	-----
Independent Living:				
1Br - Apt . . . . .	\$ 3,026	\$ 977	\$ 272,790	\$ 19,673
1Br/Den - Apt . . . . .	3,661	977	360,720	19,673
2Br Sm - Apt . . . . .	4,159	977	445,055	19,673
2Br Lg - Apt . . . . .	4,374	977	476,485	19,673
2Br/Den Sm - Apt . . . . .	4,591	977	534,886	19,673
2Br/Den Lg - Apt . . . . .	4,813	977	567,949	19,673
1Br/Den - Villas . . . . .	3,872	977	445,860	19,673
2Br Sm - Villas . . . . .	4,139	977	485,985	19,673
2Br Lg - Villas . . . . .	4,686	977	585,765	19,673
2Br/Den Sm - Villas . . . . .	4,809	977	638,235	19,673
2Br/Den Lg - Villas . . . . .	5,006	977	700,790	19,673

Table 0.2 (continued)

Trinity Landing  
 Fee Structure as of October 1, 2020

Contract 12 (50% Refundable)

Unit Type -----	Monthly Fee		Advance Fee	
	One Person	Second Person	One Person	Second Person
-----	-----	-----	-----	-----
Independent Living:				
1Br - Apt . . . . .	\$ 3,026	\$ 977	\$ 219,748	\$ 15,848
1Br/Den - Apt . . . . .	3,661	977	290,580	15,848
2Br Sm - Apt . . . . .	4,159	977	358,516	15,848
2Br Lg - Apt . . . . .	4,374	977	383,835	15,848
2Br/Den Sm - Apt . . . . .	4,591	977	430,880	15,848
2Br/Den Lg - Apt . . . . .	4,813	977	457,515	15,848
1Br/Den - Villas . . . . .	3,872	977	359,165	15,848
2Br Sm - Villas . . . . .	4,139	977	391,488	15,848
2Br Lg - Villas . . . . .	4,686	977	471,866	15,848
2Br/Den Sm - Villas . . . . .	4,809	977	514,134	15,848
2Br/Den Lg - Villas . . . . .	5,006	977	564,525	15,848

Table 0.3.1

Trinity Landing  
Facility Unit Configuration  
Unit Capacity

Unit Type	Square Feet	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030+
<b>Independent Living:</b>											
1Br - Apt . . . . .	900	26	26	26	26	26	26	26	26	26	26
1Br/Den - Apt . . . . .	1,050	29	29	29	29	29	29	29	29	29	29
2Br Sm - Apt . . . . .	1,300	19	19	19	19	19	19	19	19	19	19
2Br Lg - Apt . . . . .	1,400	22	22	22	22	22	22	22	22	22	22
2Br/Den Sm - Apt . . . . .	1,500	17	17	17	17	17	17	17	17	17	17
2Br/Den Lg - Apt . . . . .	1,650	11	11	11	11	11	11	11	11	11	11
1Br/Den - Villas . . . . .	1,150	2	2	2	2	2	2	2	2	2	2
2Br Sm - Villas . . . . .	1,300	12	12	12	12	12	12	12	12	12	12
2Br Lg - Villas . . . . .	1,500	12	12	12	12	12	12	12	12	12	12
2Br/Den Sm - Villas . . . . .	1,600	16	16	16	16	16	16	16	16	16	16
2Br/Den Lg - Villas . . . . .	1,700	18	18	18	18	18	18	18	18	18	18
		-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
		184	184	184	184	184	184	184	184	184	184
		-----	-----	-----	-----	-----	-----	-----	-----	-----	-----

Table 0.3.2

Trinity Landing  
 Facility Unit Configuration  
 Beginning of Year Unit Occupancy

Unit Type	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030+
Independent Living:										
1Br - Apt . . . . .	0	4	16	23	25	25	25	25	25	25
1Br/Den - Apt . . . . .	0	5	18	26	28	28	28	28	28	28
2Br Sm - Apt . . . . .	0	2	12	17	18	18	18	18	18	18
2Br Lg - Apt . . . . .	0	3	14	20	21	21	21	21	21	21
2Br/Den Sm - Apt . . . . .	0	3	10	15	16	16	16	16	16	16
2Br/Den Lg - Apt . . . . .	0	2	7	10	10	10	10	10	10	10
1Br/Den - Villas . . . . .	0	0	1	2	2	2	2	2	2	2
2Br Sm - Villas . . . . .	0	2	7	11	11	11	11	11	11	11
2Br Lg - Villas . . . . .	0	2	7	11	11	11	11	11	11	11
2Br/Den Sm - Villas . . . . .	0	3	10	15	15	15	15	15	15	15
2Br/Den Lg - Villas . . . . .	0	3	11	16	18	18	18	18	18	18
	0	29	113	166	175	175	175	175	175	175

Table 0.3.3

Trinity Landing  
 Facility Unit Configuration  
 Average Number of Unit/Beds Occupied

Unit Type	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030+
Independent Living:										
1Br - Apt . . . . .	1	10	20	25	25	25	25	25	25	25
1Br/Den - Apt . . . . .	1	11	22	27	28	28	28	28	28	28
2Br Sm - Apt . . . . .	0	7	15	18	18	18	18	18	18	18
2Br Lg - Apt . . . . .	0	9	17	21	21	21	21	21	21	21
2Br/Den Sm - Apt . . . . .	0	6	13	16	16	16	16	16	16	16
2Br/Den Lg - Apt . . . . .	0	4	8	10	10	10	10	10	10	10
1Br/Den - Villas . . . . .	0	1	2	2	2	2	2	2	2	2
2Br Sm - Villas . . . . .	0	5	9	11	11	11	11	11	11	11
2Br Lg - Villas . . . . .	0	5	9	11	11	11	11	11	11	11
2Br/Den Sm - Villas . . . . .	1	7	12	15	15	15	15	15	15	15
2Br/Den Lg - Villas . . . . .	1	7	15	18	18	18	18	18	18	18
	4	72	142	174	175	175	175	175	175	175

TABLE 0.5

Trinity Landing  
 DECREMENT ASSUMPTIONS FOR 2021 ACTUARIAL STUDY  
 (Based on 10/01/2020 - AVP Standard Decrements)

ATT AGE	FEMALE DURATION					MALE DURATION				
	1	2	3	4	ULT	1	2	3	4	ULT
<b>MORTALITY RATES (PER 100 LIVES) FOR Independent Living RESIDENTS</b>										
60	0.11	0.18	0.24	0.27	0.30	0.34	0.77	0.77	0.81	0.85
65	0.31	0.53	0.71	0.80	0.89	0.57	1.28	1.28	1.35	1.42
70	0.64	1.10	1.47	1.65	1.84	0.82	1.85	1.85	1.95	2.05
75	0.84	1.45	1.93	2.17	2.41	2.04	4.59	4.59	4.84	5.10
80	1.07	1.84	2.46	2.76	3.07	2.88	6.47	6.47	6.83	7.19
85	1.56	2.68	3.57	4.02	4.47	3.62	8.14	8.14	8.59	9.04
90	2.59	4.45	5.93	6.67	7.41	4.15	9.33	9.33	9.85	10.37
95	4.35	7.46	9.95	11.19	12.44	5.31	11.95	11.95	12.61	13.28
100	5.37	9.21	12.28	13.81	15.35	6.76	15.20	15.20	16.04	16.89
105	8.10	13.89	18.52	20.83	23.15	12.11	27.25	27.25	28.76	30.28
110	14.01	24.01	32.01	36.01	40.02	23.00	51.74	51.74	54.62	57.49
115	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
<b>MORTALITY RATES (PER 100 LIVES) FOR Assisted Living RESIDENTS</b>										
60	2.68	4.87	4.87	4.87	4.87	0.75	2.15	2.15	2.15	2.15
65	3.10	5.63	5.63	5.63	5.63	1.48	4.23	4.23	4.23	4.23
70	3.19	5.80	5.80	5.80	5.80	2.13	6.08	6.08	6.08	6.08
75	3.44	6.25	6.25	6.25	6.25	2.81	8.02	8.02	8.02	8.02
80	4.22	7.68	7.68	7.68	7.68	3.70	10.56	10.56	10.56	10.56
85	5.19	9.44	9.44	9.44	9.44	5.90	16.85	16.85	16.85	16.85
90	6.32	11.48	11.48	11.48	11.48	8.17	23.36	23.36	23.36	23.36
95	8.21	14.94	14.94	14.94	14.94	9.32	26.64	26.64	26.64	26.64
100	13.52	24.58	24.58	24.58	24.58	15.59	44.56	44.56	44.56	44.56
105	22.83	41.51	41.51	41.51	41.51	21.44	61.26	61.26	61.26	61.26
110	35.47	64.49	64.49	64.49	64.49	25.34	72.39	72.39	72.39	72.39
115	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
<b>MORTALITY RATES (PER 100 LIVES) FOR Nursing Care RESIDENTS</b>										
60	4.58	10.68	11.44	14.49	15.25	13.24	16.55	16.55	16.55	16.55
65	5.38	12.54	13.44	17.02	17.92	19.48	24.36	24.36	24.36	24.36
70	5.50	12.83	13.75	17.41	18.33	23.02	28.78	28.78	28.78	28.78
75	5.69	13.27	14.22	18.01	18.96	25.17	31.46	31.46	31.46	31.46
80	5.77	13.45	14.42	18.26	19.22	27.49	34.37	34.37	34.37	34.37
85	6.62	15.46	16.56	20.98	22.08	28.63	35.79	35.79	35.79	35.79
90	8.46	19.73	21.14	26.78	28.19	30.30	37.88	37.88	37.88	37.88
95	9.30	21.70	23.25	29.44	30.99	34.05	42.57	42.57	42.57	42.57
100	11.91	27.78	29.77	37.71	39.69	38.57	48.22	48.22	48.22	48.22
105	15.29	35.67	38.22	48.41	50.96	46.66	58.32	58.32	58.32	58.32
110	20.98	48.95	52.44	66.43	69.92	62.35	77.94	77.94	77.94	77.94
115	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00



TABLE 0.5 (CONTINUED)

Trinity Landing  
 DECREMENT ASSUMPTIONS FOR 2021 ACTUARIAL STUDY  
 (Based on 10/01/2020 - AVP Standard Decrements)

ATT AGE	FEMALE DURATION					MALE DURATION				
	1	2	3	4	ULT	1	2	3	4	ULT
<b>MOVE-OUT RATES (PER 100 LIVES) FOR Independent Living RESIDENTS</b>										
60	1.00	1.00	1.00	1.00	0.00	1.00	1.00	1.00	1.00	0.00
65	1.00	1.00	1.00	1.00	0.00	1.00	1.00	1.00	1.00	0.00
70	1.00	1.00	1.00	1.00	0.00	1.00	1.00	1.00	1.00	0.00
75	1.00	1.00	1.00	1.00	0.00	1.00	1.00	1.00	1.00	0.00
80	1.00	1.00	1.00	1.00	0.00	1.00	1.00	1.00	1.00	0.00
85	1.00	1.00	1.00	1.00	0.00	1.00	1.00	1.00	1.00	0.00
90	1.00	1.00	1.00	1.00	0.00	1.00	1.00	1.00	1.00	0.00
95	1.00	1.00	1.00	1.00	0.00	1.00	1.00	1.00	1.00	0.00
100	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
105	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
110	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
115	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>MOVE-OUT RATES (PER 100 LIVES) FOR Assisted Living RESIDENTS</b>										
60	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
65	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
70	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
75	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
85	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
90	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
95	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
105	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
110	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
115	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>MOVE-OUT RATES (PER 100 LIVES) FOR Nursing Care RESIDENTS</b>										
60	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
65	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
70	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
75	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
85	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
90	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
95	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
105	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
110	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
115	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

TABLE 0.5 (CONTINUED)

Trinity Landing  
 DECREMENT ASSUMPTIONS FOR 2021 ACTUARIAL STUDY  
 (Based on 10/01/2020 - AVP Standard Decrements)

ATT AGE	FEMALE DURATION					MALE DURATION				
	1	2	3	4	ULT	1	2	3	4	ULT
PERMANENT TRANSFER RATES (PER 100 LIVES) FOR Independent Living TO Assisted Living										
60	0.09	0.19	0.28	0.33	0.47	0.04	0.07	0.17	0.17	0.18
65	0.21	0.41	0.62	0.72	1.03	0.11	0.21	0.50	0.50	0.53
70	0.27	0.53	0.80	0.93	1.33	0.16	0.33	0.77	0.77	0.81
75	0.26	0.52	0.77	0.90	1.29	0.19	0.38	0.90	0.90	0.95
80	0.59	1.18	1.77	2.07	2.96	0.38	0.76	1.80	1.80	1.90
85	1.21	2.42	3.63	4.24	6.05	0.70	1.40	3.32	3.32	3.50
90	2.08	4.15	6.23	7.26	10.38	1.79	3.59	8.51	8.51	8.96
95	2.73	5.45	8.18	9.54	13.63	1.90	3.79	9.01	9.01	9.49
100	1.16	2.31	3.47	4.05	5.78	0.99	1.97	4.68	4.68	4.93
105	0.07	0.14	0.20	0.24	0.34	0.89	1.77	4.21	4.21	4.43
110	0.19	0.38	0.57	0.67	0.96	0.50	1.00	2.38	2.38	2.51
115	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
PERMANENT TRANSFER RATES (PER 100 LIVES) FOR Independent Living TO Nursing Care										
60	0.02	0.05	0.07	0.08	0.12	0.06	0.17	0.27	0.27	0.28
65	0.09	0.17	0.26	0.30	0.44	0.13	0.38	0.61	0.61	0.64
70	0.11	0.22	0.34	0.39	0.56	0.14	0.41	0.65	0.65	0.69
75	0.14	0.28	0.42	0.50	0.71	0.17	0.51	0.80	0.80	0.85
80	0.25	0.50	0.75	0.87	1.25	0.22	0.67	1.06	1.06	1.12
85	0.45	0.91	1.36	1.59	2.27	0.47	1.41	2.23	2.23	2.35
90	0.88	1.76	2.64	3.08	4.41	0.86	2.57	4.07	4.07	4.28
95	1.26	2.51	3.77	4.40	6.28	0.71	2.12	3.36	3.36	3.53
100	1.29	2.58	3.87	4.51	6.45	0.54	1.62	2.57	2.57	2.71
105	1.22	2.44	3.66	4.27	6.09	0.58	1.74	2.75	2.75	2.89
110	0.88	1.75	2.63	3.07	4.39	0.40	1.21	1.92	1.92	2.02
115	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
PERMANENT TRANSFER RATES (PER 100 LIVES) FOR Assisted Living TO Nursing Care										
60	0.29	0.87	0.87	1.01	1.45	0.22	0.65	0.65	0.97	1.08
65	0.48	1.45	1.45	1.70	2.42	0.22	0.66	0.66	0.99	1.10
70	0.66	1.97	1.97	2.30	3.28	0.67	2.02	2.02	3.04	3.37
75	0.86	2.58	2.58	3.01	4.30	1.11	3.34	3.34	5.01	5.57
80	1.56	4.67	4.67	5.44	7.78	1.34	4.01	4.01	6.02	6.69
85	1.90	5.71	5.71	6.66	9.51	1.90	5.69	5.69	8.53	9.48
90	2.97	8.91	8.91	10.40	14.86	2.61	7.82	7.82	11.72	13.03
95	3.61	10.83	10.83	12.64	18.06	4.45	13.36	13.36	20.04	22.27
100	3.92	11.75	11.75	13.71	19.59	5.00	15.01	15.01	22.52	25.02
105	3.49	10.47	10.47	12.21	17.45	3.59	10.76	10.76	16.15	17.94
110	2.28	6.84	6.84	7.98	11.40	2.28	6.84	6.84	10.25	11.39
115	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

TABLE 0.5 (CONTINUED)

Trinity Landing  
 DECREMENT ASSUMPTIONS FOR 2021 ACTUARIAL STUDY  
 (Based on 10/01/2020 - AVP Standard Decrements)

ATT AGE	FEMALE DURATION					MALE DURATION				
	1	2	3	4	ULT	1	2	3	4	ULT
TEMPORARY TRANSFER (DAYS PER YEAR PER LIFE) FOR Independent Living TO Assisted Living										
60	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
65	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
70	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
75	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
80	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
85	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
90	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
95	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
100	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
105	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
110	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
115	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TEMPORARY TRANSFER (DAYS PER YEAR PER LIFE) FOR Independent Living TO Nursing Care										
60	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
65	1.0	1.0	1.0	1.0	1.0	0.0	0.0	0.0	0.0	0.0
70	3.5	3.5	3.5	3.5	3.5	0.0	0.0	0.0	0.0	0.0
75	6.0	6.0	6.0	6.0	6.0	0.0	0.0	0.0	0.0	0.0
80	8.5	8.5	8.5	8.5	8.5	0.0	0.0	0.0	0.0	0.0
85	11.0	11.0	11.0	11.0	11.0	0.0	0.0	0.0	0.0	0.0
90	13.5	13.5	13.5	13.5	13.5	0.0	0.0	0.0	0.0	0.0
95	16.0	16.0	16.0	16.0	16.0	0.0	0.0	0.0	0.0	0.0
100	18.5	18.5	18.5	18.5	18.5	0.0	0.0	0.0	0.0	0.0
105	21.0	21.0	21.0	21.0	21.0	0.0	0.0	0.0	0.0	0.0
110	23.5	23.5	23.5	23.5	23.5	0.0	0.0	0.0	0.0	0.0
115	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TEMPORARY TRANSFER (DAYS PER YEAR PER LIFE) FOR Assisted Living TO Nursing Care										
60	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
65	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
70	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
75	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
80	8.6	8.6	8.6	8.6	8.6	8.6	8.6	8.6	8.6	8.6
85	12.1	12.1	12.1	12.1	12.1	12.1	12.1	12.1	12.1	12.1
90	15.7	15.7	15.7	15.7	15.7	15.7	15.7	15.7	15.7	15.7
95	19.3	19.3	19.3	19.3	19.3	19.3	19.3	19.3	19.3	19.3
100	22.8	22.8	22.8	22.8	22.8	22.8	22.8	22.8	22.8	22.8
105	26.4	26.4	26.4	26.4	26.4	26.4	26.4	26.4	26.4	26.4
110	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0
115	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Table 1.3

Individual Life Expectancies for 2021 Residents in  
Independent Living in Trinity Landing  
(Based on 10/01/2020 - AVP Standard Decrements)

Current Age	Life Expectancy for Residents in Independent Living	Portion of Lifetime in Independent Living	Portion of Lifetime in Assisted Living	Portion of Lifetime in Nursing Care
FEMALE				
60	23.8 years	19.4 years	2.5 years	1.9 years
65	20.5	16.4	2.2	1.9
70	17.5	13.7	2.0	1.8
75	14.6	10.8	2.0	1.8
78 *	12.8	9.0	2.0	1.8
80	11.8	8.2	1.9	1.7
85	9.3	6.1	1.6	1.6
90	7.4	4.8	1.3	1.3
95	6.1	4.4	0.7	1.0
100	5.2	4.4	0.1	0.7
MALE				
60	19.7 years	18.0 years	1.1 years	0.6 years
65	16.4	14.8	1.0	0.6
70	13.2	11.8	0.9	0.5
75	10.4	9.1	0.8	0.5
78 *	9.3	8.0	0.8	0.5
80	8.6	7.3	0.8	0.5
85	7.0	5.6	0.9	0.5
90	6.0	4.7	0.8	0.5
95	5.3	4.6	0.4	0.3
100	4.2	3.9	0.2	0.1

\* Average age at entry for residents of Independent Living.



Table 1.3

Individual Life Expectancies for 2021 Residents in  
Assisted Living in Trinity Landing  
(Based on 10/01/2020 - AVP Standard Decrements)

Current Age -----	Life Expectancy for Residents in Assisted Living -----	Portion of Lifetime in Independ- ent Living -----	Portion of Lifetime in Assisted Living -----	Portion of Lifetime in Nursing Care -----
<b>FEMALE</b>				
60	13.7 years	0.0 years	11.6 years	2.1 years
65	12.7	0.0	10.4	2.3
70	11.5	0.0	9.1	2.4
75	9.9	0.0	7.5	2.4
80	8.3	0.0	6.0	2.3
82 *	7.8	0.0	5.6	2.2
85	7.0	0.0	4.9	2.1
90	5.8	0.0	3.9	1.9
95	4.6	0.0	3.2	1.4
100	3.3	0.0	2.4	0.9
<b>MALE</b>				
60	13.8 years	0.0 years	12.8 years	1.0 years
65	11.1	0.0	10.0	1.1
70	9.0	0.0	7.9	1.1
75	7.4	0.0	6.4	1.0
80	5.9	0.0	5.0	0.9
82 *	5.3	0.0	4.4	0.9
85	4.5	0.0	3.7	0.8
90	3.7	0.0	2.9	0.8
95	3.1	0.0	2.3	0.8
100	2.2	0.0	1.8	0.4

\* Average age for residents of Assisted Living.



Table 1.3

Individual Life Expectancies for 2021 Residents in  
Nursing Care in Trinity Landing  
(Based on 10/01/2020 - AVP Standard Decrements)

Current Age	Life Expectancy for Residents in Nursing Care	Portion of Lifetime in Independ- ent Living	Portion of Lifetime in Assisted Living	Portion of Lifetime in Nursing Care
FEMALE				
60	6.8 years	0.0 years	0.0 years	6.8 years
65	6.6	0.0	0.0	6.6
70	6.4	0.0	0.0	6.4
75	6.1	0.0	0.0	6.1
80	5.5	0.0	0.0	5.5
82 *	5.2	0.0	0.0	5.2
85	4.7	0.0	0.0	4.7
90	4.1	0.0	0.0	4.1
95	3.6	0.0	0.0	3.6
100	2.9	0.0	0.0	2.9
MALE				
60	4.6 years	0.0 years	0.0 years	4.6 years
65	3.6	0.0	0.0	3.6
70	3.1	0.0	0.0	3.1
75	2.8	0.0	0.0	2.8
80	2.6	0.0	0.0	2.6
82 *	2.6	0.0	0.0	2.6
85	2.5	0.0	0.0	2.5
90	2.3	0.0	0.0	2.3
95	2.0	0.0	0.0	2.0
100	1.7	0.0	0.0	1.7

\* Average age for residents of Nursing Care.



TABLE 1.3 Continued

Last Survivor Life Expectancies for 2021 Residents in  
Independent Living in Trinity Landing  
(Based on 10/01/2020 - AVP Standard Decrements)

	M 60	M 65	M 70	M 75	M 80	M 85	M 90	M 95	M100
F 60	27.9	26.6	25.6	24.9	24.5	24.3	24.1	24.1	24.0
F 62	27.0	25.6	24.5	23.7	23.3	23.0	22.8	22.7	22.6
F 64	26.1	24.6	23.4	22.6	22.1	21.7	21.6	21.4	21.3
F 66	25.3	23.7	22.4	21.5	20.9	20.6	20.4	20.2	20.1
F 68	24.6	22.9	21.5	20.4	19.8	19.4	19.2	19.1	18.9
F 70	24.0	22.1	20.6	19.4	18.8	18.3	18.1	18.0	17.8
F 72	23.3	21.3	19.7	18.5	17.7	17.2	17.0	16.8	16.6
F 74	22.8	20.6	18.8	17.5	16.7	16.1	15.9	15.7	15.5
F 76	22.2	19.9	18.0	16.5	15.7	15.1	14.7	14.5	14.3
F 78	21.8	19.4	17.3	15.7	14.7	14.1	13.7	13.5	13.2
F 80	21.4	18.9	16.6	14.9	13.9	13.1	12.7	12.5	12.2
F 82	21.1	18.4	16.1	14.2	13.1	12.3	11.8	11.5	11.2
F 84	20.8	18.1	15.6	13.6	12.4	11.5	11.0	10.7	10.3
F 86	20.6	17.8	15.2	13.1	11.8	10.8	10.3	9.9	9.5
F 88	20.4	17.5	14.8	12.7	11.3	10.3	9.7	9.3	8.8
F 90	20.3	17.3	14.6	12.3	10.9	9.8	9.1	8.7	8.1
F 92	20.2	17.2	14.3	12.0	10.5	9.4	8.7	8.2	7.6
F 94	20.1	17.1	14.2	11.8	10.3	9.1	8.4	7.9	7.3
F 96	20.1	17.0	14.1	11.7	10.1	8.9	8.2	7.7	7.0
F 98	20.0	16.9	14.0	11.5	10.0	8.7	7.9	7.4	6.7
F100	20.0	16.9	13.8	11.4	9.7	8.4	7.6	7.1	6.4

Table 1.4

New Entrant Assumptions for Trinity Landing  
Based on Management's Recommendation

Entrants to Independent Living

Entry Age -----	Female -----	Male -----
55- 59	0.0 %	0.0 %
60- 64	0.0	0.0
65- 69	0.0	0.0
70- 74	35.0	25.0
75- 79	35.0	35.0
80- 84	25.0	35.0
85- 89	5.0	5.0
90 and over	0.0	0.0
	----- 100.0 %	----- 100.0 %
Average age at entry	77.5	78.5

Unit -----	Probability that New Entrants will be a Couple -----
1Br - Apt.....	0.0 %
1Br/Den - Apt.....	10.0
2Br Sm - Apt.....	40.0
2Br Lg - Apt.....	60.0
2Br/Den Sm - Apt.....	70.0
2Br/Den Lg - Apt.....	85.0
1Br/Den - Villas.....	30.0
2Br Sm - Villas.....	50.0
2Br Lg - Villas.....	75.0
2Br/Den Sm - Villas.....	80.0
2Br/Den Lg - Villas.....	95.0

Probability that: -----	Gender Distribution -----
Single Entrant is Female.....	80.0 %
Coupled Entrants Same Sex.....	0.0

Contract Selection Distribution -----	Probability the New Contract will be Selected -----
Declining Refund.....	75.0 %
90% Refundable.....	10.0
50% Refundable.....	15.0



Table 2.1

Trinity Landing  
Summary of Population Projection Statistics

Fiscal Year	Total Independent Living Turnover	Number of New Entrants	Number of Deaths or Move-outs	Average Number Total Residents	- - - Excludes Total Assisted Living *	Direct Entrants Total Nursing Care *	- - - Total Health Care *
2021 **	29	44	0	6	0	0	0
2022 **	86	127	3	108	0	1	2
2023 **	57	85	7	211	1	3	5
2024 **	15	20	11	258	4	5	9
2025	8	11	13	255	7	7	14
2026	10	14	14	254	11	10	21
2027	11	15	14	254	16	12	28
2028	12	17	15	256	20	15	35
2029	13	19	16	258	24	18	41
2030	14	20	17	261	27	20	47
2031	15	21	18	264	29	23	52
2032	15	22	19	268	31	25	56
2033	15	22	20	270	32	27	59
2034	15	23	20	273	34	28	62
2035	16	23	21	275	35	29	64
2036	16	23	21	278	35	31	66
2037	16	23	22	279	36	32	67
2038	16	24	22	281	37	33	69
2039	16	24	22	283	37	34	71
2040	16	23	23	285	38	35	72

\* The values in columns six, seven, and eight reflect the average during the year.

\*\* The values in column five reflect average occupancy.

SOME COLUMNS OR ROWS MAY NOT ADD DUE TO ROUNDING.

Table 2.2  
Trinity Landing  
Beginning of Fiscal Year Demographic Statistics

Fiscal Year	Units Occupied Independent Living	Number of Permanent Residents				Average Age	Yrs in Commun	Percent Female
		Independ-ent Living	Assisted Living	Nursing Care	Total			
2021 *	0	6	0	0	6	77.5	0.5	50.0 %
2022 *	29	108	0	0	108	78.4	0.6	59.5
2023 *	113	210	1	0	211	78.9	1.0	60.2
2024 *	166	254	2	1	258	79.5	1.7	60.6
2025	175	249	5	3	256	80.4	2.6	61.6
2026	175	241	9	5	255	81.2	3.5	62.6
2027	175	233	14	7	254	81.9	4.2	63.6
2028	175	227	18	10	255	82.6	4.9	64.5
2029	175	223	22	12	257	83.2	5.6	65.3
2030	175	220	25	15	260	83.7	6.1	66.0
2031	175	218	28	17	262	84.2	6.6	66.7
2032	175	217	30	19	266	84.6	6.9	67.1
2033	175	216	32	21	269	85.0	7.3	67.4
2034	175	216	33	23	272	85.4	7.6	67.8
2035	175	216	34	23	274	85.7	7.8	68.0
2036	175	217	35	25	276	86.0	7.9	68.1
2037	175	217	36	26	279	86.3	8.1	68.2
2038	175	218	36	26	280	86.5	8.2	68.3
2039	175	218	37	27	282	86.8	8.3	68.3
2040	175	218	38	28	284	87.0	8.4	68.3

\* The values in column three reflect the average during the years with asterisks.

SOME COLUMNS OR ROWS MAY NOT ADD DUE TO ROUNDING.



Table 2.3

Trinity Landing  
Resident Movement Statistics

Fiscal Year	Independ-ent Living	Deaths		Permanent Transfers		
		Assisted Living	Nursing Care	Independ-ent Living to Assisted Living	Independ-ent Living to Nursing Care	Assisted Living to Nursing Care
2021	0	0	0	0	0	0
2022	2	0	0	1	0	0
2023	5	0	0	2	1	0
2024	8	0	0	3	2	0
2025	10	1	1	5	2	0
2026	11	1	1	6	3	1
2027	10	1	2	7	3	1
2028	10	2	2	8	3	2
2029	10	2	3	8	3	2
2030	10	3	4	8	3	2
2031	10	3	4	8	4	3
2032	10	3	5	8	4	3
2033	10	4	5	8	4	3
2034	10	4	6	8	4	3
2035	10	4	6	8	4	4
2036	10	4	6	8	4	4
2037	10	4	7	8	4	4
2038	10	4	7	9	4	4
2039	10	4	7	9	4	4
2040	10	4	7	9	4	4

Table 2.4  
Trinity Landing  
Independent Living Turnover Statistics

Fiscal Year	Average Age of New Entrants	Number of New Entrants	Independ- ent Living Turnover	- - - Cause of Independent Living Turnover - - - Move Out	Death	Permanent Transfer	New Sales*
2021	78.4	44	29	0	0	0	29
2022	78.4	127	86	1	1	0	84
2023	78.4	85	57	1	2	1	53
2024	78.3	20	15	2	3	1	9
2025	78.3	11	8	2	4	2	0
2026	79.4	14	10	1	4	5	0
2027	79.4	15	11	1	5	5	0
2028	79.4	17	12	0	5	7	0
2029	79.4	19	13	0	6	7	0
2030	79.3	20	14	0	6	8	0
2031	80.4	21	15	0	6	9	0
2032	80.4	22	15	1	6	8	0
2033	80.4	22	15	0	6	9	0
2034	80.5	23	15	1	6	8	0
2035	80.4	23	16	1	6	9	0
2036	81.4	23	16	1	6	9	0
2037	81.4	23	16	1	7	8	0
2038	81.3	24	16	1	7	8	0
2039	81.4	24	16	1	7	8	0
2040	81.4	23	16	1	6	9	0

\* This column reflects the annual change in the beginning of year occupancy for Independent Living (see Table 2.2, column 2).

Table 2.5

Trinity Landing  
 Projected Resident Days by Level of Care  
 (All Contractholder Days)

Fiscal Year	Independent Living	Permanent Assisted Living	Temporary Assisted Living	Total Assisted Living	Permanent Nursing Care	Temporary Nursing Care	Total Nursing Care
2021	2,190	5	0	5	3	17	20
2022	39,384	115	0	115	59	457	516
2023	76,813	519	0	519	268	937	1,205
2024	92,855	1,338	0	1,338	702	1,204	1,906
2025	89,327	2,579	0	2,579	1,344	1,284	2,628
2026	86,557	4,128	0	4,128	2,147	1,364	3,511
2027	84,105	5,751	0	5,751	3,033	1,446	4,479
2028	82,197	7,277	0	7,277	3,969	1,526	5,495
2029	80,853	8,592	0	8,592	4,888	1,601	6,489
2030	79,918	9,687	0	9,687	5,699	1,670	7,369
2031	79,317	10,626	0	10,626	6,505	1,733	8,238
2032	79,069	11,347	0	11,347	7,271	1,794	9,065
2033	78,941	11,844	0	11,844	7,911	1,846	9,757
2034	78,916	12,261	0	12,261	8,385	1,892	10,277
2035	79,050	12,604	0	12,604	8,792	1,935	10,727
2036	79,237	12,849	0	12,849	9,205	1,969	11,174
2037	79,370	13,082	0	13,082	9,525	2,006	11,531
2038	79,447	13,329	0	13,329	9,838	2,039	11,877
2039	79,578	13,584	0	13,584	10,203	2,071	12,274
2040	79,691	13,725	0	13,725	10,498	2,099	12,597

SOME COLUMNS OR ROWS MAY NOT ADD DUE TO ROUNDING.

Table 2.13  
Trinity Landing  
Projected Independent Living Turnover by Unit Type

Fiscal Year	----- Turnover by Unit Type -----						Independ-ent Living Turnover	Independ-ent Living Turnover Percentage
	Group I	Group II	Group III	Group IV	Group V	Group VI		
2021	9	7	8	5	0	0	29	725.0 %
2022	28	26	19	13	0	0	86	119.4
2023	18	16	15	8	0	0	57	40.1
2024	6	4	2	3	0	0	15	8.6
2025	4	2	1	1	0	0	8	4.6
2026	4	3	2	1	0	0	10	5.7
2027	5	3	2	1	0	0	11	6.3
2028	5	3	3	1	0	0	12	6.9
2029	4	4	3	2	0	0	13	7.4
2030	5	4	3	2	0	0	14	8.0
2031	6	4	3	2	0	0	15	8.6
2032	6	4	3	2	0	0	15	8.6
2033	6	4	3	2	0	0	15	8.6
2034	5	4	4	2	0	0	15	8.6
2035	6	4	4	2	0	0	16	9.1
2036	6	4	4	2	0	0	16	9.1
2037	6	4	4	2	0	0	16	9.1
2038	5	5	4	2	0	0	16	9.1
2039	5	5	4	2	0	0	16	9.1
2040	5	5	4	2	0	0	16	9.1

Unit Type Groupings

Group I = 1Br - Apt  
1Br/Den - Apt  
1Br/Den - Villas

Group II = 2Br Sm - Apt  
2Br Lg - Apt  
2Br Sm - Villas

Group III = 2Br/Den Sm - Apt  
2Br Lg - Villas  
2Br/Den Sm - Villas

Group IV = 2Br/Den Lg - Apt  
2Br/Den Lg - Villas

Group V = None included

Group VI = None included

Table 2.14

Trinity Landing  
Move-out and Refund Statistics

Fiscal Year	Direct Entry to ALU	Transfers to ALU	Number of Refunds	Refund Amounts Due to			Total
				Death	Move-out	Permanent Transfer	
2021	0	0	0	\$ 4,181	\$ 9,343	\$ 2,389	\$ 15,914
2022	0	1	2	113,985	203,606	73,925	391,516
2023	0	2	4	302,299	312,242	197,497	812,037
2024	0	3	6	414,970	364,097	298,873	1,077,939
2025	0	5	8	448,791	260,531	366,776	1,076,097
2026	0	6	7	430,626	166,502	371,023	968,151
2027	0	7	5	397,339	92,104	446,144	935,587
2028	0	8	4	448,793	71,591	515,529	1,035,913
2029	0	8	4	456,443	86,561	591,035	1,134,040
2030	0	8	5	498,315	108,952	597,101	1,204,368
2031	0	8	5	531,424	95,396	672,906	1,299,726
2032	0	8	5	530,093	128,575	711,598	1,370,266
2033	0	8	5	571,944	123,541	695,854	1,391,339
2034	0	8	6	600,575	142,906	749,603	1,493,083
2035	0	8	6	624,774	147,159	796,691	1,568,623
2036	0	8	6	627,056	157,269	828,132	1,612,457
2037	0	8	6	703,635	149,033	830,456	1,683,124
2038	0	9	6	718,235	173,717	850,135	1,742,086
2039	0	9	6	768,248	172,416	920,438	1,861,102
2040	0	9	6	722,547	163,335	935,483	1,821,365

SOME COLUMNS OR ROWS MAY NOT ADD DUE TO ROUNDING.

Table 2.15

Trinity Landing  
 Projected Variation in Independent Living Turnover\* and Health Care Utilization  
 (Based on 500 Iterations)

Fiscal Year	- - - Independent Living Turnover* - - -			- - - Health Care Utilization - - -		
	Likely Minimum	Average	Likely Maximum	Likely Minimum	Average	Likely Maximum
2021	0(***)	0	1(***)	1(100%)	1	1(100%)
2022	0( 0 )	2	4(200 )	2(100 )	2	3(150 )
2023	1( 25 )	4	7(175 )	3( 60 )	5	8(160 )
2024	2( 33 )	6	11(183 )	5( 56 )	9	13(144 )
2025	4( 50 )	8	13(163 )	9( 64 )	14	20(143 )
2026	5( 50 )	10	15(150 )	15( 71 )	21	28(133 )
2027	6( 55 )	11	17(155 )	21( 75 )	28	37(132 )
2028	7( 58 )	12	18(150 )	26( 74 )	35	44(126 )
2029	8( 62 )	13	19(146 )	32( 78 )	41	52(127 )
2030	8( 57 )	14	20(143 )	36( 77 )	47	58(123 )
2031	9( 60 )	15	21(140 )	41( 79 )	52	63(121 )
2032	9( 60 )	15	21(140 )	44( 79 )	56	67(120 )
2033	9( 60 )	15	22(147 )	47( 80 )	59	70(119 )
2034	9( 60 )	15	21(140 )	50( 81 )	62	73(118 )
2035	9( 56 )	16	23(144 )	52( 81 )	64	75(117 )
2036	10( 63 )	16	22(138 )	53( 80 )	66	77(117 )
2037	10( 63 )	16	22(138 )	55( 82 )	67	79(118 )
2038	10( 63 )	16	23(144 )	57( 83 )	69	81(117 )
2039	11( 69 )	16	23(144 )	59( 83 )	71	83(117 )
2040	10( 63 )	16	22(138 )	60( 83 )	72	84(117 )

\*\*\* Results not applicable due to division by zero.

\* Apartment turnover does not include sales of units that were not occupied at beginning of year.



Table 2.16

Trinity Landing  
 Projected Variation in Refunds and Health Care Ratios  
 (Based on 500 Iterations)

Fiscal Year	Refunds			Health Care Ratio per 100 ILU Residents		
	Likely Minimum	Average	Likely Maximum	Likely Minimum	Average	Likely Maximum
2021	\$ 0	\$ 15,914	\$ 149,329	0.8	1.1	0.8
2022	0	391,516	1,034,998	1.1	1.6	2.6
2023	106,149	812,037	1,724,110	1.4	2.2	3.4
2024	267,600	1,077,939	2,012,109	2.2	3.5	4.9
2025	332,737	1,076,097	2,036,311	3.8	5.8	8.0
2026	205,337	968,151	1,845,300	6.3	8.8	11.6
2027	130,439	935,587	1,962,198	9.0	12.2	15.7
2028	188,202	1,035,913	1,995,956	12.0	15.5	19.5
2029	257,187	1,134,040	2,187,258	14.4	18.6	23.0
2030	277,361	1,204,368	2,368,865	16.8	21.3	26.3
2031	392,046	1,299,726	2,492,813	19.1	23.8	28.7
2032	336,918	1,370,266	2,623,689	21.1	25.8	30.9
2033	363,201	1,391,339	2,672,661	22.1	27.3	32.4
2034	393,717	1,493,083	2,731,368	23.3	28.5	33.4
2035	459,747	1,568,623	2,998,777	24.3	29.5	34.1
2036	377,985	1,612,457	3,077,973	24.6	30.3	35.3
2037	435,853	1,683,124	3,154,388	25.7	31.0	35.8
2038	479,730	1,742,086	3,388,804	26.6	31.7	36.9
2039	596,543	1,861,102	3,454,343	27.3	32.5	37.9
2040	533,535	1,821,365	3,570,706	27.7	33.0	38.5

Table 6.1

Entry Fee Receipt and Refund Projections for Trinity Landing  
Dollars in Thousands

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>ENTRY FEE RECEIPTS</b>										
Entry fees from unit turnover . . . . .	19	485	1,170	1,943	2,636	3,318	3,810	4,439	4,951	5,355
Entry fees from vacant units . . . . .	9,541	26,202	16,667	2,674	0	0	0	0	0	0
Entry fee refunds . . . . .	(16)	(392)	(812)	(1,078)	(1,076)	(968)	(936)	(1,036)	(1,134)	(1,204)
<b>TOTAL ENTRY FEE RECEIPTS . . . . .</b>	<b>9,545</b>	<b>26,295</b>	<b>17,025</b>	<b>3,539</b>	<b>1,560</b>	<b>2,350</b>	<b>2,874</b>	<b>3,403</b>	<b>3,817</b>	<b>4,151</b>

KEY ASSUMPTIONS:	CURRENT YEAR 2021	VARYING OCCUPANCY 2022 to 2025	CONSTANT OCCUPANCY 2026 to 2081
Advance fee inflation . . . . .	0%	3%	3%
Independent Living Occupancy . . . . .	2.2%	39.1 to 95.1%	95.1%



Table 6.1

Entry Fee Receipt and Refund Projections for Trinity Landing  
Dollars in Thousands

	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
<b>ENTRY FEE RECEIPTS</b>										
Entry fees from unit turnover . . . . .	5,947	6,254	6,571	6,940	7,322	7,542	7,775	8,144	8,541	8,554
Entry fees from vacant units . . . . .	0	0	0	0	0	0	0	0	0	0
Entry fee refunds . . . . .	(1,300)	(1,370)	(1,391)	(1,493)	(1,569)	(1,612)	(1,683)	(1,742)	(1,861)	(1,821)
<b>TOTAL ENTRY FEE RECEIPTS . . . . .</b>	<b>4,647</b>	<b>4,883</b>	<b>5,180</b>	<b>5,447</b>	<b>5,753</b>	<b>5,930</b>	<b>6,092</b>	<b>6,402</b>	<b>6,680</b>	<b>6,733</b>

# **Exhibit E**

# **Residency Agreement**



An Affiliate of Lutheran Services Carolinas

## **RESIDENCY AGREEMENT**

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

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

WHEREAS, Lutheran Retirement Center - Wilmington, Inc. owns and operates the retirement center known as Trinity Landing (hereafter "Trinity Landing"), located at 4915 Masonboro Loop Road in Wilmington, New Hanover County, North Carolina; and

WHEREAS, Resident desires to use and occupy the Residence ("Apartment") or ("Villa") located in Trinity Landing and designated in this Agreement and pay an initial entrance fee and other fees upon terms and conditions as provided in this Agreement; and

WHEREAS, Trinity Landing desires to make the selected Residence available to Resident and the Resident may use and enjoy the facilities, programs and services provided at Trinity Landing subject to the terms and conditions of this Agreement.

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

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

**Health:** Each Resident must have sufficient physical and mental capacities to live independently without posing a danger to his/her health or to the health and safety of other Trinity Landing residents and staff. The Resident will complete an application which includes a "Medical Information" section that must be completed. A recent physician's physical may be requested by Trinity Landing to accompany the Application. An updated physical may be requested annually by Trinity Landing.

**Financial:** The Resident shall have furnished information to Trinity Landing with respect to the Resident's financial resources demonstrating that the Resident has the financial income and assets to pay the Entrance Fee, Monthly Fee, charges for additional services, personal living expenses, and the future adjustments of these charges during the term of this Agreement. The Application includes a "Confidential Financial Information" section which must be completed.

**Age:** Admission is restricted to persons sixty-two (62) years of age or older, except in the case of two residents desiring to share a Residence in which one person is at least sixty two (62) years of age, the other person shall be at least fifty-five (55) years of age.

**1. Residence, Related Services and Programs** Subject to the terms and conditions of this Agreement, Trinity Landing shall make available to Resident a Residence, related services, programs and amenities at Trinity Landing as described below:

Type: \_\_\_\_\_  
Residence: \_\_\_\_\_  
Number: \_\_\_\_\_  
Description: \_\_\_\_\_

**A. Furnishings.** Trinity Landing will provide all major kitchen appliances and a washer and dryer in each Residence and such other furnishings and fixtures as may be described in the informational brochures published by Trinity Landing for the purpose of describing Trinity Landing. All other Residence furnishings and furniture are to be provided by Resident.

**B. Utilities.** Includes individually controlled heating, air conditioning, water, sewer, electricity, internet access, cable, phone, and trash removal.

**C. Meals.** A meal allowance of \$\_\_\_\_\_ will be included in the base fee. This meal allowance is subject to change with a sixty (60) day written notice from Trinity Landing. Addendum IV includes the current meal allowance amount. The Resident shall be entitled to dine at any of Trinity Landing's dining options, including the Juice Bar/Market, for food and beverages, except for alcoholic beverages. The monthly meal plan credit may also be used for the food and beverages, except for alcoholic beverages, of any guest of the Resident. The charges shall be deducted from the declining balance of the meal plan credit. If the monthly charges of the Resident exceed the amount of the monthly meal plan credit, such additional charges shall be billed to the Resident on a monthly basis.

**D. Housekeeping Services.** Housekeeping services will be furnished every week, and shall include cleaning all sinks, tubs, bathroom fixtures and floors, dusting, and vacuuming. Additional housekeeping service shall be available at the Resident's expense.

**E. Laundry.** Residents shall be provided laundering of regular flat and bed linen on a weekly basis. Residents are provided a washer and dryer in each residence and will be responsible for their own personal laundry.

**F. Maintenance Services.** Trinity Landing will be responsible for normal wear and tear, maintenance and replacement of the property, furnishings and equipment owned by or leased for use at Trinity Landing. Resident will be responsible for any damage to such property, furnishings and equipment, including the cost of repair or replacement or the decrease in value thereof, caused by the negligence or intentional acts of Resident or Resident's guests. Resident will be responsible for the maintenance and repair of his/her personal property.

**G. Changes to Residence.** Any structural or physical change or redecoration and remodeling of any kind within or outside the Residence may be made by Resident only with the prior written consent of the Trinity Landing Executive Director and at the sole expense of Resident. Resident shall pay the appropriate cost necessary to return the Residence to its original condition and the cost of redecoration if requested by the Trinity Landing. All such improvements or changes shall be the property of Trinity Landing.

**H. Grounds keeping.** Trinity Landing will maintain and repair grounds surrounding the Residences and common areas, including lawns, trees and shrubbery. Personal plantings and customization of landscaped areas are subject to approval by the Trinity Landing Executive Director and are not maintained by the grounds keeping department.

**I. Programs.** Recreational, social, spiritual, educational and cultural programs and activities will be coordinated by staff in conjunction with Resident Committees. Some activities may be subject to an additional charge.

**J. Parking.** Parking areas for Residents' personal vehicles and limited parking for guests of Residents will be provided.

**K. Transportation.** Scheduled local transportation within New Hanover County is provided, including group transportation for shopping, medical appointments and some recreational activities. Some transportation is subject to an additional charge.

**L. Emergency Response System.** Trinity Landing will provide an option for an emergency response system for Residents. The Executive Director can provide an overview of available options.

**M. Insurance.** Trinity Landing will maintain general liability insurance but will not be responsible for the personal property of Residents. Residents are encouraged to obtain insurance to cover such liabilities. See Section 1(f) regarding Resident's responsibility for damage to property owned or leased by Trinity Landing.

**N. Optional Services.** A list of additional services provided at an additional cost including, but not limited to those optional services described above, shall be established by Trinity Landing's Board of Directors and shall be made available to Resident at or before the time the Resident receives the Disclosure Statement.

**O. Trash Removal.** Apartment Residents shall dispose of trash in the areas designated on each Apartment floor. Villa Residents' trash should be placed in approved containers to be collected at curbside.

**P. Pets.** Pets may be permitted per residence in accordance with the pet policy and upon completion of a Pet Agreement and payment of a \$500 non-refundable fee. The pet can be replaced in accordance with the Pet Policy.

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

## **2. Terms of Residency**

**A. 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 Section (8) of the Residency Agreement. Nothing contained herein shall be construed or is intended to require that Trinity Landing care for the Resident for life, nor shall this Agreement be construed as a life-care contract.

**B. Rights of Resident.** Signing of this Residency Agreement and payment of the Entrance Fee does not deliver title to real or personal property, and may not be assigned, transferred, inherited or devised. Any rights, privileges, benefits, or interests created by or under this Agreement shall be subordinated to any mortgage, deed of trust, or other security interest created on any of the premises or interests in real estate of Trinity Landing and to all amendments, modifications, replacements or refunding thereof. Resident agrees to execute and deliver any document required by Trinity Landing or by the holder of any mortgage, deed of trust or other interest to evidence or effect such subordination.

**C. Alteration or Modification.** Notwithstanding any other provisions in this Agreement, Trinity Landing 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. If Trinity Landing approves an alteration or modification, all work must be arranged and completed by a contractor selected by Trinity Landing. The Resident understands that Trinity Landing may require the Resident to return the Residence to its original design at time of vacancy. If this request is made, the Resident is responsible for all costs associated with returning the Residence to its original design.

**D. 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.

**E. Permitted Occupants.** The parties hereto recognize and agree that the amount of wear and tear evident in the Residence depends in part upon the number of persons regularly occupying the Residence. It is therefore 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.

**F. 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, in which event there will be no refund of the Entrance Fee, except as provided in the Termination and Refund Provisions of Sections (8) and (9). The remaining or surviving Resident will thereafter pay the Monthly Fee for one Resident associated with the Residence occupied by the Resident.



**G. 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 the Trinity Landing, 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 as provided in the Termination and Refund Provisions of Sections (8) and (9). Such Residents will pay the Monthly/Daily Fee for double occupancy associated with the Residence occupied by them. In the event that a Resident shall marry a person who is not a Resident of Trinity Landing, 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 Landing; enters into a then current version of the Residency Agreement with the Corporation; and pays an Entrance Fee in an amount determined by the Corporation in its sole discretion. The Resident and new Resident shall pay the Monthly Fee for double occupancy associated with the Residence occupied by them. If the Non-Resident does not meet the requirements of Trinity Landing for entry as a Resident, the Resident may terminate this Agreement in the manner as provided in Section (8).

### **3. Transfers**

**A. Transfer to another Residence.** All residence transfers must be approved by the Executive Director of Trinity Landing. The Monthly Fee will be adjusted, and the Entrance Fee may be adjusted accordingly, all as set forth in a Transfer Amendment (Addendum V) to the Residency Agreement. Residents transferring residences will pay an applicable transfer fee and a portion of the charges and expenses associated with refurbishing the residence being vacated. The Monthly Fee paid by the resident will be adjusted to the level of the current Monthly Fee for the new residence as of the date of occupancy of the new residence. The Resident will be responsible for paying any difference in the Entrance Fee, if the amount of the Entrance Fee of the new Residence is greater than the Entrance Fee for the previous Residence to be vacated. If the Entrance Fee for the new Residence is smaller than the Entrance Fee for the previous Residence to be vacated, no refund will be paid for the difference except as provided in the Termination and Refund Provisions of Sections (8) and (9). Please see the Executive Director for further details on residence transfers.

**B. Transfer to Healthcare Center or Hospital.** If it is determined by the Executive Director that the Resident requires care from other health care support beyond the scope of the facility and personnel of Trinity Landing, the Resident will be transferred to a qualified hospital or other institution equipped to give such care, at the expense of the Resident. Such transfer of the Resident will be made only after consultation to the extent possible with the Resident, a representative of the Resident's family or sponsor, and the Resident's physician.

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

Trinity Landing is not designed or licensed to care for persons who have certain medical or mental conditions or suffer from certain contagious or dangerous diseases. If it is determined by the Executive Director and/or other health care support staff, using standard legal/medical and acceptable evaluation procedures, that a Resident suffers from a medical or mental condition, so that a Resident's continuing presence at Trinity Landing is detrimental to the health or safety of the Resident or other Residents, then the Resident may be transferred to an institution capable of administering needed care and his/her Residence may be assigned to others, subject to the rights of any remaining second Residence Resident. In such situations, the expenses of such institution will be the responsibility of the Resident. The final determination will be at the discretion of the Executive Director.

If the Resident's physician, the Executive Director and if needed, other health care support staff, subsequently determine that the Resident can resume occupancy in accommodations equivalent to those previously occupied by the Resident, the Resident shall have priority to such accommodations as soon as they become available, with no additional Entrance Fee unless the Entrance Fee has been refunded under the provisions described in this Agreement.

See Section (5) for more information on temporary and permanent transfer to healthcare center.

#### **4. Admissions Policies and Procedures**

Admission is restricted to persons sixty-two (62) years of age or older. However, a Resident may have a spouse/companion/roommate that is fifty-five (55) years of age or older live in the same residence. Trinity Landing is open to anyone regardless of race, color, religion, sex, handicap, familial status, or national origin

**A. Non-Binding Reservation Agreement.** Upon execution of the Non-Binding Reservation Agreement, Resident will provide a \$100.00 Priority Deposit to Trinity Landing. If a Residency Agreement is signed, this \$100.00 will be credited towards the balance of the 10% deposit due at time of signing the Residency Agreement. If for any reason the Resident terminates the Non-Binding Reservation Agreement, Trinity Landing will provide a 100% refund of the \$100.00 Priority Deposit. The Priority Deposit reserves a Resident's place on the Waiting List to choose the desired residence. The Waiting List will be the method that Trinity Landing uses to determine the order of which Resident's select their Residence. The first selection will be given to the Resident first on the list and then continue in consecutive order.

**B. Binding Residency Agreement.** Upon selection of a Residence, Resident will execute a Residency Agreement. Accompanying this Residency Agreement will be a Reservation Fee, which is equal to 10% of the current Entrance Fee. The Reservation Fee will be placed in Escrow with an FDIC-insured financial institution by Trinity Landing, subject to applicable law. Interest earned on the Reservation Fee will be retained by Trinity Landing and will not be paid to Resident or credited toward the fees due by Resident at the time of signing this Agreement. The 10% Entrance Fee and any Priority Deposit paid to Trinity Landing, pursuant to the Non-Binding Reservation Agreement, will be credited to the total Entrance Fee. The Entrance Fee for reserved Residence shall not be increased above the Entrance Fee set forth herein unless this Agreement is terminated pursuant to Section (8) of the Residency Agreement.

Upon providing the Resident with the Binding Residency Agreement, the Marketing Representative will provide the Resident with a copy of Trinity Landing's Disclosure Statement which fully describes the organization, facilities, policies, services, fees, financial condition, projections, and the vital information related to Trinity Landing.

Included in the Disclosure Statement is a Residency Agreement and multiple addendums. Addendum III "Receipt of the Disclosure Statement", must be signed and returned to Trinity Landing at the time of, or prior to, the 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 no later than 30 days following the execution of the Residency Agreement.

The Admissions Committee will review the completed Application Forms as a basis for initial approval for admission to Trinity Landing. The Resident must have an interview with a representative from Trinity Landing prior to being approved by the Admissions Committee. The Admissions Committee will accept or deny the application within 45 days of receipt of completed documents, based on criteria and policies established by the Board of Directors. The Executive Director will notify the Resident in writing of the action taken by the Admissions Committee. If the Resident does not meet Trinity Landing's admissions requirements, this Agreement shall be null and void and the Resident shall receive a refund of any Entrance Fee 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 Landing as soon as possible. Based on the available information, Trinity Landing will make every effort to provide a final determination regarding residency at least 90 days prior to the availability date for occupancy.

#### **D. Addendums**

- Addendum I, Commencement of Residency. This addendum must be signed to acknowledge the Availability Date of the Residence. The monthly fee will begin on the Availability Date. The remainder of the Entrance Fee must be paid no later than 10 days prior to 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. This addendum must be returned no later than the day the Application for admission is submitted.
- Addendum IV, Meal Allowance. This addendum will be provided to the Resident upon request or no later than the date the Disclosure Statement is given to the Resident.
- Addendum V, 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. Health Criteria.**

Admission is restricted to persons sixty-two (62) years of age or older. However, a Resident may have a companion/roommate that is fifty-five (55) years of age or older live in the same residence.

Trinity Landing 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 Landing 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 and personal health history and physical examination, Trinity Landing shall have the right to decline admission of the Resident(s) and to terminate the agreement, or at the discretion of Trinity Landing, to permit the Resident(s) to take occupancy of accommodations at Trinity Grove suitable to the needs of the Resident(s).

**F. 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 Landing are expected to have sufficient financial resources to pay the entrance fee, 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, differs materially from that disclosed in the Resident's Application, Trinity Landing shall have the right to decline admission of the Resident(s) and to terminate the agreement, or at the discretion of Trinity Landing, to permit the Resident(s) to take occupancy of accommodations at Trinity Grove suitable to the needs of the Resident(s).

Resident shall maintain Medicare Part A, Medicare Part B and one supplemental health insurance policy or maintain equivalent insurance coverage comparable to Medicare and approved by the Executive Director to assure Resident's ability to cover such health care related costs, and shall furnish to Trinity Landing 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 Landing. 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.

**G. Representations and Warranties.** The Resident affirms that the representations made in the Application for Admission, Personal Health History and Confidential Financial Information, or other statements of financial capability, are accurate and reflect the Resident's current status and, as such, are the basis for which

Trinity Landing agrees to enter into this Agreement.

**H. Rules and Regulations.** Upon entering Trinity Landing, the Resident agrees to live in harmony with his/her neighbors in a spirit of good will. The Resident agrees to abide by the administrative policies and procedures as established by the Board of Directors and Trinity Landing including such amendments, modifications or change in those policies and procedures. These policies and procedures are designed for the comfort, safety and security of all Residents.

**I. Notification of Availability.** After the Resident is initially approved for admission, the Executive Director will notify the Resident of the Residence's projected date of availability for occupancy. Trinity Landing will make every effort to give a ninety (90) day notice of availability. A resident must pay the remaining Entrance Fee at least 10 days prior to the date of Availability, as described in Section (6) (b).

Resident must begin paying the Monthly Fee from the date of Availability. All notifications of availability shall be in writing and mailed to the address of the Resident as provided in this Agreement.

## **5. Health Care Services**

**A. Trinity Grove.** Health care accommodations and services at Trinity Grove 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 Grove has no beds available, Trinity Landing will assist Resident in finding another health care center as close as possible to quality and price as Trinity Grove.

Trinity Grove will contract 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 Grove and to perform such other duties described in this document or prescribed by Trinity Grove. Expenses for Resident-related physician services are the responsibility of the Resident. Trinity Grove 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, limited pharmacy services, and laboratory tests. All Residents at Trinity Grove are responsible for their pharmacy copayments. Charges for these health care services will be in addition to the Monthly Fee.

**B. Other Health Care Center.** In the event a Resident requires the services of a health care center and there is no availability at Trinity Grove, Trinity Landing will assist a Resident in finding another health care center of similar quality and price.

**C. Temporary Stay.** If a temporary stay at Trinity Grove, a Resident will continue to pay the Monthly Fee for their Trinity Landing residence.

**D. Permanent Stay.** If a permanent transfer to Trinity Grove, the Resident will continue paying the Monthly Fee until the residence is vacated including the return of the keys to the residence, entrance door cards, and personal pendent if applicable. See Section 8 for more details on Termination.

## **6. Fees**

**A. Priority Deposit.** Upon execution of the Non-Binding Reservation Agreement, Resident will provide at \$100.00 Priority Deposit to Trinity Landing. If a Residency Agreement is signed, this \$100.00 will be credited towards the balance of the 10% Deposit due at time of signing the Residency Agreement. If for any reason the Resident terminates the Non-Binding Reservation Agreement, Trinity Landing will provide a 100% refund of the \$100.00 Priority Deposit. The Priority Deposit reserves a Resident's place on the Waiting List to choose the desired Independent Living Residence. The Waiting List will be the method which Trinity Landing uses to determine the order of which Resident's select their Independent Living Residence. The first selection will be given to the Resident first on the list and then continue in consecutive order. Once Trinity Landing is accepting 10% deposits, priority deposits will no longer being accepted. At this time, Trinity Landing will work with the remaining list of priority depositors to either provide a refund per the above agreement or transition the \$100.00 deposit to a 10% deposit if the Resident desires to sign a Residency Agreement.

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

- **90% Refund Plan:** The Entrance Fee is refundable at a minimum of ninety percent (90%). The Entrance Fee is reduced by a one percent (1.0%) at the time of initial occupancy and by one half of one percent (0.5%) per month for the first eighteen (18) months of occupancy after which a ninety percent (90%) refund will be paid to the Resident or the Resident's estate if the Living Residence is vacated. The balance of any Entrance Fees will be reimbursed by Trinity Landing after termination of the Residency Agreement, after the Residence is vacated and after the Residence has been reoccupied.
  - Amount of Entrance Fee: \$ \_\_\_\_\_
  
- **50% Refund Plan:** The Entrance Fee is refundable at a minimum of fifty percent (50%). The Entrance Fee is reduced by a two percent (2.0%) at the time of initial occupancy and by one percent (1.0%) per month for the first forty-eight (48) months of occupancy after which a fifty percent (50%) refund will be paid to the Resident or the Resident's estate if the Residence is vacated. The balance of any Entrance Fees will be reimbursed by Trinity Landing after termination of the Residency Agreement, after the Residence is vacated and after the Residence has been reoccupied.
  - Amount of Entrance Fee: \$ \_\_\_\_\_
  
- **Limited Refund Plan:** The Entrance Fee is reduced by a four percent (4%) service fee at the time of occupancy and by two percent (2%) per month for the first forty-eight (48) months of occupancy. The Entrance Fee is non-refundable after forty-eight (48) months.
  - Amount of Entrance Fee: \$ \_\_\_\_\_

Resident Agrees to pay Trinity Landing an Entrance Fee deposit of \$ \_\_\_\_\_ which shall be 10% of the required Entrance Fee as designated above. The Entrance Fee deposit will be due and payable upon signing of this Agreement. The balance of the Entrance Fee will be due and payable no later than ten (10) days prior to Resident's Availability Date. Resident's projected Availability Date is \_\_\_\_\_, 20\_\_\_. Resident's Residency Date will begin on the Availability Date of the Residence as described in this Agreement and Addendum I.

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

Article 64 of Chapter 58 of the General Statutes of North Carolina includes a requirement that Residents' Entrance Fees received by Trinity Landing be placed in an escrow account as specified in the statutes. Facilities that have met pre-sales or occupancy requirements as outlined in NCGS 58-64-35(a) (2) a, are not required to escrow Entrance Fees, unless otherwise required by the Commissioner of Insurance. Trinity Landing has not met these particular requirements and is currently escrowing Entrance Fees.

**C. Monthly Fee.** Resident shall pay a Monthly Fee to Trinity Landing by the 10th day of each month after occupancy commences. An additional Resident shall pay a Second Resident Fee. The Monthly Fee for any part of a month occurring at the beginning of occupancy shall be prorated and become due and payable upon occupancy. Late payments will be assessed a penalty of twenty-five dollars (\$25). It is agreed that monthly payments for residency shall continue during any temporary absence from Trinity Landing.

The initial Monthly Fee will be equal to the then current Monthly Fee for the Reserved Residence as of the Availability Date and will begin on the Availability Date, unless otherwise agreed to in writing by Trinity Landing. The Monthly Fee is subject to change as described in the Disclosure Statement.

As of the date of this Agreement, Resident agrees to pay a monthly fee beginning on the Availability Date of the Residence (“Monthly Fee”). As of the date of this Agreement, the current monthly fee associated with the Residence indicated in this Agreement is approximately \$\_\_\_\_\_ per month, and an additional \$\_\_\_\_\_ per month if a second Resident occupies the Residence. This rate is subject to change by Trinity landing prior to occupancy of the Residence. See Section E for details on Fee Change policy.

*If you do not take occupancy by the Availability Date, you shall accept financial responsibility for the Reserved Residence and pay the balance of any unpaid Non-Standard Costs, and begin paying the applicable Monthly Fees on the Availability Date, unless the Binding Agreement is terminated prior to the Availability Date pursuant to Section 8 of this Agreement.*

**E. Fee Change Policy.** Trinity Landing may, at its sole discretion and upon sixty (60) days prior written notice to Resident, increase or decrease the Monthly Fee to cover the cost of maintaining the services and to maintain the financial integrity of Trinity Landing, including maintaining adequate reserve funds. Residents can generally anticipate an annual increase in monthly fees of 2-6% based on inflation, health care inflation, market conditions, insurance increases, rising expenses, etc. Fees for additional and optional services may be increased or decreased at Trinity Landing’s discretion without such notice.

**F. Trinity Grove Daily Fees/Charges.** Trinity Landing will obtain and publish, from time to time, daily rates from Trinity Grove. If a Resident is admitted to Trinity Grove (or any other nursing center if space is not first available at Trinity Grove), the Resident will continue to pay the Monthly Fee for his/her Residence. When eligible for Medicare benefits, Medicare pays first for health care. All Residents at Trinity Grove are responsible for their pharmacy copayments.

**G. Additional Charges.** Trinity Landing 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 this Agreement and any and all charges for additional or optional services provided to the Resident.

**H. Monthly Statements.** Trinity Landing will furnish the Resident with a monthly statement on or about the fifth of the month showing the total amount of the Monthly Fee and all other charges owed by the Resident. All charges will be due and payable by the tenth (10th) day of each month. Late payments will be assessed a penalty of twenty-five dollars (\$25).

**I. Inability to Pay.** Resident agrees that in the event he/she shall become unable to pay the Monthly Fee, or any part thereof, Trinity Landing may, at its sole discretion, credit such fees or charges against any amounts which Trinity Landing would be required to reimburse to Resident under the provisions of Section (9) of this document.

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

## **7. Right of Rescission**

**A. Right of Rescission.** Notwithstanding anything herein to the contrary, Resident may rescind any contract with Trinity Landing requiring the payment of an entrance 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 Landing will be returned in full, less any standard customary charges the Resident and Trinity Landing 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 Landing's 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 receive a refund of any money paid to Trinity landing less a service charge as follows:

- **Entrance Fee:** Resident shall receive a refund of the Entrance Fee paid to Trinity Landing less a service charge as determined by Trinity Landing not to exceed the greater of one thousand dollars (\$1000) or one percent (1%) of the Entrance Fee.
- **Monthly Fee:** Resident's refund shall be further reduced by the prepared Monthly Fee applicable for the period Resident occupied his/her Residence.
- **Nonstandard Costs:** Resident's refund shall be further reduced by any nonstandard costs, if any, specifically incurred by Trinity Landing at the request of Resident consistent with terms and conditions of this Agreement.

Any refund due under this paragraph (7) (a) shall be paid within sixty (60) days of termination of this Agreement.

## **8. Termination of Agreement**

**A. 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 Landing 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 any Entrance Fee paid by Resident, without interest, less (i) any nonstandard costs, if any, incurred by Trinity Landing at the request of Resident.



This Agreement may be terminated by Resident at any time for any reason prior to Resident taking occupancy at Trinity Landing and after the Rescission Period as described in Section 7 (a) by Resident giving written notice to Trinity Landing. In this event, Resident will receive a refund of the Entrance Fee paid by Resident less a (i) any nonstandard costs, if any, and; (ii) less a service charge as determined by Trinity Landing not to exceed the greater of one thousand dollars (\$1000) or one percent (1%) of the Entrance Fee.

This Agreement may be terminated by Trinity Landing at any time prior to the date that the Resident takes occupancy if Trinity Landing 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 Entrance Fee paid by the Resident, less (i) any nonstandard costs, if any.

Any refund due shall be paid within sixty (60) days of (i) Trinity Landing's receipt of written request to terminate Agreement; (ii) from the day the Agreement automatically terminates; or (iii) from the day Trinity Landing terminates Agreement for any of the reasons in Section (8).

**B. Termination after Occupancy:** 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 ninety (90) days before Resident intends to move out of Trinity Landing. Resident is responsible to pay Monthly Fees during the ninety (90) day period or until the residence is vacated, whichever occurs last. See Section (9) for details on Refunds.

**C. Termination by Death after Occupancy:** In the event of the death of Resident after occupancy, the Residency Agreement shall be subject to termination as follows:

- (i) If there is only one Resident occupying the Residence, the Residency Agreement shall be automatically terminated as of the date of death of such Resident or the date thereafter upon which all of Resident's property is removed from the Residence, and all keys, pendant, entrance slide and garage door opener (if applicable) have been turned in to the Executive Director. The Monthly Fee shall automatically be terminated at this point. Resident's Estate is responsible for any payment due Trinity Landing. The balance of the Entrance Fee to be reimbursed to the Resident after termination of the Residency Agreement (or to the Resident's estate upon death) will be paid by Trinity Landing after the Residence is vacated and reoccupied. Resident's Entrance Fee is subject to refund as provided in Section (9).
- (ii) If there is more than one Resident occupying the Residence, 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, in which event there will be no refund on the Entrance Fee except as provided in the Termination and Refund Provisions of Sections (8) and (9). If the second Resident elects to terminate the original Residency Agreement, Trinity Landing must receive a written notice of such election within sixty (60) days after the date of the first Resident's death. The Monthly Fee shall continue until the removal of all Resident's property, and until all keys, pendent, entrance slide and garaged door opener (if applicable) are turned into the Executive Director. After death of the first resident, the monthly fee for that resident will automatically be terminated, effective the day of death.

**D. Termination by Trinity Landing.** The Executive Director may, upon notice and opportunity to cure as herein provided, revoke Resident's right to reside at Trinity Landing 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 Landing 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 Landing shall not terminate the Agreement as provided herein until Trinity Landing has given Resident written notice of, and a reasonable opportunity to cure within a reasonable period, the conduct warranting the cancellation of this Agreement.

**E. Notice and Right to Cure after Occupancy:** Trinity Landing shall not terminate the Agreement as provided herein until Trinity Landing 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 Landing 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 Landing may, at its sole option, terminate the Residency Agreement at the expiration of the thirty (30) day period.

**F. Remedies upon Termination.** Upon notification of opportunity to cure any default as described in Section (8) 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 Landing 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 Landing liquidated damages in an amount equal to the full amount of the Monthly Fee due for the period of abandonment or vacation until a termination of this Agreement is effected as provided in Section (8). 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 Landing in this document, and all rights and remedies given by law or equity shall be cumulative and concurrent.

## **9. Refunds**

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

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

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

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

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

- I. The amount of medical expenses incurred by Trinity Landing for Resident's care during the term of his/her residency, unpaid by Resident at date of termination;
- II. The amount of any Monthly Fee or other sums owed by Resident to Trinity Landing under the Residency Agreement;
- III. The amount of any Monthly Fee, the collection of which may have been deferred by Trinity Landing on behalf of Resident; and
- IV. The cost of any extraordinary repairs or refurbishing with respect to the residence, including entry and doors, or any alterations required to restore the residence to standard design or condition.

It is understood that when two persons are named in this Agreement, reimbursement of the refundable portion of Entrance Fee, if any, and in accordance with Section (9), will be made only after the termination of this Agreement.

## **10. Miscellaneous Provisions**

**A. Religious Affiliation.** Trinity Landing is a non-stock, nonprofit North Carolina Corporation sponsored by Lutheran Services for the Aging, Inc., a not-for-profit social ministry agency serving senior adults of all faiths. It is affiliated with the North Carolina Synod of the Evangelical Lutheran Church in America, and is a 501(c) (3) tax exempt organization under the Internal Revenue Code. Lutheran Services for the Aging will be responsible for the contractual obligations of Trinity Landing. Through private contributions, Trinity Landing expects to have, from time to time, funds to assist Residents unable to meet the full cost of the monthly fees, but it cannot contract in advance for such assistance [see Section 6(e)].

**B. Funeral Expenses.** Trinity Landing 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 Landing by the Resident will remain the property of the Resident. Unless special arrangements are made in writing by the Resident with the Executive Director, Trinity Landing will not be responsible for the loss or theft thereof. Resident shall, prior to occupancy of the Residence make provisions in a last will and testament for the final disposition of his/her furniture and possessions located at Trinity Landing, for burial and payment of funeral expenses and for the appointment of a personal representative. If removal of Resident's property is not accomplished within thirty (30) days after termination of residency, Trinity Landing may remove and place in storage with a bonded moving or storage company, all of Resident's property and possessions, and Resident or Resident's estate, as the case may be, shall be charged for all costs associated with the storage. These provisions are subject to the rights of any remaining second Resident. Trinity Landing shall not be responsible for the loss of, or damage to, any property belonging to the Resident due to theft, mysterious disappearance, fire or any other cause. The Resident maintains the responsibility for obtaining desired insurance protection covering any such liability.

**D. Indebtedness to Trinity Landing and LSA Affiliates.** To the extent allowed by applicable law, Trinity Landing 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 Landing 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 Landing and other LSC affiliates by Resident.

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

- (a) **Total Destruction.** If Resident's Residence at Trinity Landing is totally destroyed or damaged by fire or other casualty not occurring through fault or negligence of Trinity Landing or those employed by or acting for Trinity Landing, 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 Fee shall abate for the balance of the term as of the date of the casualty. Trinity Landing will maintain "property" insurance coverage to cover the building and contents losses sustained because of the necessary termination of operations from an insured peril.

- (b) **Partial Destruction.** If the damage caused as described in Section 10(a) above 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 Landing may, at its option, terminate this Agreement, provide alternative temporary housing, or restore Trinity Landing to such condition reserving the right to enter the Residence for that purpose. In any event, the Monthly Fee shall be reduced during the time Trinity Landing is in possession, taking into account the extent that the Residence is rendered untenable and the duration of Trinity Landing's possession. Trinity Landing will maintain "business income" and "extra expense" insurance coverage to cover losses sustained because of the necessary suspension of operations from an insured peril.
- (c) **Condemnation.** If Trinity Landing 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 Landing can no longer be operated reasonably in the opinion of Trinity Landing's 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 Landing, 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 Landing 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 Landing.** The death of the Resident will cancel any and all obligations or liability of Trinity Landing under the terms of this Agreement.

**H. Rights of Management.** The absolute rights of management are reserved by Trinity Landing. Trinity Landing reserves the right to accept or reject any person for residency. The rights of the Residents do not include any right to participate in the management of Trinity Landing, to determine admissions or terms of admission of any other Resident, to alter common areas within Trinity Landing, or to make unapproved alterations to their Residence. Resident agrees to allow Trinity Landing, 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 Landing is built on mutual respect and instruct 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. Trinity Landing is solely responsible for the supervision of staff. Complaints or request for special assistance must be made to the appropriate supervisor. Giving gratuities or bequests to employees or employees' families is not permitted. You will not employ Trinity landing employees nor hire former Trinity Landing employees without the prior written consent of the Executive Director.

**J. Durable Power of Attorney.** Resident agrees to execute under seal and maintain in effect a Durable Power of Attorney that is valid under North Carolina law and will survive Resident's incapacity or mental incompetence.

This Durable Power of Attorney may be effective only upon certification by a licensed physician that Resident is incapacitated or mentally incompetent, and shall designate as Resident's attorney-in-fact a bank or some responsible person of his/her choice to act for him/her managing his/her financial affairs and in filing for insurance and/or other benefits under private and public assistance programs in as full and complete a manner as Resident could do if acting personally for himself/herself. Resident shall deliver a fully executed original of this Durable Power of Attorney to Trinity Landing prior to occupancy of the Residence.

**K. Binding Effect.** The covenants and conditions of this Agreement shall bind and benefit respectively Trinity Landing 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.

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

**M. Severability.** If any clause or provision of this Agreement should be illegal, invalid or unenforceable, these provisions shall be deemed to be severable and the remainder of this Agreement shall not be affected by this action. In lieu of the clause or provision that is illegal, invalid, or unenforceable, there shall be substituted a clause or provision as similar in terms to the illegal, invalid, or unenforceable clause or provision as may be legal, valid and enforceable. No amendment of this Agreement will be valid and enforceable unless in writing and executed by the Executive Director and Resident except that management may amend this Agreement from time to time so that this Agreement complies with applicable laws, rules and regulations of the Federal, State or local government.

**N. Governing Law.** This Agreement will be governed by and construed under the laws of the State of North Carolina.

**O. Execution.** This Agreement has been executed on behalf of Trinity Landing by its duly authorized agent. No officer, director, agent or employee of Trinity Landing shall have any personal liability hereunder to Resident under any circumstances.

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

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

**R. 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 Landing campus.

**S. 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 Landing:

- (i) LUTHERAN RETIREMENT CENTER - WILMINGTON, INC.  
d/b/a TRINITY LANDING  
5215 Junction Park Circle, Suite 102  
Wilmington, N. C. 28412-2287

(b) If to the Resident:

- (i) If before Occupancy, as follows:

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

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

**U. Acknowledgement of Receipt.** Resident acknowledges that he has received an executed copy of this Agreement, including Addendums I through V.

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

LUTHERAN RETIREMENT CENTER –  
WILMINGTON, INC., d/b/a/  
TRINITY LANDING

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

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Resident

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Resident

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