

Disclosure Statement

March 1, 2022

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

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

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

*This Disclosure Statement may be delivered until revised, but not after July 29, 2023.

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

TRINITY OAKS DISCLOSURE STATEMENT

TABLE OF CONTENTS

| SECTION | PAGE |
|---|------|
| 1. Provider..... | 6 |
| (a) Name of Provider | 6 |
| 2. Officers and Directors..... | 6 |
| 3. Experience and Relationships..... | 6 |
| (a) Experience in Similar Facilities | 6 |
| (b) Relationship to Organization Providing Services | 7 |
| (c) Proceedings and Orders | 8 |
| 4. Religious Affiliation | 8 |
| 5. Location and Description of Facility..... | 8 |
| 6. Admissions Policies and Procedures..... | 9 |
| (a) Non-Discrimination..... | 9 |
| (b) Reservation Agreement | 9 |
| (c) Disclosure Statement | 9 |
| (d) Application | 9 |
| (e) Admissions Committee Review | 9 |
| (f) Residency Agreement..... | 9 |
| (g) Health | 10 |
| (h) Interview | 10 |
| (i) Representations and Warranties | 10 |
| (j) Financial Condition | 10 |
| (k) Additional Financial Statements..... | 10 |
| (l) Rules and Regulations | 10 |
| 7. Residence Related Services and Programs | 10 |
| (a) Residential | 10 |
| (1) Description of Living Unit | 10 |
| (2) Furnishings | 11 |
| (3) Utilities..... | 11 |
| (4) Meals-Point of Sale (POS) System’s Dining Dollars | 11 |
| (5) Housekeeping Services..... | 11 |
| (6) Laundry | 11 |
| (7) Maintenance Services..... | 11 |
| (8) Changes to Living Unit | 11 |
| (9) Groundskeeping | 12 |
| (10) Programs | 12 |
| (11) Parking | 12 |

| | | | |
|-----|------|---|----|
| | (12) | Transportation..... | 12 |
| | (13) | Trash Removal..... | 12 |
| | (14) | Pets..... | 12 |
| | (15) | Optional Services | 12 |
| | (16) | Insurance | 12 |
| (b) | | Health Care | 12 |
| | (1) | Terms of Transfer or Changes in Level of Care..... | 12 |
| | (2) | Medical Director | 14 |
| | (3) | Health Care Support Services | 14 |
| | (4) | Emergency Response System | 14 |
| | (5) | Medical Response | 14 |
| | (6) | Designation of Practicing Personal Physician..... | 14 |
| | (7) | Limitations | 15 |
| 8. | | Fees and other Charges, Admissions, Transfers, Termination..... | 15 |
| | (a) | Entrance Fee | 15 |
| | (b) | Monthly Maintenance Fee, Other Charges..... | 21 |
| | (c) | Nursing Home Fees and Charges | 25 |
| | (d) | Additional Charges..... | 25 |
| | (e) | Monthly Statements..... | 25 |
| | (f) | Inability to Pay | 25 |
| | (g) | Terms of Residence | 26 |
| | (1) | Permitted Occupants | 26 |
| | (2) | Transfers..... | 26 |
| | (3) | Death or Transfer of One Resident..... | 27 |
| | (4) | Procedure..... | 27 |
| | (5) | Transfer Outside Trinity Oaks | 28 |
| | (6) | Medical/Mental Condition..... | 28 |
| | (7) | Release/Readmission..... | 28 |
| | (h) | Termination..... | 29 |
| | (1) | Statutory 30-day Period..... | 29 |
| | (2) | Death or Illness Before Occupancy | 29 |
| | (3) | Termination by Resident After Statutory 30-day Period | 29 |
| | (4) | Termination by Resident after Occupancy..... | 30 |
| | (5) | Termination by Trinity Oaks | 30 |
| | (6) | Notice and Right to Cure..... | 30 |
| | (7) | Death of Resident After Occupancy | 31 |
| | (i) | Reimbursement of Entrance Fee | 31 |
| | (1) | Amount..... | 31 |
| | (2) | Time of Payment..... | 32 |
| | (3) | Multiple Residents | 33 |
| | (4) | Accounting | 33 |
| 9. | | Required Health Insurance Coverage..... | 33 |
| 10. | | Funeral Expenses..... | 33 |
| 11. | | Personal Belongings | 33 |

| | | |
|-----|---|----|
| 12. | Indebtedness to Trinity Oaks and LSC Affiliates | 33 |
| 13. | Casualty Loss, Condemnation | 34 |
| | (a) Total Destruction..... | 34 |
| | (b) Partial Destruction..... | 34 |
| | (c) Condemnation | 34 |
| 14. | Government Eligibilities | 34 |
| 15. | Liability of Trinity Oaks | 35 |
| 16. | Rights of Management..... | 35 |
| 17. | Durable Power of Attorney | 35 |
| 18. | Binding Effect | 35 |
| 19. | Interruptions | 35 |
| 20. | Severability | 35 |
| 21. | Governing Law..... | 36 |
| 22. | Execution | 36 |
| 23. | Waiver | 36 |
| 24. | Interpretation | 36 |
| 25. | Notice | 36 |
| 26. | Nature of Residency Agreement..... | 37 |
| 27. | Reserve Funding | 37 |
| 28. | Cottage Project | 38 |
| 29. | Miscellaneous..... | 38 |
| 30. | Copy of Residency Agreement..... | 38 |
| | Attachment 1 | |
| 31. | Certified Financial Statement of Provider | 38 |
| | Attachment 2 | |
| 32. | Certified Forecast Financial Statements | 39 |
| | Attachment 3 | |

| | | |
|-----|---|----|
| 33. | Interim Financials (January 31, 2022)..... | 39 |
| | Attachment 4 | |
| 34. | Assisted Living Enhanced Care Program..... | 39 |
| | Attachment 5 | |
| 35. | Cottage Unbundling of Services Program..... | 39 |
| | Attachment 6 | |
| 36. | Transportation Charges..... | 39 |
| 37. | Comparison Forecast Financial Statements..... | 40 |

DISCLOSURE STATEMENT
LUTHERAN RETIREMENT CENTER - SALISBURY, INC.

1. Provider

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

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

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

Chair of the Board and Director:

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

Vice Chair of the Board and Director

Mr. Cary Grant
113 Bennington Parkway
Durham, NC 27713

President and Director

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

Director

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

Secretary:

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

Treasurer

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

Director (Resident Representative)

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

3. Experience and Relationships

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

Ted Goins, Jr. Kirby Nickerson
Bill Johnson

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

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

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

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

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

- (c) Proceedings and Orders. No member of the Management Staff nor the Board of Directors (i) has been convicted of a felony or pleaded nolo contendere to a felony charge, or been held liable or enjoined in a civil action by final judgment, if the felony or civil action involved fraud, embezzlement, fraudulent conversion, or misappropriation of property; or (ii) is subject to a currently effective injunctive or restrictive court order, or within the past five years, had any State or federal license or permit suspended or revoked as a result of an action brought by a governmental agency or department, if the order or action arose out of or related to business activity of health care, including actions affecting a license to operate a foster care facility, nursing home, retirement home, home for aged, or facility subject to this Article or a similar law in another state. [NCGS 58-64-20(a)(3)(c)].
4. Religious Affiliation. Trinity Oaks is a nonstock North Carolina corporation sponsored by Lutheran Services Carolinas (LSC), a not-for-profit social ministry agency affiliated with the North Carolina Synod of the Evangelical Lutheran Church in America, and is a 501(c)(3) tax-exempt facility under the Internal Revenue Code. In 2004, LSA created a management company, LSA Management, Inc., to provide management services. LSA Management, Inc., is an affiliate organization of LSA and is a 501(c)(3) tax-exempt company under the Internal Revenue Code. LSA will not be responsible for the contractual obligations of Trinity Oaks. Through private contributions, Trinity Oaks expects to have, from time to time, funds to assist Residents unable to meet the full cost of the monthly fees, but it cannot contract in advance for such assistance. (LSA recently rebranded as Lutheran Services Carolinas (LSC).
5. Location and Description of Facility. Trinity Oaks is constructed on a site of approximately 50 acres. The site is located in the city of Salisbury, North Carolina on Klumac Road, north of Jake Alexander Boulevard, adjacent to Trinity Oaks health and rehab. This health care facility consists of 115 nursing beds, where we provide short term rehab and long term care, with 14 of those being in a secured Alzheimer's unit, 12 assisted living beds with 11 of those beds being in a secured Alzheimer's unit, and 12 independent apartments. We provide rehab services for all residents including outpatient specialized services for the campus and community. Trinity Oaks consists of a three-story building containing 125 independent living residential units and 38 assisted living units. There are 42 cottage residential units. The nursing care and assisted living units meet all terms and conditions of the North Carolina Department of Human Resources for the licensing of such units. The total resident population being served on the date of this Disclosure Statement was 346. Construction of the congregate center was started in October 1991 and completed in January 1993. The facility became operational on January 12, 1993 upon admission of its first resident. Construction of the cottages began in 1997 and was completed in fall 2004. An Alzheimer's facility was added to the nursing facility in the fall of 2007. In the fall of 2008, Trinity Oaks added new common, dining, and wellness areas to the community's main building. Construction on a new assisted living wing was completed in the summer of 2018.

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

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

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

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

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

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

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

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

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

7. Residence Related Services and Programs

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

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

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

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

(b) Health Care

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

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

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

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

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

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

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

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

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

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

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

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

(a) Entrance Fee

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

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

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

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

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

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

Schedule of Apartment Entrance Fees Effective 1/1/22

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

Previous Apartment Entrance Fees 1/1/20- 12/31/21

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

Previous Apartment Entrance Fees 3/1/16-12/31/19

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

Cottage Entrance Fees Effective 1/1/22

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

Cottage Entrance Fees Effective 1/1/20-12/31/21

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

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

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

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

(b) Monthly Maintenance Fee, Other Charges

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

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

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

Assisted Living

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

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

**Please see Attachment 6.

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

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

Assisted Living

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

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

**Please see Attachment 6.

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

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

Assisted Living

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

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

**Please see Attachment 6.

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

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

Assisted Living

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

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

**Please see Attachment 6.

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

| Unit Type Independent Living Units: | Monthly Fee Single Resident | Additional for Second Resident |
|--|--|---|
| Studio | \$2,102 | N/A |
| One Bedroom | \$2,639 | \$1,125 |
| One Bedroom Deluxe | \$2,824 | \$1,125 |
| Two Bedroom | \$3,370 | \$1,125 |
| Cottage | \$3,634 | \$1,254 |
| Cottage (Freedom Plan)* | \$2,038 | \$282 |
| Cottage (Unbundled Plan)* | \$2,837 | \$845 |

Assisted Living

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

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

**Please see Attachment 6.

Extra Charges:

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

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

| Assisted Living: | 2018 | 2019 | 2020 | 2021 | 2022 |
|-------------------------|-------------|-------------|-------------|-------------|-------------|
| Average % Increase | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% |
| Average \$ Increase | \$153 | \$157 | \$162 | \$167 | \$172 |

| Independent Living: | 2018 | 2019 | 2020 | 2021 | 2022 |
|----------------------------|-------------|-------------|-------------|-------------|-------------|
| Average % Increase | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% |
| Average \$ 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 |
| 2nd Occupant Apartment | \$30 | \$31 | \$32 | \$33 | \$34 |
| Cottage | \$94 | \$97 | \$100 | \$103 | \$106 |
| 2nd Occupant Cottage | \$33 | \$34 | \$35 | \$37 | \$38 |

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

(c) Nursing Home Fees and Charges

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

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

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

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

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

(g) Terms of Residence

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

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

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

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

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

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

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

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

(h) Termination.

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) Reimbursement of Entrance Fee.

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

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

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

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

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

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

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

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

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

13. Casualty Loss, Condemnation.

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

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

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

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

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

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

(b) If to the Resident:

(i) If before Occupancy, as follows:

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

26. Nature of Residency Agreement. Subject to the terms and conditions set forth in the Residency Agreement, nursing services, medical services and other health-related services are available at additional fees.
27. Reserve Funding. Section 58-64-33 of the North Carolina General Statutes requires continuing care facilities to establish operating reserves equal to a percentage (based upon maintenance of occupancy levels) of total operating costs projected in forecasted financial statements for the following 12-month periods. The forecasted reserve for 2022, 2023, 2024, 2025 and 2026 is calculated as follows:

| | (In thousands of Dollars) | | | | |
|--|---------------------------|----------|----------|----------|----------|
| | 2022 | 2023 | 2024 | 2025 | 2026 |
| Projected Total Operating Expense | \$21,021 | \$21,428 | \$22,107 | \$22,807 | \$23,531 |
| Less: | | | | | |
| Depreciation | (2,610) | (2,399) | (2,525) | (2,654) | (2,787) |
| Interest Expense and Amortization | (163) | (158) | (150) | (144) | (140) |
| Projected Operating Expenses of Lutheran Home at Trinity Oaks and Lutheran Home at Trinity Oaks Property, Inc. | (11,514) | (11,906) | (12,258) | (12,620) | (12,993) |
| Adjusted Operating Expenses | \$6,734 | \$6,965 | \$7,174 | \$7,389 | \$7,611 |
| Include | | | | | |
| Principal Payment - Trinity Oaks | 172 | 213 | 220 | 229 | 240 |
| Interest Payment - Trinity Oaks | 162 | 159 | 150 | 141 | 131 |
| Total Operating Costs | \$7,068 | \$7,337 | \$7,544 | \$7,759 | \$7,982 |
| Operating Reserve Percentage | 25% | 25% | 25% | 25% | 25% |
| Operating Reserve - Lutheran Retirement Center - Salisbury, Inc. | \$1,767 | \$1,834 | \$1,886 | \$1,940 | \$1,996 |

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

As indicated in the forecasted financial statements, the amount of the operating reserve for 2022 is \$1,767,000. The 2021 operating reserve is fully funded. To the extent the operating reserve requirement increases in future years the remaining amount needed to comply with the operating reserve requirement will be funded out of long-term investments and board designated funds, which are presently on hand. Operating reserve funds will be invested primarily in obligations of the United States Treasury, highly rated corporate bonds and money market accounts. Investments will be managed by an institutional investment trust established through a bank of investment firm.

28. Cottage Project

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

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

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

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

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

32. Certified Forecast Financial Statements. A copy of Trinity Oaks' Certified Forecast Financial Statement is attached as Attachment 3.
33. Interim Financials (January 31, 2022). A copy of Trinity Oaks' interim financials is attached as Attachment 4.
34. Assisted Living Enhanced Care Program. A copy of Trinity Oaks assisted living's enhanced care program is attached as Attachment 5.
35. Cottage Unbundling of Services Program. A copy of Trinity Oaks' Cottage Unbundling of Services Program is attached as Attachment 6.
36. Trinity Oaks Resident Transportation Charges

Medical Transportation:

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

Non-Medical Transportation:

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

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

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

Trinity Oaks Campus Consolidated Balance Sheet

| Assets | Actual 2021 | Forecast 2021 | Difference | Explanation |
|--|----------------------|----------------------|--------------|----------------------------|
| Current Assets | | | | |
| Cash and cash equivalents | \$ 6,429,539 | \$ 2,216,000 | \$ 4,213,539 | COVID funding |
| Investments | 10,156,209 | 7,539,000 | 2,617,209 | Investment returns |
| Receivables, net of allowance | 1,573,545 | 1,843,000 | (269,455) | |
| Other | 4,567,104 | 3,268,000 | 1,299,104 | Due from affiliate |
| Inventories | 71,608 | 112,000 | (40,392) | |
| Total current assets | 22,798,005 | 14,978,000 | | |
| Assets limited as to use | 5,000,296 | 4,679,000 | 321,296 | |
| Net Property and Equipment | 24,237,283 | 25,202,000 | (964,717) | Delayed projects |
| Total assets | \$ 52,035,584 | \$ 44,859,000 | | |
| Liabilities | | | | |
| Current Liabilities | | | | |
| Current portion of long-term debt | \$ 274,000 | \$ 274,000 | - | |
| Accounts payable - trade | 883,920 | 453,000 | 430,920 | |
| Accrued salaries and payroll taxes | 612,918 | 911,000 | (298,082) | |
| Accrued employee benefits | 40,271 | 74,000 | (33,729) | |
| Accrued interest payable | - | 18,000 | (18,000) | |
| Refundable fee deposits - current | 650,127 | 692,000 | (41,873) | |
| Total current liabilities | 2,461,236 | 2,422,000 | | |
| Other liabilities and credits | | | | |
| Refundable fee deposits | 7,279,480 | 5,344,000 | 1,935,480 | Change in contract refunds |
| Deferred revenue | 1,857,588 | - | 1,857,588 | COVID funding |
| Deferred revenue from fee deposits | 7,369,474 | 7,116,000 | 253,474 | |
| Long-term debt | 5,040,474 | 5,079,000 | (38,526) | |
| Total other liabilities and credits | 21,547,016 | 19,961,000 | | |
| Unrestricted | 26,618,813 | 23,707,000 | | |
| Temporarily restricted | 1,408,519 | 1,191,000 | | |
| Total net assets | 28,027,332 | 24,898,000 | | |
| Total liabilities and net assets | \$ 52,035,584 | \$ 44,859,000 | | |

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 Oaks Campus Consolidated Income Statement

| | Actual 2021 | Forecast 2021 | Difference | Explanation |
|--|----------------------|----------------------|---------------------|---|
| Revenue and other Support | | | | |
| Net resident service revenue | \$ 21,273,772 | \$ 20,212,000 | \$ 1,061,772 | Increased State and Federal funding |
| Amortization of deferred entrance fee: | 960,210 | 1,691,000 | (730,790) | Updated actuarial proj |
| Restricted funds released for operator | 189,776 | - | 189,776 | |
| Other revenue | 683,021 | 786,000 | (102,979) | |
| Total revenue and other support | \$ 23,106,779 | \$ 22,689,000 | \$ 417,779 | |
| Expenses | | | | |
| Health care | 6,400,732 | 7,310,000 | (909,268) | COVID related lower occ |
| Maintenance | 1,250,806 | 1,243,000 | 7,806 | |
| Laundry | 175,841 | 252,000 | (76,159) | |
| Housekeeping | 683,297 | 655,000 | 28,297 | |
| Grounds | 181,500 | 235,000 | (53,500) | |
| Security | 92,405 | 168,000 | (75,595) | |
| Dietary | 2,599,171 | 2,857,000 | (257,829) | COVID related lower occ |
| Life Enrichment Services | 508,105 | 706,000 | (197,895) | |
| Administration | 6,285,477 | 4,956,000 | 1,329,477 | COVID; bad debt |
| Depreciation | 2,104,717 | 2,625,000 | (520,283) | Underestimated assets in place |
| Interest expense | 193,633 | 250,000 | (56,367) | |
| Total expenses | 20,475,684 | 21,257,000 | (781,316) | |
| Operating income (loss) | 2,631,096 | 1,432,000 | 1,199,096 | |
| Other Income | | | | |
| Investment Income | 586,603 | 326,000 | 260,603 | Realized gains |
| Unrealized Gain (Loss) | 1,487,022 | - | 1,487,022 | Market increase |
| Unrestricted contributions and beques | 14,032 | 56,000 | (41,968) | |
| Total other income (loss) | 2,087,657 | 382,000 | 1,705,657 | |
| Excess revenues over expenses | \$ 4,718,753 | \$ 1,814,000 | \$ 2,904,753 | Better performance due to increased State and Federal funding |
| Other changes in unrestricted net assets | 7,583 | - | 7,583 | |
| Increase (decrease) unrestricted assets | \$ 4,726,336 | \$ 1,814,000 | \$ 2,912,336 | Better performance due to increased State and Federal funding |
| Temporary restricted | | | | |
| Contributions | 406,939 | - | 406,939 | Unbudgeted |
| Net assets released from restrictions | (189,776) | - | (189,776) | |
| Increase (decrease) temp. restricted | 217,162 | - | 217,162 | |
| Increase (decrease) net assets | 4,943,498 | 1,814,000 | 3,129,498 | |
| Net assets - beginning of year | 23,083,834 | 23,084,000 | | |
| Net assets - end of year | \$ 28,027,332 | \$ 24,898,000 | | |

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 Oaks Campus Consolidated Statement of Cash Flows

| | Actual 2021 | Forecast 2021 | Difference | Explanation |
|--|---------------------|---------------------|--------------|--------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | Better performance due to |
| Change in net assets | \$ 4,943,498 | \$ 1,814,000 | \$ 3,129,498 | increased State and Federal |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | | | funding |
| Amortization of deferred revenue | | | | |
| from advance fees | (960,210) | 50,000 | (1,010,210) | Accelerated amortization |
| Depreciation | 2,104,717 | 2,625,000 | (520,283) | Underestimated assets in place |
| (Gain) loss on disposal of assets | | - | - | |
| Realized/unrealized (gain) loss on investments | (1,487,022) | - | (1,487,022) | Good investment performance |
| (Increase) decrease in other current assets | (963,023) | 28,000 | (991,023) | Increase in Due from affiliate |
| Increase (decrease) in accounts payable/accrued expenses | 148,561 | 66,000 | 82,561 | |
| Increase (decrease) in deferred revenue | 1,352,107 | (505,000) | | |
| Net cash provided by operating activities | 5,138,628 | 4,078,000 | | |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Purchase of property and equipment | (1,693,204) | (3,178,000) | 1,484,796 | Delayed projects |
| Investments (net) | (35,281) | 1,275,000 | (1,310,281) | More held in cash |
| (Increase) decrease in assets whose use is limited | (549,034) | (227,000) | (322,034) | |
| Net cash used in investing activities | (2,277,518) | (2,130,000) | | |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | | |
| Net proceeds from bond issue/debt payments | (300,994) | (266,000) | (34,994) | |
| Advanced fees received, net | 1,755,197 | (1,398,000) | 3,153,197 | More receipts |
| Net cash provided by financing activities | 1,454,202 | (1,664,000) | | |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 4,315,312 | \$ 284,000 | | |
| CASH AND CASH EQUIVALENTS BEGINNING OF YEAR | 2,114,227 | \$ 3,171,000 | | |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 6,429,539 | \$ 3,455,000 | | |

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.

Attachment 1

Copy of Residency Agreement

TRINITY OAKS RESIDENCY AGREEMENT

TABLE OF CONTENTS

| SECTION | PAGE |
|---|-------------|
| Recitals | 1 |
| 1. Residence, Related Services and Programs | 1 |
| (a) Description of Residence | 1 |
| (b) Furnishings | 2 |
| (c) Utilities | 2 |
| (d) Meals | 2 |
| (e) Housekeeping Services | 2 |
| (f) Laundry | 2 |
| (g) Maintenance Services | 2 |
| (h) Changes to Apartment or Cottage | 2 |
| (i) Groundskeeping | 2 |
| (j) Programs | 2 |
| (k) Parking | 2 |
| (l) Transportation | 3 |
| (m) Emergency Response System..... | 3 |
| (n) Insurance..... | 3 |
| (o) Optional Services | 3 |
| (p) Trash Removal | 3 |
| (q) Pets | 3 |
| 2. Terms of Residence | 3 |
| (a) Nature and Extent of Rights..... | 3 |
| (b) Terms of Occupancy..... | 3 |
| (c) Alteration of Modification | 4 |
| (d) Use | 4 |
| (e) Permitted Occupants..... | 4 |
| (f) Transfers | 4 |
| (g) Death or Transfer of One Resident..... | 5 |
| 3. Admissions Requirements and Procedures..... | 5 |
| (a) Nondiscrimination | 5 |
| (b) Reservation Agreement | 5 |
| (c) Disclosure Statement | 5 |
| (d) Application | 5 |
| (e) Admissions Committee Review | 6 |
| (f) Residency Agreement..... | 6 |
| (g) Physician’s Report..... | 6 |
| (h) Interview..... | 6 |

| | | |
|-----|--|----|
| (i) | Representations and Warranties | 6 |
| (j) | Financial Condition | 6 |
| (k) | Additional Financial Statements..... | 6 |
| (l) | Rules & Regulations..... | 6 |
| 4. | Notification of Availability | 7 |
| 5. | Health Services for Independent Living Residents | 7 |
| (a) | Transfer of Changes in Level of Care..... | 7 |
| (b) | Role of Medical Director | 8 |
| (c) | Availability of Health Services | 8 |
| (d) | Limitations..... | 8 |
| (e) | Designation of Personal Physician | 8 |
| 6. | Fees and Other Charges | 8 |
| (a) | Entrance Fees..... | 8 |
| (b) | Monthly Fees & Charges | 10 |
| (c) | Additional Charges..... | 11 |
| (d) | Monthly Statements..... | 11 |
| (e) | Inability to Pay | 11 |
| 7. | Transfer or Changes in Levels of Care..... | 12 |
| (a) | Procedure | 12 |
| (b) | Transfer Outside Trinity Oaks..... | 12 |
| (c) | Medical/Mental Condition | 12 |
| (d) | Release/Readmission | 12 |
| 8. | Termination..... | 12 |
| (a) | Statutory 30-Day Period | 12 |
| (b) | Death or Illness Prior to Occupancy | 13 |
| (c) | Termination by Resident After Statutory 30-Day Period..... | 13 |
| (d) | Termination by Resident After Occupancy | 13 |
| (e) | Death of Resident After Occupancy | 13 |
| (f) | Termination by Trinity Oaks..... | 14 |
| (g) | Notice & Right to Cure..... | 14 |
| 9. | Remedies Upon Termination..... | 15 |
| 10. | Reimbursement of Entrance Fee – Independent Living | 15 |
| (a) | Amount | 15 |
| (b) | Multiple Residents | 16 |
| 11. | Required Health Coverage | 16 |
| 12. | Religious Affiliation | 16 |

| | | |
|-----|---|----|
| 13. | Funeral Expenses | 16 |
| 14. | Personal Belongings | 16 |
| 15. | Indebtedness to Trinity Oaks and LSA Affiliates | 17 |
| 16. | Casualty, Loss, Condemnation | 17 |
| | (a) Total Destruction | 17 |
| | (b) Partial Destruction | 17 |
| | (c) Condemnation..... | 17 |
| 17. | Government Eligibilities | 17 |
| 18. | Liability of Trinity Oaks | 18 |
| 19. | Rights of Management | 18 |
| 20. | Durable Power of Attorney | 18 |
| 21. | Binding Effect | 18 |
| 22. | Interruptions | 18 |
| 23. | Severability | 18 |
| 24. | Governing Law..... | 18 |
| 25. | Execution | 19 |
| 26. | Waiver | 19 |
| 27. | Interpretation | 19 |
| 28. | Notice | 19 |
| 29. | Multiple of Originals | 19 |
| 30. | Acknowledgment of Receipt | 19 |
| 31. | Witness | 19 |
| 32. | Addendums | |
| | I Reservation Agreement for an Apartment | |
| | II Reservation Agreement for a Cottage | |
| | III Designation of Entrance Fee Refund | |
| | IV Receipt of Disclosure Statement | |

**TRINITY OAKS
RESIDENCY AGREEMENT**

Recitals

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. Terms of Residence.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6. Fees and Other Charges.

(a) Entrance Fees.

(i) Entrance Fees for Apartment Residents

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

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

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

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

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

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

(ii) Entrance Fees for Cottage Residents

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

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

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

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

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

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

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

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

(b) Monthly Fees and Charges.

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

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

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

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

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

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

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

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

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

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

7. Transfer or Changes in Levels of Care.

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

8. Termination.

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

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

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

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

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

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

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

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

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

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

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

10. Reimbursement of Entrance Fee - Independent Living

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Witness

By: _____
Executive Director

Witness

Resident

Witness

Resident

Date: _____

ADDENDUM I

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

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

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

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

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

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

- I. **APARTMENT RESERVATION.** Resident agrees to reserve Apartment number _____, a _____ Apartment. Reservation is contingent upon any prior reservation received by a current resident for a like unit and the current resident shall have first right of refusal to proceed with a new Residency Agreement within 7 days.

- II. **PROJECTED DATE OF OCCUPANCY.** Resident estimates the projected date of occupancy of the Apartment to be on or about _____, _____.

- III. **ADMISSIONS PROCEDURES.**
 - A. **Application Forms.** Within thirty (30) days after execution of this Reservation Agreement, the Resident agrees to submit an Application for Admission, a Personal Health History and a Confidential Financial Statement on forms provided by Trinity Oaks. Updated forms may be required within thirty (30) days of occupancy.

 - B. **Personal Interview.** The Resident shall have an interview with a representative from Trinity Oaks prior to an Admissions Committee review.

 - C. **Admissions Committee Review.** The Admissions Committee will review the Application Forms as a basis for initial acceptance for admission to Trinity Oaks. The Admissions Committee will accept or deny the application based on the criteria and policies established by the Board of Directors. The Executive Director or representative appointed by Trinity Oaks will notify the Resident in writing of the action taken by the Admissions Committee.

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

IV. FINANCIAL ARRANGEMENTS

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

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

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

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

Witness

Resident

Witness

Resident

Current Address (Number and Street)

City, State, Zip Code

Telephone

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

Signature

Title

Date

ADDENDUM II

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

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

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

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

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

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

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

IV. FINANCIAL ARRANGEMENTS

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

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

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

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

Witness

Resident

Witness

Resident

Current Address (Number and Street)

City, State, Zip Code

Telephone

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

Signature

Title

Date

ADDENDUM III
TRINITY OAKS
DESIGNATION OF ENTRANCE FEE REFUND

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

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

Name

Street or P. O. Box

City, State, Zip

Phone

Signature

Date

Signature

Date

ADDENDUM IV

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

I _____, with this statement, acknowledge receipt of the Disclosure Statement of Trinity Oaks Retirement Community dated March 1, 2022. This statement was made available to me prior to signing the Residency Agreement for Trinity Oaks.

Name

Name

Address

City, State, Zip

Date

Attachment 2

Certified Financial Statement
of Provider



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



Consolidated Financial Statements and Supplementary Information

Years Ended September 30, 2021 and 2020



Table of Contents

| | |
|--|-----------|
| Independent Auditors' Report | 1 |
| Consolidated Financial Statements: | |
| Consolidated Balance Sheets | 3 |
| Consolidated Statements of Operations and Changes in Net Assets..... | 5 |
| Consolidated Statements of Cash Flows..... | 7 |
| Notes to Consolidated Financial Statements | 8 |
| Independent Auditors' Report on Supplementary Information..... | 36 |
| Room and Board Computation..... | 37 |
| Independent Auditors' Report on Consolidating Information..... | 38 |
| Consolidating Balance Sheets..... | 39 |
| Consolidating Statements of Operations and Changes in Net Assets (Deficit) | 53 |



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> |
|--|-----------------------|-----------------------|
| ASSETS | | |
| 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 | <u>228,526</u> | <u>241,428</u> |
| 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 | <u>1,550,887</u> | <u>1,573,176</u> |
| 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 | <u>10,604,776</u> | <u>10,539,437</u> |
| 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> |
|--|------------------------------|------------------------------|
| LIABILITIES AND NET ASSETS | | |
| 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 | 222,967,843 | 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>\$ 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 Statements of Operations and Changes in Net Assets
Years Ended September 30, 2021 and 2020**

| | 2021 | 2020 |
|---|---------------------------|--------------------|
| Changes in net assets without donor restrictions: | | |
| Revenues and other support: | | |
| Net patient service revenue | \$ 112,981,965 | \$ 110,131,930 |
| Amortization of deferred entrance fees | 970,449 | 1,622,139 |
| Service fees - state, county and other | 10,563,306 | 11,728,592 |
| Federal grants and other | 8,218,157 | 4,619,025 |
| Net assets released from restrictions for operating purposes | 1,257,666 | 598,138 |
| Management fees | 1,167,723 | 468,145 |
| Other revenue | 2,222,968 | 2,166,180 |
| Total revenue | <u>137,382,234</u> | <u>131,334,149</u> |
| Expenses: | | |
| Salaries and wages | 62,242,753 | 61,005,348 |
| Employee benefits | 11,749,191 | 10,724,683 |
| Supplies and other | 44,646,849 | 41,465,800 |
| Medicaid bed assessment | 2,080,280 | 2,424,004 |
| Marketing expense | 1,020,005 | 974,800 |
| Depreciation and amortization | 6,802,601 | 6,961,980 |
| Interest expense | 3,071,466 | 3,438,667 |
| Total operating costs and expenses | <u>131,613,145</u> | <u>126,995,282</u> |
| Operating income | 5,769,089 | 4,338,867 |
| Nonoperating gains (losses): | | |
| Investment income | 4,397,122 | 3,459,642 |
| Unrealized gains on investments | 4,335,405 | 1,246,089 |
| Net gain on disposal of property and equipment | 228,009 | 605 |
| Market value adjustment on swap agreement | 298,429 | (63,474) |
| Contributions | 1,579,069 | 1,164,428 |
| Loss on early extinguishment of debt | (2,482,787) | - |
| Total net nonoperating gains | <u>8,355,247</u> | <u>5,807,290</u> |
| Excess of revenues over expenses | <u>14,124,336</u> | <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 | \$ 15,369,568 | \$ 11,277,947 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 6,802,601 | 6,961,980 |
| Amortization of debt issuance costs and discount | 55,398 | 59,841 |
| Net gain on disposal of property and equipment | (228,009) | (605) |
| Loss on early extinguishment of debt | 2,482,787 | - |
| Provision for bad debt | 2,120,168 | 1,413,169 |
| Amortization of deferred entrance fees | (970,449) | (1,622,139) |
| Receipt of non-refundable entrance fees | 2,019,244 | 1,275,268 |
| Market value adjustment on swap agreement | (298,429) | 63,474 |
| Equity in income of joint ventures | (1,117,105) | (1,422,243) |
| Dividends received from equity investment | 1,494,500 | 449,501 |
| Realized gains on investments | (1,186,616) | (1,574,400) |
| Unrealized gains on investments | (5,080,800) | (992,976) |
| Changes in assets and liabilities: | | |
| Accounts receivable, residents and clients | (4,300,529) | (3,101,197) |
| Other receivables | (7,879) | (784,738) |
| Other assets | (883,938) | (1,695,069) |
| Accounts payable and other accrued liabilities | 5,378,193 | 451,931 |
| Deferred revenue from grants and other | (1,904,403) | 2,450,252 |
| Other liabilities | 439,148 | 91,126 |
| Net cash provided by operating activities | <u>20,183,450</u> | <u>13,301,122</u> |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (62,825,020) | (13,223,317) |
| Proceeds from sale of property and equipment | 384,763 | 50,370 |
| Purchase of investments | (29,759,026) | (5,003,257) |
| Purchase of equity-method investment | - | (7,000,188) |
| Proceeds from sale of investments | 10,740,322 | 4,820,954 |
| Net cash used in investing activities | <u>(81,458,961)</u> | <u>(20,355,438)</u> |
| Cash flows from financing activities: | | |
| Proceeds from issuance of debt obligations | 170,134,425 | 18,669,398 |
| Payment of bond issuance costs | (704,260) | (2,145,331) |
| Principal payments on debt | (85,832,168) | (3,198,377) |
| Payment of swap | (986,917) | - |
| Receipt of refundable entrance fees | 2,786,412 | 2,101,015 |
| Refunds of refundable fees | (2,360,487) | (2,486,216) |
| Change in obligations under capital leases and other liabilities | (43,639) | 53,874 |
| Net cash provided by financing activities | <u>82,993,366</u> | <u>12,994,363</u> |
| Net increase in cash, cash equivalents, and restricted cash | 21,717,855 | 5,940,047 |
| Cash, cash equivalents, and restricted cash, beginning of year | <u>25,296,457</u> | <u>19,356,410</u> |
| Cash, cash equivalents, and restricted cash, end of year | <u>\$ 47,014,312</u> | <u>\$ 25,296,457</u> |
| Supplemental cash flow disclosure information: | | |
| Interest paid, net of amounts capitalized | <u>\$ 3,283,283</u> | <u>\$ 3,304,016</u> |
| Purchase of property and equipment in accounts payable | <u>\$ 568,000</u> | <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
Lutheran Family Services in the Carolinas and Affiliates
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

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

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.

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

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
Lutheran Family Services in the Carolinas and Affiliates
Notes to Consolidated Financial Statements**

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.

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

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.

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

Property and equipment includes purchases through and for use in government programs. Under the terms of these programs' agreements, title to the property and equipment shall revert back to the contracting governmental agency upon termination of the contract. As of September 30, 2021 and 2020, property and equipment costs incurred under the above-mentioned contracts were \$589,063 and \$589,063 with a net carrying value of \$197,546 and \$211,283, respectively, subject to potential future reversion.

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

Debt Issuance Costs

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

Advance Fees

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

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

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

Contributions, Grants, and Federal Awards

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

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

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.

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

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.

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

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:

| | September 30, 2021 | | | | | | |
|--------------------------|---------------------------|-----------------|----------------------|-------------------------|---------------------|------------------------|----------------------|
| | <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> |

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

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

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> |

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

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:

| | 2021 | | |
|------------------------------|----------------------|----------------------|--|
| | <u>Cost</u> | <u>Fair Value</u> | <u>Net Unrealized Appreciation</u> |
| <u>LSA:</u> | | | |
| 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> |
| <u>LFS:</u> | | | |
| 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> |
| | | | |
| | 2020 | | |
| | <u>Cost</u> | <u>Fair Value</u> | <u>Net Unrealized Appreciation</u> |
| <u>LSA:</u> | | | |
| 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> |
| <u>LFS:</u> | | | |
| 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> |

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

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

| | 2021 | | |
|---|---------------------|------------------|---------------------|
| | LSA | LFS | Total |
| 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> |

| | 2020 | | |
|---|---------------------|------------------|---------------------|
| | LSA | LFS | Total |
| 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.

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

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:

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

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

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

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total Net Endowment Assets</u> |
|---|--|---|--|
| <u>LSA:</u> | | | |
| Endowment net assets-September 30, 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> |
| <u>LFS:</u> | | | |
| 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> |

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

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 | 72,603,222 | - | 72,603,222 |
| | <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 | 14,799,474 | 7,580 | 14,807,054 |
| | <u>199,865,004</u> | <u>3,928,553</u> | <u>202,501,787</u> |
| Less accumulated depreciation | <u>(79,326,304)</u> | <u>(2,422,480)</u> | <u>(81,748,784)</u> |
| Net property and equipment | <u>\$ 120,538,700</u> | <u>\$ 1,506,073</u> | <u>\$ 122,044,773</u> |

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.

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

8. Long-term Debt

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

| | 2021 | | Total |
|---|----------------------|---------------------|-----------------------|
| | LSA | LFS | |
| 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> |
| | | | |
| | 2020 | | Total |
| | LSA | LFS | |
| Bonds Payable: | | | |
| Series 2012A | \$ 40,150,000 | \$ - | \$ 40,150,000 |
| Series 2017 | 28,203,325 | - | 28,203,325 |
| Series 2020 | <u>18,601,132</u> | <u>-</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> |

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

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

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

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.

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

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> |
|---|----------------------|---------------------|----------------------|
| <u>Year ending September 30,</u> | | | |
| 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>-</u> | <u>55,398</u> |
| Total interest expense | <u>\$ 3,034,411</u> | <u>\$ 37,055</u> | <u>\$ 3,071,466</u> |

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

| | 2020 | | Total |
|--|---------------------|------------------|---------------------|
| | LSA | LFS | |
| 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:

| Year ending September 30, | LSA | LFS | Total |
|----------------------------------|----------------------|---------------------|----------------------|
| 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.

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

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> |
| <u>LSA:</u> | | | | |
| 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> | - | - |
| <u>LFS:</u> | | | | |
| 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> |

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

| <u>2020</u> | <u>Measurements at Reporting Date using</u> | | | |
|--|---|---|--|--|
| | <u>Fair Value</u> | <u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
| <u>LSA:</u> | | | | |
| Measured on a recurring basis: | | | | |
| Assets: | | | | |
| Money market funds | \$ 7,960,140 | \$ 7,960,140 | \$ - | \$ - |
| Mutual funds: | | | | |
| Mutual funds equity | 15,361,125 | 15,361,125 | - | - |
| Domestic mutual funds | 968,299 | 968,299 | - | - |
| Mutual funds international equity | 9,862,196 | 9,862,196 | - | - |
| Mutual funds balanced | 170,457 | 170,457 | - | - |
| Targeted allocations | 182,372 | 182,372 | - | - |
| Fixed income | 11,514,112 | 11,514,112 | - | - |
| Mutual funds international bonds | <u>4,839,908</u> | <u>4,839,908</u> | <u>-</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> |
| <u>LFS:</u> | | | | |
| Measured on a recurring basis: | | | | |
| Assets: | | | | |
| Money market funds | 100 | 100 | - | - |
| Mutual funds: | | | | |
| Mutual funds equity | 193,654 | 193,654 | - | - |
| Mutual funds international equity | 73,926 | 73,926 | - | - |
| Fixed income | 89,769 | 89,769 | - | - |
| Mutual funds international bonds | <u>38,746</u> | <u>38,746</u> | <u>-</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.

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

11. Net Assets With Donor Restrictions

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

| | 2021 | | |
|------------------------|---------------------|---------------------|----------------------|
| | <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> |
| | 2020 | | |
| | <u>LSA</u> | <u>LFS</u> | <u>Total</u> |
| Endowment funds | \$ 6,092,094 | \$ 379,808 | \$ 6,471,902 |
| Property and equipment | 1,062,809 | 510,367 | 1,573,176 |
| Operations | <u>908,224</u> | <u>977,193</u> | <u>1,885,417</u> |
| | <u>\$ 8,063,127</u> | <u>\$ 1,867,368</u> | <u>\$ 9,930,495</u> |

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> |

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

LFS has lease commitments under various capital leases for equipment and vehicles. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the assets. The assets are amortized over the lesser of the related lease term or the estimated useful life. Amortization of the assets for LFS under capital lease was \$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:

| <u>LFS:</u> | <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:

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

14. Commitments

At September 30, 2021 the Organizations had commitments relating to various construction projects at year end. The estimated cost to complete these projects is approximately \$29 million. The Organizations plan to fund these construction projects with the recently completed 2021 bond issuance.

15. Contingencies

The Organizations self-insure a portion of their employee health benefits exposure up to \$125,000 per employee. An accrual for the self-insurance program is established to provide for estimated claims and losses and applicable legal expenses for claims incurred through September 30, 2021 but not reported. This accrual was determined in conjunction with a health insurance consultant and totaled approximately \$305,000 and \$497,000 at September 30, 2021 and 2020, respectively. The accrual is included in accrued health benefits in the accompanying consolidated balance sheet. Commercial insurance has been obtained for coverage in excess of the self-insured amounts.

During 2013, LSA began participating in a "high deductible" workers' compensation insurance policy. They are responsible for the first dollar claims up to \$100,000 per occurrence or \$500,000 in the aggregate. The accrual for estimated claims incurred through September 30, 2021 and 2020 was approximately \$483,000 and \$395,000, respectively, and is recorded in accounts payable.

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

The Organizations are involved in litigation in the ordinary course of business related to professional liability claims. Management believes all claims will be settled within the limits of insurance coverage. However, the ultimate settlement of these cases and losses, if any, to the Organizations cannot be estimated at this time. Other claims may be asserted arising from past services provided through September 30, 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.

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

18. Functional Expenses

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

| September 30, 2021 | | | | | | |
|----------------------------|----------------------------|--|---------------------------------------|--------------------|---------------------|----------------------|
| | Program Services | | Administrative and General | Development | Marketing | Total |
| | Senior Services | Child and Family Services | | | | |
| 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> |

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

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

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

| | LSA | LSA Management | LSA Foundation | LSA Therapy | Total Other |
|--|--------------|----------------|----------------|--------------|---------------|
| ASSETS | | | | | |
| 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 |
|---|--------------|----------------|----------------|--------------|---------------|
| LIABILITIES AND NET ASSETS | | | | | |
| 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 | | | | | |
| Without donor restrictions, undesignated | 1,883,490 | 5,743,845 | 2,144,230 | 2,767,773 | 12,539,338 |
| Without donor restrictions, board designated funds | 6,845,535 | - | - | - | 6,845,535 |
| Total net assets without donor restrictions | 8,729,025 | 5,743,845 | 2,144,230 | 2,767,773 | 19,384,873 |
| Net assets with donor restrictions | 432,111 | 1,118 | 7,188,448 | - | 7,621,677 |
| Total net assets | 9,161,136 | 5,744,963 | 9,332,678 | 2,767,773 | 27,006,550 |
| Total liabilities and net assets | \$ 9,162,035 | \$ 30,259,772 | \$ 9,976,631 | \$ 2,767,773 | \$ 52,166,211 |

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

| | LFS Real Properties | LFS in the Carolinas Child and Family | Total LFS |
|--|------------------------|---|---------------------|
| ASSETS | | | |
| 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 |
|---|------------------------|---|---------------------|
| LIABILITIES AND NET ASSETS | | | |
| 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 | <u>9,590</u> | <u>6,538,665</u> | <u>6,548,255</u> |
| 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 | <u>522,011</u> | <u>2,162,204</u> | <u>2,684,215</u> |
| Total liabilities | <u>531,601</u> | <u>8,700,869</u> | <u>9,232,470</u> |
| 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 | <u>1,915,442</u> | <u>(3,339,975)</u> | <u>(1,424,533)</u> |
| Net assets with donor restrictions | - | 1,899,685 | 1,899,685 |
| Total net assets | <u>1,915,442</u> | <u>(1,440,290)</u> | <u>475,152</u> |
| Total liabilities and net assets | <u>\$ 2,447,043</u> | <u>\$ 7,260,579</u> | <u>\$ 9,707,622</u> |

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

| | Total LSA | Total LFS | Eliminations | Total | Obligated Group* |
|--|----------------|--------------|----------------|----------------|---------------------|
| ASSETS | | | | | |
| 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* |
|---|----------------|--------------|----------------|----------------|---------------------|
| LIABILITIES AND NET ASSETS | | | | | |
| 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 | 79,999,356 | (1,424,533) | - | 78,574,823 | 76,988,476 |
| Without donor restrictions, undesignated | 10,289,067 | - | - | 10,289,067 | 10,289,067 |
| Without donor restrictions, board designated funds | - | - | - | - | - |
| Total net assets without donor restrictions | 90,288,423 | (1,424,533) | - | 88,863,890 | 87,277,543 |
| Net assets with donor restrictions | 9,276,042 | 1,899,685 | - | 11,175,727 | 9,273,382 |
| Total net assets | 99,564,465 | 475,152 | - | 100,039,617 | 96,550,925 |
| Total liabilities and net assets | \$ 316,470,287 | \$ 9,707,622 | \$ (3,170,449) | \$ 323,007,460 | \$ 313,253,425 |

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

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

| | Trinity 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 |
| Expenses: | 836,861 | 1,519,160 | 1,027,131 | 1,023,319 | 1,026,140 | 964,454 | 822,380 | 7,219,445 |
| Salaries and wages | 3,407,613 | 6,322,035 | 5,379,560 | 5,363,195 | 5,292,335 | 4,623,570 | 4,249,114 | 34,637,422 |
| Employee benefits | 271,671 | 357,896 | 435,694 | - | 361,987 | 359,182 | 211,575 | 1,998,005 |
| Supplies and other | 13,557 | 7,441 | 18,933 | 51,708 | 47,024 | 10,975 | 3,920 | 153,558 |
| Medicaid bed assessment | 88,578 | 123,756 | 161,477 | 67,693 | 92,066 | 147,646 | 151,436 | 832,652 |
| Marketing expense | 2,619 | 4,284 | - | 2,558 | 740 | 31 | - | 10,232 |
| Depreciation and amortization | 8,844,980 | 15,788,185 | 12,598,128 | 11,859,759 | 12,210,737 | 11,455,135 | 10,084,751 | 82,841,675 |
| Interest expense | 248,931 | 109,070 | 1,515,345 | 1,757,380 | 423,188 | 298,148 | 1,699,016 | 6,051,078 |
| Total operating costs and expenses | 48,445 | 94,944 | 340 | 316,808 | 28,329 | - | - | 488,866 |
| Operating income (loss) | 122,667 | 237,706 | - | 801,038 | 72,736 | - | - | 1,234,147 |
| Nonoperating gains (losses): | - | - | - | - | - | - | - | - |
| Investment income | 6,244 | 28,210 | 5,932 | 11,867 | 18,294 | 7,255 | 14,295 | 92,097 |
| Unrealized gains (losses) on investments | (1,457) | (2,383) | - | (1,423) | (411) | (18) | - | (5,692) |
| Net gain (loss) on disposal of property and equipment | 175,899 | 358,477 | 6,272 | 1,128,290 | 118,948 | 7,237 | 14,295 | 1,809,418 |
| Market value adjustment on swap agreement | 424,830 | 467,547 | 1,521,617 | 2,885,670 | 542,136 | 305,385 | 1,713,311 | 7,860,496 |
| Contributions | - | - | - | - | - | - | - | - |
| Loss on extinguishment of debt | - | - | - | - | - | - | - | - |
| Total nonoperating gains (losses) | - | - | - | - | - | - | - | - |
| Excess of revenues over expenses | | | | | | | | |

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

(Continued)

| | Trinity 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
in Net Assets (Deficit)
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.

Attachment 3

Certified Forecast Financial
Statements

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

PROJECTED COMBINED FINANCIAL STATEMENTS
AND INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

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



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AUDIT, TAX, AND CONSULTING

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TABLE OF CONTENTS

| | |
|---|----|
| Independent Accountants' Compilation Report..... | 1 |
| Projected Combined Statements of Operations and Changes in Net Assets For the Years Ending September 30, 2022 through 2026 | 2 |
| Projected Combined Statements of Cash Flows For the Years Ending September 30, 2022 through 2026 | 3 |
| Projected Combined Balance Sheets At September 30, 2022, 2023, 2024, 2025 and 2026 | 4 |
| Summary of Significant Projection Assumptions and Accounting Policies: | |
| Introduction | 5 |
| Background Information..... | 6 |
| Summary of Significant Accounting Policies | 10 |
| Management's Basis for Projection of Revenue | 15 |
| Management's Basis for Projection of Expenses..... | 21 |
| Management's Basis for Projection of Other Items..... | 23 |
| Management's Schedule of Detail Operating Expenses by Entity | 31 |



INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

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

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

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

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Charlotte, North Carolina
February 24, 2022



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

| | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|------------------|------------------|------------------|------------------|------------------|
| Operating Revenue | | | | | |
| Patient Service Revenues: | | | | | |
| Monthly Fee Revenues | \$ 5,797 | \$ 6,204 | \$ 6,388 | \$ 6,577 | \$ 6,772 |
| Health Care Revenues - Assisted Living and Nursing | 15,537 | 15,352 | 15,696 | 16,036 | 16,391 |
| Amortization of Deferred Entrance Fees | 900 | 1,057 | 1,011 | 967 | 924 |
| Federal Grants and Other | 72 | - | - | - | - |
| Other Operating Revenue | 437 | 450 | 464 | 477 | 492 |
| Total Revenue | <u>22,743</u> | <u>23,063</u> | <u>23,559</u> | <u>24,057</u> | <u>24,579</u> |
| Expenses | | | | | |
| Health Care | 7,762 | 8,075 | 8,318 | 8,568 | 8,824 |
| Operations: | | | | | |
| Maintenance | 600 | 624 | 643 | 662 | 682 |
| Utilities | 634 | 660 | 679 | 700 | 721 |
| Laundry | 206 | 214 | 220 | 227 | 234 |
| Housekeeping | 634 | 660 | 679 | 700 | 721 |
| Groundskeeping | 223 | 232 | 239 | 246 | 253 |
| Security | 103 | 107 | 110 | 113 | 117 |
| Dietary | 2,793 | 2,906 | 2,993 | 3,083 | 3,175 |
| Activities, Transportation, and Ministry | 703 | 731 | 753 | 775 | 799 |
| Administrative | 3,513 | 3,617 | 3,727 | 3,839 | 3,954 |
| Management Fees | 1,077 | 1,045 | 1,071 | 1,096 | 1,124 |
| Depreciation | 2,610 | 2,399 | 2,525 | 2,654 | 2,787 |
| Interest Expense and Amortization | 163 | 158 | 150 | 144 | 140 |
| Total Operating Costs and Expenses | <u>21,021</u> | <u>21,428</u> | <u>22,107</u> | <u>22,807</u> | <u>23,531</u> |
| Operating Income | 1,722 | 1,635 | 1,452 | 1,250 | 1,048 |
| Non-Operating Gains: | | | | | |
| Investment Income | 445 | 530 | 629 | 727 | 830 |
| Gain on Extinguishment of Debt | 1,785 | - | - | - | - |
| Contributions | 56 | 58 | 60 | 61 | 63 |
| Total Non-Operating Income | <u>2,286</u> | <u>588</u> | <u>689</u> | <u>788</u> | <u>893</u> |
| Excess of Revenues over Expenses | 4,008 | 2,223 | 2,141 | 2,038 | 1,941 |
| Changes in Net Assets Under Donor Restrictions | | | | | |
| Total Change in Net Assets Under Donor Restrictions | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Changes in Net Assets | 4,008 | 2,223 | 2,141 | 2,038 | 1,941 |
| Net Assets at Beginning of Year | 28,027 | 32,035 | 34,258 | 36,399 | 38,437 |
| Net Assets at End of Year | <u>\$ 32,035</u> | <u>\$ 34,258</u> | <u>\$ 36,399</u> | <u>\$ 38,437</u> | <u>\$ 40,378</u> |

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

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

| | 2022 | 2023 | 2024 | 2025 | 2026 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Cash Flows from Operating Activities: | | | | | |
| Changes in Net Assets | \$ 4,008 | \$ 2,223 | \$ 2,141 | \$ 2,038 | \$ 1,941 |
| Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities: | | | | | |
| Depreciation | 2,610 | 2,399 | 2,525 | 2,654 | 2,787 |
| Amortization of Debt Issuance Costs | 15 | 16 | 16 | 15 | 14 |
| Amortization of Debt Premium | (74) | (78) | (77) | (73) | (66) |
| Amortization of Deferred Entrance Fees | (900) | (1,057) | (1,011) | (967) | (924) |
| Receipt of Non-Refundable Entrance Fees | 2,482 | 2,507 | 2,532 | 2,557 | 2,583 |
| Gain on Extinguishment of Debt | (1,785) | - | - | - | - |
| Changes in Assets and Liabilities: | | | | | |
| Accounts Receivable, Residents and Clients | (105) | (12) | (44) | (28) | (56) |
| Other Current Assets | 17 | (6) | (2) | (1) | (3) |
| Accounts Payable and Other Accrued Liabilities | 86 | 71 | 50 | 42 | 50 |
| Deferred Revenue from Grants and Other | (72) | - | - | - | - |
| Net Cash Provided by Operating Activities | <u>6,282</u> | <u>6,063</u> | <u>6,130</u> | <u>6,237</u> | <u>6,326</u> |
| Cash Flows from Investment Activities: | | | | | |
| Routine Purchases of Property and Equipment | (2,305) | (1,235) | (1,270) | (1,310) | (1,350) |
| Change in Investments, Net | (2,463) | (3,136) | (3,291) | (3,205) | (3,357) |
| Change in Assets Whose Use is Limited, Net | 35 | (67) | (52) | (54) | (56) |
| Net Cash Used in Investment Activities | <u>(4,733)</u> | <u>(4,438)</u> | <u>(4,613)</u> | <u>(4,569)</u> | <u>(4,763)</u> |
| Cash Flows from Financing Activities: | | | | | |
| Allocated Payments of Long-Term Debt | (181) | (224) | (231) | (241) | (252) |
| Receipt of Refundable Entrance Fees | 842 | 850 | 859 | 868 | 877 |
| Refunds of Refundable Fees | (1,966) | (1,986) | (2,006) | (2,026) | (2,046) |
| Net Cash Used in Financing Activities | <u>(1,305)</u> | <u>(1,360)</u> | <u>(1,378)</u> | <u>(1,399)</u> | <u>(1,421)</u> |
| Change in Cash and Cash Equivalents | 244 | 265 | 139 | 269 | 142 |
| Cash, Cash Equivalents and Restricted Cash, Beginning of Year | 7,447 | 7,691 | 7,956 | 8,095 | 8,364 |
| Cash, Cash Equivalents, and Restricted Cash, End of Year | <u>\$ 7,691</u> | <u>\$ 7,956</u> | <u>\$ 8,095</u> | <u>\$ 8,364</u> | <u>\$ 8,506</u> |
| Supplemental Disclosure of Cash Flow Information: | | | | | |
| Cash Paid During the Year for Interest, Net of Amounts Capitalized | <u>\$ 222</u> | <u>\$ 220</u> | <u>\$ 211</u> | <u>\$ 202</u> | <u>\$ 192</u> |

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

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

| | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|------------------|------------------|------------------|------------------|------------------|
| ASSETS | | | | | |
| Current Assets: | | | | | |
| Cash and Cash Equivalents | \$ 6,450 | \$ 6,708 | \$ 6,837 | \$ 7,095 | \$ 7,224 |
| Investments | 12,619 | 15,755 | 19,046 | 22,251 | 25,608 |
| Current Portion of Assets Limited as to Use | 224 | 231 | 241 | 252 | 265 |
| Accounts Receivable, Residents, and Clients, Net of Allowance for Doubtful Accounts | 1,680 | 1,692 | 1,736 | 1,764 | 1,820 |
| Other Receivable | 96 | 96 | 96 | 96 | 96 |
| Inventories | 60 | 66 | 68 | 69 | 72 |
| Residents' Funds | 12 | 12 | 12 | 12 | 12 |
| Total Current Assets | 21,141 | 24,560 | 28,036 | 31,539 | 35,097 |
| Assets Limited as to Use: | | | | | |
| Investments - Board Designated Funds | 2,194 | 2,194 | 2,194 | 2,194 | 2,194 |
| Assets Limited as to Use - Operating Reserve Requirement | 1,767 | 1,834 | 1,886 | 1,940 | 1,996 |
| Bond Funds | 224 | 231 | 241 | 252 | 265 |
| Assets Restricted for Investments in Property and Equipment | 1,005 | 1,005 | 1,005 | 1,005 | 1,005 |
| Total Assets Limited as to Use | 5,190 | 5,264 | 5,326 | 5,391 | 5,460 |
| Less: Current Portion | (224) | (231) | (241) | (252) | (265) |
| | 4,966 | 5,033 | 5,085 | 5,139 | 5,195 |
| Due from Affiliate | 5,450 | 5,450 | 5,450 | 5,450 | 5,450 |
| Property and Equipment, Net | 23,932 | 22,768 | 21,513 | 20,169 | 18,732 |
| Total Assets | \$ 55,489 | \$ 57,811 | \$ 60,084 | \$ 62,297 | \$ 64,474 |
| LIABILITIES AND NET ASSETS | | | | | |
| Current Liabilities | | | | | |
| Current Maturities of Long-Term Debt | \$ 224 | \$ 231 | \$ 241 | \$ 252 | \$ 265 |
| Accounts Payable, Trade | 1,050 | 1,092 | 1,113 | 1,154 | 1,176 |
| Accrued Salaries and Payroll Taxes | 675 | 702 | 729 | 729 | 756 |
| Accrued Health Benefits | 50 | 52 | 54 | 55 | 56 |
| Refundable Fees - Current | 638 | 638 | 638 | 638 | 638 |
| Residents' Funds Liability | 12 | 12 | 12 | 12 | 12 |
| Total Current Liabilities | 2,649 | 2,727 | 2,787 | 2,840 | 2,903 |
| Long-Term Liabilities: | | | | | |
| Long-Term Debt, Less Current Maturities, Debt Issuance Costs and Original Issuance Premium | 5,849 | 5,556 | 5,254 | 4,944 | 4,627 |
| Refundable Fees | 6,005 | 4,869 | 3,722 | 2,564 | 1,395 |
| Deferred Revenue from Advance Fees | 8,951 | 10,401 | 11,922 | 13,512 | 15,171 |
| Total Long-Term Liabilities | 20,805 | 20,826 | 20,898 | 21,020 | 21,193 |
| Total Liabilities | 23,454 | 23,553 | 23,685 | 23,860 | 24,096 |
| Net Assets: | | | | | |
| Net Assets Without Donor Restriction | | | | | |
| Unrestricted, Undesignated | 28,432 | 30,655 | 32,796 | 34,834 | 36,775 |
| Unrestricted, Board Designated Funds | 2,194 | 2,194 | 2,194 | 2,194 | 2,194 |
| Total Net Assets Without Donor Restriction | 30,626 | 32,849 | 34,990 | 37,028 | 38,969 |
| Net Assets With Donor Restriction | | | | | |
| Total Net Assets | 32,035 | 34,258 | 36,399 | 38,437 | 40,378 |
| Total Liabilities and Net Assets | \$ 55,489 | \$ 57,811 | \$ 60,084 | \$ 62,297 | \$ 64,474 |

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

Summary of Significant Projection Assumptions and Accounting Policies

INTRODUCTION

Basis of Presentation

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

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

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

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

- The World Health Organization declared the spread of the Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to Trinity Oaks, COVID-19 may impact various parts of its 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 independent living and skilled nursing occupancies would recover to historical operating levels in the fiscal year ending September 30, 2022. Management has not projected that its access to labor would be materially adversely impacted by COVID-19. In addition, Management has projected utilizing the remaining \$72,188 of provider relief funds in fiscal year 2022 on expenses related to preventing, preparing for, or responding to the COVID-19 pandemic.
- Management is able to achieve the projected operating revenue inflationary rate increases and operating expense inflationary increases as described hereinafter.
- Management obtains forgiveness for PPP loans, as defined hereinafter, as projected.

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

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

Summary of Significant Projection Assumptions and Accounting Policies

BACKGROUND INFORMATION

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

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

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) ⁽¹⁾ | Lutheran Home Albemarle Property, Inc. | Albemarle, NC | - | 27 | 76 | 103 |
| Lutheran Home - Hickory, Inc. (Trinity Village) | Lutheran Home Hickory Property, Inc. | Hickory, NC | - | 90 | 104 | 194 |
| <u>Retirement Communities</u> | | | | | | |
| Lutheran Retirement Center at Lutheridge, Inc. (Trinity View) ⁽²⁾ | - | Arden, NC | 78 | 24 | - | 102 |
| Lutheran Retirement Center - Salisbury, Inc. (Trinity Oaks retirement) ⁽³⁾ | - | Salisbury, NC | 167 | 38 | - | 205 |
| Lutheran Home at Trinity Oaks, Inc. (Trinity Oaks health & rehab) ⁽³⁾ | Lutheran Home at Trinity Oaks Property, Inc. | Salisbury, NC | 12 | 12 | 115 | 139 |
| Lutheran Home - Forsyth County, Inc. (Trinity Elms health & rehab) ⁽⁴⁾ | Lutheran Home Forsyth County Property, Inc. | Clemmons, NC | - | - | 100 | 100 |
| LSA Elms at Tanglewood, Inc. (Trinity Elms assisted living) ^{(4) (5)} | LSA Elms Property, Inc. | Clemmons, NC | - | 104 | - | 104 |
| Lutheran Retirement Center - Clemmons, Inc. (Trinity Elms retirement) ⁽⁴⁾ | - | Clemmons, NC | 54 | - | - | 54 |
| Lutheran Retirement Center - Wilmington, Inc. (Trinity Landing) ⁽⁶⁾ | - | Wilmington, NC | 184 | - | - | 184 |
| Lutheran Retirement Center - Hickory, Inc. ⁽⁷⁾ | - | Hickory, NC | - | - | - | - |
| Lutheran Retirement Center - Hickory West, Inc. ⁽⁷⁾ | - | 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 | - | - | - | - |
| Total | | | 495 | 295 | 732 | 1,522 |

Source: Management

See Independent Accountants' Compilation Report

Summary of Significant Projection Assumptions and Accounting Policies

BACKGROUND INFORMATION (CONTINUED)

Notes to Table 1:

- (1) In January 2020, the number of assisted living beds at Trinity Place increased from 10 to 27.
- (2) Although Trinity View is licensed for 24 assisted living units, the facility consistently operates only 20 units due to using four semi-private rooms as private rooms.
- (3) Lutheran Home at Trinity Oaks, Inc. (Trinity Oaks health and rehab) and Lutheran Retirement Center – Salisbury, Inc. (Trinity Oaks) operate together as a North Carolina licensed "continuing care retirement community."
- (4) Trinity Elms health and rehab and Trinity Elms assisted living are a nursing facility and an assisted living facility, respectively, that are applying to operate together with the independent living units owned by Lutheran Retirement Center – Clemmons, Inc. (Trinity Elms retirement) as a North Carolina licensed "continuing care retirement community."
- (5) Although Trinity Elms is licensed for 104 assisted living units, the facility typically operates only 89 units due to using some semi-private rooms as private rooms.
- (6) Lutheran Retirement Center – Wilmington, Inc. owns the 50-acre parcel of land where the Project will be constructed with a portion of the proceeds of the Series 2021 Bonds. Management pursued and obtained the Series 2021 Bonds for the purpose of this expansion community and as such, Management has included the 184 independent living units in the above table. Trinity Landing and Trinity Grove will operate together as a North Carolina licensed "continuing care retirement community".
- (7) Lutheran Retirement Center – Hickory, Inc. and Lutheran Retirement – Hickory West, Inc. currently have no operations.

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

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

Overview of Services Provided by Trinity Oaks

Trinity Oaks retirement

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

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

Summary of Significant Projection Assumptions and Accounting Policies

BACKGROUND INFORMATION (CONTINUED)

Trinity Oaks retirement offers three entrance fee plans for all of its apartments and cottages (as further described in "Advance Fees" on page 11). The entrance fee entitles occupancy of a residence by the resident at Trinity Oaks retirement, together with the use and benefits of its common areas, amenities, services and programs. The entrance fee also assures the residents priority access to the assisted living center and Trinity Oaks health and rehab. Upon leaving Trinity Oaks retirement's independent living units, the resident or the resident's estate will receive a refund of the entrance fee, depending upon the entrance plan selected. A monthly service fee for the independent living apartments include all occupancy costs (except telephone service and cable TV) and includes two meals per day in the dining room. Service fees are based on the size and type of apartment occupied. Apartments occupied by more than one person are assessed a fee for each additional occupant to cover the additional maintenance and meal cost. Monthly fees and services for cottage residents are modeled after those provided apartment residents, with variations in dietary and certain other services. Monthly fees for the assisted living residents include three meals per day and all occupancy costs (except telephone service and cable TV). Trinity Oaks provides activity and transportation opportunities for all of its residents.

Trinity Oaks health and rehab

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

Health Care Services

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

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

Summary of Significant Projection Assumptions and Accounting Policies

BACKGROUND INFORMATION (CONTINUED)

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

Summary of Significant Projection Assumptions and Accounting Policies

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Cash and Cash Equivalents

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

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

| | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|----------|----------|----------|----------|----------|
| Cash and Cash Equivalents | \$ 6,450 | \$ 6,708 | \$ 6,837 | \$ 7,095 | \$ 7,224 |
| Residents' Funds | 12 | 12 | 12 | 12 | 12 |
| Assets Limited as to Use | | | | | |
| Bond Funds | 224 | 231 | 241 | 252 | 265 |
| Assets Restricted by Donor for Investment in Property and Equipment | 1,005 | 1,005 | 1,005 | 1,005 | 1,005 |
| Total Cash, Cash Equivalents and Restricted Cash Shown in | | | | | |
| Projected Combined Statements of Cash Flows | \$ 7,691 | \$ 7,956 | \$ 8,095 | \$ 8,364 | \$ 8,506 |

Investments

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

Service Fees

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

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

Trinity Oaks perform an evaluation of the collectability of net revenues recorded and records an allowance for doubtful accounts. Provisions for doubtful accounts is primarily estimated based on cash collection analysis by payor classification and the age of the account. When considering the adequacy of allowances for doubtful accounts, receivable balances are routinely reviewed in conjunction with historical

See Independent Accountants' Compilation Report

Summary of Significant Projection Assumptions and Accounting Policies

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

collection rates, industry trends, and other business and economic conditions that might reasonably be expected to affect the collectability of accounts. Accounts receivable are written off after collection efforts have been pursued in accordance with established policies and procedures.

Revenue Recognition

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

Monthly service fees:

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

Entrance fees:

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

Patient Service Revenue:

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

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

Debt Issuance Costs

Debt issuance costs are being amortized using the straight-line method, 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.

Compensation Absences

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

Refundable Fees and Deferred Revenue from Advance Fees

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

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

Summary of Significant Projection Assumptions and Accounting Policies

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

upon reoccupancy or within two years, whichever occurs first. Trinity Oaks records a current portion of refundable fees that is expected to be refunded in the next year.

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

Net Assets With Donor Restrictions

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

Excess of Revenue Over Expenses

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

Donor-Restricted Gifts

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

Advertising Costs

Advertising costs are charged to operations when incurred.

Long-Lived Assets

Trinity Oaks periodically reviews the carrying value of its long-lived assets (primarily property and equipment) whenever events or circumstances provide evidence that suggests that the carrying amount of long-lived assets may not be recovered. If this review indicates that the long-lived assets may not be

Summary of Significant Projection Assumptions and Accounting Policies

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

recoverable, Trinity Oaks reviews the expected undiscounted future net operating cash flows from its facilities, as well as property valuations. Any permanent impairment of value is recognized as a charge against earnings in the projected combined statements of operations and changes in net assets. Management has not projected any impairment of its long-lived assets.

Income Taxes

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

Summary of Significant Projection Assumptions and Accounting Policies

MANAGEMENT'S BASIS FOR PROJECTION OF REVENUE

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

Resident service revenue is composed of:

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

Projected Occupancy Levels

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

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

| Location | Facility Name | 2022 | 2023 | 2024 | 2025 | 2026 |
|-----------|-------------------------------|------|------|------|------|------|
| Salisbury | Trinity Oaks retirement | 90% | 94% | 94% | 94% | 94% |
| Salisbury | Trinity Oaks health and rehab | 99% | 99% | 99% | 99% | 99% |
| | Weighted-average | 91% | 94% | 94% | 94% | 94% |

Source: Management

Management has projected second person occupancy percentages of 26% for Trinity Oaks retirement and 0% for Trinity Oaks health and rehab for each year of the Projection Period.

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

| Location | Facility Name | 2022 | 2023 | 2024 | 2025 | 2026 |
|-----------|-------------------------------|------|------|------|------|------|
| Salisbury | Trinity Oaks retirement | 99% | 99% | 99% | 99% | 99% |
| Salisbury | Trinity Oaks health and rehab | 98% | 98% | 98% | 98% | 98% |
| | Weighted-average | 99% | 99% | 99% | 99% | 99% |

Source: Management

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

| Location | Facility Name | 2022 | 2023 | 2024 | 2025 | 2026 |
|-----------|-------------------------------|------|------|------|------|------|
| Salisbury | Trinity Oaks health and rehab | 89% | 94% | 94% | 94% | 94% |

Source: Management

See Independent Accountants' Compilation Report

Summary of Significant Projection Assumptions and Accounting Policies

MANAGEMENT'S BASIS FOR PROJECTION OF REVENUE (CONTINUED)

Projected Entrance Fees, Monthly Fees and Daily Fees Increases

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

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

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

Source: Management

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

Assisted Living Fees

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

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

| Facility Name | 2022 | 2023 | 2024 | 2025 | 2026 |
|--------------------------------------|-----------|-----------|-----------|-----------|-----------|
| Trinity Oaks | | | | | |
| Private Pay | \$ 188.00 | \$ 194.00 | \$ 199.82 | \$ 205.81 | \$ 211.99 |
| Medicaid / State Special Assistance | n/a | n/a | n/a | n/a | n/a |
| Private Pay - Memory Support | n/a | n/a | n/a | n/a | n/a |
| Trinity Oaks health and rehab | | | | | |
| Private Pay | \$ 197.00 | \$ 202.91 | \$ 209.00 | \$ 215.27 | \$ 221.73 |
| Medicaid / State Special Assistance | \$ 38.86 | \$ 38.86 | \$ 38.86 | \$ 38.86 | \$ 38.86 |
| Private Pay - Memory Support | \$ 279.00 | \$ 287.37 | \$ 295.99 | \$ 304.87 | \$ 314.02 |

Source: Management

Summary of Significant Projection Assumptions and Accounting Policies

MANAGEMENT'S BASIS FOR PROJECTION OF REVENUE (CONTINUED)

Assisted Living Payer Mix

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

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

| Location | Facility Name Payer Mix | 2022 | 2023 | 2024 | 2025 | 2026 |
|-----------|-------------------------------------|------|------|------|------|------|
| Salisbury | Trinity Oaks | | | | | |
| | Private Pay | 100% | 100% | 100% | 100% | 100% |
| | Private Pay Memory Support | 0% | 0% | 0% | 0% | 0% |
| | Medicaid / State Special Assistance | 0% | 0% | 0% | 0% | 0% |
| Salisbury | Trinity Oaks health and rehab | | | | | |
| | Private Pay | 8% | 8% | 8% | 8% | 8% |
| | Private Pay Memory Support | 92% | 92% | 92% | 92% | 92% |
| | Medicaid / State Special Assistance | 0% | 0% | 0% | 0% | 0% |
| Total | Weighted-average | | | | | |
| | Private Pay | 78% | 78% | 78% | 78% | 78% |
| | Private Pay Memory Support | 22% | 22% | 22% | 22% | 22% |
| | Medicaid / State Special Assistance | 0% | 0% | 0% | 0% | 0% |

Source: Management

Nursing Fees

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

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

| Facility Name Payer Mix | 2022 | 2023 | 2024 | 2025 | 2026 |
|-------------------------------|-----------|-----------|-----------|-----------|-----------|
| Trinity Oaks health and rehab | | | | | |
| Private Pay | \$ 304.00 | \$ 313.12 | \$ 322.51 | \$ 332.19 | \$ 342.15 |
| Private Pay - Semi Private | \$ 292.00 | \$ 300.76 | \$ 309.78 | \$ 319.08 | \$ 328.65 |
| Insurance | \$ 350.00 | \$ 360.50 | \$ 371.32 | \$ 382.45 | \$ 393.93 |
| Medicare | \$ 513.00 | \$ 523.26 | \$ 533.73 | \$ 544.40 | \$ 555.29 |
| Medicaid ⁽¹⁾ | \$ 249.76 | \$ 201.19 | \$ 203.20 | \$ 205.24 | \$ 207.29 |
| Hospice | \$ 199.20 | \$ 201.19 | \$ 203.20 | \$ 205.24 | \$ 207.29 |

Source: Management

Note (1) During the COVID pandemic, the State of North Carolina implemented an increased Medicaid rate structure to enable nursing communities to cover the financial impact of additional COVID related costs. As isolated cases of COVID appear in 2 or more residents/staff at a nursing community, there is an additional "outbreak" rate structure for the nursing community. Effective October 1, 2021 through December 31, 2021, a COVID add-on of approximately \$95 per resident day is applied for all Medicaid residents in the nursing community. Effective January 1, 2022, this amount was reduced to \$47.50 per resident day. The State of North Carolina had indicated the protocols will be in place through February 28, 2022; however, Management believes it is likely that they will be extended through March 31, 2021 and as such, has projected this COVID add-on would continue through March 31, 2022. Management has projected reverting to the normal fee structure beginning April 1, 2022 and for the duration of the Projection Period.

See Independent Accountants' Compilation Report

Summary of Significant Projection Assumptions and Accounting Policies

MANAGEMENT'S BASIS FOR PROJECTION OF REVENUE (CONTINUED)

Nursing Payer Mix

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

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

| Location | Facility Name Payer Mix | 2022 | 2023 | 2024 | 2025 | 2026 |
|-----------|-------------------------------|------|------|------|------|------|
| Salisbury | Trinity Oaks health and rehab | | | | | |
| | Private Pay | 28% | 28% | 28% | 28% | 28% |
| | Insurance | 6% | 6% | 6% | 6% | 6% |
| | Medicare | 8% | 8% | 8% | 8% | 8% |
| | Medicaid/Hospice | 58% | 58% | 58% | 58% | 58% |

Source: Management

Independent Living Entrance Fees and Monthly Service Fees

Trinity Oaks Retirement

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

Table 10
Trinity Oaks Retirement Independent Living 2022 Entrance Fees and Monthly Fees

| | No. of Units | Square Ft. | Monthly Fee | Entrance Fees | | |
|----------------------------|--------------|---------------|-------------|----------------|------------|------------|
| | | | | Limited-Refund | 50% Refund | 90% Refund |
| Apartments: | | | | | | |
| Studio | 17 | 504 | \$2,102 | \$60,101 | \$80,315 | \$143,693 |
| One Bedroom | 18 | 607 | \$2,639 | \$70,762 | \$94,250 | \$168,826 |
| One Bedroom Deluxe | 45 | 695 | \$2,824 | \$74,305 | \$98,891 | \$177,022 |
| Two Bedroom | 45 | 971 | \$3,370 | \$110,911 | \$148,065 | \$264,716 |
| Cottages | 42 | 1,453 – 3,049 | \$3,634 | \$142,175 | \$189,562 | \$335,482 |
| Second Person - Apartments | | | \$1,159 | \$4,100 | \$5,464 | \$9,834 |
| Second Person - Cottages | | | \$1,292 | \$5,739 | \$7,649 | \$13,659 |
| Total/Weighted Average | 167 | 1,132 | \$3,081 | \$99,410 | \$132,554 | \$236,228 |

Source: Management

Summary of Significant Projection Assumptions and Accounting Policies

MANAGEMENT'S BASIS FOR PROJECTION OF REVENUE (CONTINUED)

Trinity Oaks Health and Rehab

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

| Unit Type | No. of Units | Monthly Fee |
|------------------------|--------------|-----------------|
| One Bedroom | 7 | \$814 - \$859 |
| Two Bedroom | 5 | \$924 - \$1,112 |
| Total/Weighted Average | 12 | \$ 912 |

Source: Management

Entrance Fee Receipts and Refund

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

| | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Entrance fees received from unit turnover | \$ 3,324 | \$ 3,357 | \$ 3,391 | \$ 3,425 | \$ 3,460 |
| Entrance fees refunded from unit turnover | (1,966) | (1,986) | (2,006) | (2,026) | (2,046) |
| Total entrance fees received, net of refunds | \$ 1,358 | \$ 1,371 | \$ 1,385 | \$ 1,399 | \$ 1,414 |

Source: Management

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

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

Summary of Significant Projection Assumptions and Accounting Policies

MANAGEMENT'S BASIS FOR PROJECTION OF REVENUE (CONTINUED)

Investment Income

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

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

| | 2022 | 2023 | 2024 | 2025 | 2026 |
|----------------------------------|-------|-------|-------|-------|-------|
| Cash and Cash Equivalents | 0.25% | 0.25% | 0.25% | 0.25% | 0.25% |
| Trustee Held Funds / Donor Funds | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% |
| Investments / Operating Reserve | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% |

Source: Management

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

Contributions

Management has projected contributions based upon historical experience.

Other Revenue Items

As of September 30, 2021, Trinity Oaks had approximately \$72,000 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 \$72,000 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 \$1,785,000 of PPP loans for Trinity Oaks during fiscal year 2022 and as such, has projected a gain on the forgiveness of debt of approximately \$1,785,000 on the combined projected statement of operations and changes in net assets.

Summary of Significant Projection Assumptions and Accounting Policies

MANAGEMENT'S BASIS FOR PROJECTION OF EXPENSES

Operating Expenses

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

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

Salaries and Wages

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

Employee Benefits

Benefit costs include payroll taxes and employee benefits including FICA, unemployment taxes, workers' compensation, health insurance, pension plan, incentives and other miscellaneous benefits for Trinity Oaks. These benefit costs have been projected by department based on the historical experience of Trinity Oaks. Management has projected that benefits would approximate 18.3 percent of wages and salaries during the Projection Period. Management assumes that these costs would increase at approximately 4.0 percent in 2023 and 3.0 percent annually, thereafter, for inflation during the Projection Period.

Healthcare

Healthcare costs have been estimated based upon the historical costs of Trinity Oaks, 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.

Nursing facilities in North Carolina are required to pay a bed assessment monthly on all skilled nursing non-Medicare days, which is then received as part of the Medicaid reimbursement. The amount due per bed day can vary based on the number of skilled nursing beds in each facility. Management has projected the Medicaid bed assessment based on its historical experience. Management assumes that the bed assessment will increase 4.0 percent in 2023 and 3.0 percent annually, thereafter, for inflation during the Projection Period.

Maintenance / Groundskeeping / Security

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

Utilities

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

Summary of Significant Projection Assumptions and Accounting Policies

MANAGEMENT'S BASIS FOR PROJECTION OF EXPENSES (CONTINUED)

Housekeeping / Laundry

Non-salary costs of housekeeping and laundry services include Management's estimate of the costs for contract services, supplies, and other miscellaneous costs associated with providing housekeeping and laundry services to residents. Management assumes that these costs would increase 4.0 percent in 2023 and 3.0 percent annually, thereafter, for inflation during the Projection Period.

Dietary

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

Activities, Transportation, and Ministry

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

Administration

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

Also included in Administration during the fiscal year ending September 30 2022, Management has projected COVID related expense of approximately \$72,000 and is included in the projected combined statements of operations and changes in net assets.

Management Fee

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

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

Summary of Significant Projection Assumptions and Accounting Policies

MANAGEMENT'S BASIS FOR PROJECTION OF OTHER ITEMS

Current Assets and Current Liabilities

Cash and Cash Equivalents

Cash and cash equivalent balances for the Projection Period are based on the results of the Projected Combined Statements of Cash Flows and reflect amounts that are highly liquid with a maturity of three months or less. For purposes of presentations, cash and cash equivalent balances are estimated to be approximately 129 days for 2022, 2023, 2024, 2025, and 2026. Amounts in excess of these amounts are classified as investments.

Accounts Receivable, Residents, Net of Allowance for Doubtful Accounts

Accounts receivable, net of allowance for non-collectible accounts, are projected based on historical levels based on 28 days of operating revenues.

Other Receivable

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

Inventories

Inventories have been projected based on historical experience based on 1 days of operating expenses.

Accounts Payable, Trade

Accounts payable, trade, have been projected based on historical levels for Trinity Oaks based on 21 days of operating expenses.

Accrued Health Benefits

Accrued health benefits have been projected based on historical levels for Trinity Oaks based on 2 days of total salaries and taxes.

Accrued Salaries and Payroll Taxes

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

Refundable Fees – Current

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

Assets Limited as to Use

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

Under Board Designation

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

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

Summary of Significant Projection Assumptions and Accounting Policies

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

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

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

| | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Projected Total Operating Expenses | \$ 21,021 | \$ 21,428 | \$ 22,107 | \$ 22,807 | \$ 23,531 |
| Less: | | | | | |
| Depreciation | (2,610) | (2,399) | (2,525) | (2,654) | (2,787) |
| Interest Expense and Amortization | (163) | (158) | (150) | (144) | (140) |
| Projected Operating Expenses of Lutheran Home at Trinity Oaks and Lutheran Home at Trinity Oaks Property, Inc. ⁽¹⁾ | (11,514) | (11,906) | (12,258) | (12,620) | (12,993) |
| Adjusted Operating Expenses | \$ 6,734 | \$ 6,965 | \$ 7,174 | \$ 7,389 | \$ 7,611 |
| Include: | | | | | |
| Principal Payment--Trinity Oaks ⁽²⁾ | 172 | 213 | 220 | 229 | 240 |
| Interest Payment--Trinity Oaks ⁽²⁾ | 162 | 159 | 150 | 141 | 131 |
| Total Operating Costs | \$ 7,068 | \$ 7,337 | \$ 7,544 | \$ 7,759 | \$ 7,982 |
| Operating Reserve Percentage ⁽³⁾ | 25% | 25% | 25% | 25% | 25% |
| Operating Reserve - Lutheran Retirement Center - Salisbury, Inc. | \$ 1,767 | \$ 1,834 | \$ 1,886 | \$ 1,940 | \$ 1,996 |

Source: Management

Notes:

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

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

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

| | | | | | |
|---|-------|-------|-------|-------|-------|
| IL Available Units | 167 | 167 | 167 | 167 | 167 |
| AL Available Units | 38 | 38 | 38 | 38 | 38 |
| Total Available Units | 205 | 205 | 205 | 205 | 205 |
| IL Occupied Units | 151.0 | 156.2 | 156.2 | 156.2 | 156.2 |
| AL Occupied Units | 37.6 | 37.6 | 37.6 | 37.6 | 37.6 |
| Total Occupied Units | 189 | 194 | 194 | 194 | 194 |
| Occupancy Percentage - Lutheran Retirement Center - Salisbury, Inc. | 92% | 95% | 95% | 95% | 95% |

Investments

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

Summary of Significant Projection Assumptions and Accounting Policies

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

Property and Equipment

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

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

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

| | 2022 | 2023 | 2024 | 2025 | 2026 |
|------------------------------------|-----------|-----------|-----------|-----------|-----------|
| Land and Land Improvements | \$ 4,131 | \$ 4,131 | \$ 4,131 | \$ 4,131 | \$ 4,131 |
| Building and Building Improvements | 47,061 | 47,925 | 48,814 | 49,731 | 50,676 |
| Furnishings and Equipment | 6,681 | 7,052 | 7,433 | 7,826 | 8,231 |
| Construction in Progress | 632 | 632 | 632 | 632 | 632 |
| | 58,505 | 59,740 | 61,010 | 62,320 | 63,670 |
| Less: Accumulated Depreciation | (34,573) | (36,972) | (39,497) | (42,151) | (44,938) |
| Net Property and Equipment | \$ 23,932 | \$ 22,768 | \$ 21,513 | \$ 20,169 | \$ 18,732 |

Source: Management

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

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

| | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|----------|----------|----------|----------|----------|
| Routine Purchases of Capital Expenditures | \$ 2,305 | \$ 1,235 | \$ 1,270 | \$ 1,310 | \$ 1,350 |

Source: Management

Summary of Significant Projection Assumptions and Accounting Policies

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

Long-Term Debt and Interest Expense

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

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

Summary of Significant Projection Assumptions and Accounting Policies

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

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

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

The Series 2021A Bonds, Series 2021B Bonds, and Series 2021C Bonds are collectively referred 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 Oaks presents amortization of deferred financing costs and amortization of original issuance premium as a component of interest expense on the projected combined statements of operations and changes in net assets.

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

| | Series 2021A Bonds | Series 2021B Bonds | Series 2021C Bonds |
|--|-----------------------|-----------------------|-----------------------|
| Trinity Oaks retirement | 14.4% | 0.0% | 0.0% |
| Trinity Oaks health and rehab | 0.6% | 0.0% | 0.0% |
| Lutheran Home at Trinity Oaks Property | 0.1% | 0.0% | 0.0% |
| All Other Members of the Obligated Group | 84.9% | 100.0% | 100.0% |
| Total | 100.0% | 100.0% | 100.0% |

Paycheck Protection Loans

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

The Obligated Group received total PPP loans in the total amount of approximately \$10,616,000 and has elected to account for the funds received in accordance with ASC Topic 470, *Debt*. Trinity Oaks received approximately \$1,785,000 in PPP loans. In order to be forgiven, funds from these loans may only be used to satisfy payroll costs, costs used to continue health care benefits, mortgage payments, rent, utilities, and interest on certain other debt obligations. The Obligated Group believes they have used the proceeds of the loans for qualifying expenses under the PPP. However, additional steps must be taken to apply for and receive forgiveness. The loans accrue interest at a rate of 1% and mature five years from the date of the loans. Payments are deferred during the deferred period, which began on the loan origination date and extended for 10 months beyond the last day of the Obligated Group's covered period. Any unforgiven portion of the PPP loan is payable in equal installments of principal and interest from the

Summary of Significant Projection Assumptions and Accounting Policies

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

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

The following table summarizes the existing and proposed debt obligations:

Table 17
Projected Principal Payments
(In Thousands of Dollars)

| For the Year Ending September 30, | Series 2021A Bonds | Series 2021B Bonds | Series 2021C Bonds | Total |
|-----------------------------------|-----------------------|-----------------------|-----------------------|-------|
| 2022 | \$ 181 | \$ - | \$ - | 181 |
| 2023 | 224 | - | - | 224 |
| 2024 | 231 | - | - | 231 |
| 2025 | 241 | - | - | 241 |
| 2026 | 252 | - | - | 252 |
| 2027 | 265 | - | - | 265 |
| 2028 | 279 | - | - | 279 |
| 2029 | 292 | - | - | 292 |
| 2030 | 304 | - | - | 304 |
| Thereafter | 3,046 | - | - | 3,046 |
| Total | \$ 5,315 | \$ - | \$ - | 5,315 |

Source: Management and the Underwriter

Obligated Group – Security on Long-Term Debt

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

Summary of Significant Projection Assumptions and Accounting Policies

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

Table 18
Obligated Group Facilities Pledged as Mortgaged Property

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

Source: Management

Note:

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

Other Items

Related Party Transactions

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

Due from Affiliate

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

See Independent Accountants' Compilation Report

Summary of Significant Projection Assumptions and Accounting Policies

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

Risks and Uncertainties

During March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Trinity Oaks, 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 Oaks is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of the date of this Projection. Management has projected that its skilled nursing occupancies would recover to historical operating levels in the fiscal year ending September 30, 2022. Management has not projected that its access to labor would be materially adversely impacted by COVID-19.

Summary of Significant Projection Assumptions and Accounting Policies

MANAGEMENT'S SCHEDULE OF DETAIL OPERATING EXPENSES BY ENTITY

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

| | For the fiscal year ending September 30, 2022 | | | | |
|--|--|--|---|--------------|---|
| | Lutheran Retirement Center - Salisbury, Inc. | Lutheran Home at Trinity Oaks Property, Inc. | Lutheran Home at Trinity Oaks, Inc. | Eliminations | Combined Total Operating Expenses |
| Expenses | | | | | |
| Health Care | \$ 1,156 | \$ - | \$ 6,606 | \$ - | \$ 7,762 |
| Operations: | | | | | |
| Maintenance | 458 | - | 142 | - | 600 |
| Utilities | 402 | - | 232 | - | 634 |
| Laundry | 25 | - | 181 | - | 206 |
| Housekeeping | 334 | - | 300 | - | 634 |
| Groundskeeping | 182 | - | 41 | - | 223 |
| Security | 63 | - | 40 | - | 103 |
| Dietary | 1,696 | - | 1,097 | - | 2,793 |
| Activities, Transportation, and Ministry | 458 | - | 245 | - | 703 |
| Administrative | 1,506 | 77 | 2,580 | (650) | 3,513 |
| Management Fees | 454 | - | 623 | - | 1,077 |
| Subtotal | <u>6,734</u> | <u>77</u> | <u>12,087</u> | <u>(650)</u> | <u>18,248</u> |
| Depreciation | | | | | 2,610 |
| Interest Expense and Amortization | | | | | 163 |
| Total Operating Costs and Expenses | | | | | <u>\$ 21,021</u> |

| | For the fiscal year ending September 30, 2023 | | | | |
|--|--|--|---|--------------|---|
| | Lutheran Retirement Center - Salisbury, Inc. | Lutheran Home at Trinity Oaks Property, Inc. | Lutheran Home at Trinity Oaks, Inc. | Eliminations | Combined Total Operating Expenses |
| Expenses | | | | | |
| Health Care | \$ 1,202 | \$ - | \$ 6,873 | \$ - | \$ 8,075 |
| Operations: | | | | | |
| Maintenance | 477 | - | 147 | - | 624 |
| Utilities | 418 | - | 242 | - | 660 |
| Laundry | 26 | - | 188 | - | 214 |
| Housekeeping | 346 | - | 314 | - | 660 |
| Groundskeeping | 189 | - | 43 | - | 232 |
| Security | 65 | - | 42 | - | 107 |
| Dietary | 1,763 | - | 1,143 | - | 2,906 |
| Activities, Transportation, and Ministry | 478 | - | 253 | - | 731 |
| Administrative | 1,566 | 80 | 2,641 | (670) | 3,617 |
| Management Fees | 435 | - | 610 | - | 1,045 |
| Subtotal | <u>6,965</u> | <u>80</u> | <u>12,496</u> | <u>(670)</u> | <u>18,871</u> |
| Depreciation | | | | | 2,399 |
| Interest Expense and Amortization | | | | | 158 |
| Total Operating Costs and Expenses | | | | | <u>\$ 21,428</u> |

See Independent Accountants' Compilation Report

Summary of Significant Projection Assumptions and Accounting Policies

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

| | For the fiscal year ending September 30, 2024 | | | | |
|--|--|--|---|--------------|---|
| | Lutheran Retirement Center - Salisbury, Inc. | Lutheran Home at Trinity Oaks Property, Inc. | Lutheran Home at Trinity Oaks, Inc. | Eliminations | Combined Total Operating Expenses |
| Expenses | | | | | |
| Health Care | \$ 1,238 | \$ - | \$ 7,080 | \$ - | \$ 8,318 |
| Operations: | | | | | |
| Maintenance | 491 | - | 152 | - | 643 |
| Utilities | 430 | - | 249 | - | 679 |
| Laundry | 27 | - | 193 | - | 220 |
| Housekeeping | 356 | - | 323 | - | 679 |
| Groundskeeping | 195 | - | 44 | - | 239 |
| Security | 67 | - | 43 | - | 110 |
| Dietary | 1,816 | - | 1,177 | - | 2,993 |
| Activities, Transportation, and Ministry | 491 | - | 262 | - | 753 |
| Administrative | 1,615 | 83 | 2,719 | (690) | 3,727 |
| Management Fees | 448 | - | 623 | - | 1,071 |
| Subtotal | 7,174 | 83 | 12,865 | (690) | 19,432 |
| Depreciation | | | | | 2,525 |
| Interest Expense and Amortization | | | | | 150 |
| Total Operating Costs and Expenses | | | | | \$ 22,107 |
| | For the fiscal year ending September 30, 2025 | | | | |
| | Lutheran Retirement Center - Salisbury, Inc. | Lutheran Home at Trinity Oaks Property, Inc. | Lutheran Home at Trinity Oaks, Inc. | Eliminations | Combined Total Operating Expenses |
| Expenses | | | | | |
| Health Care | \$ 1,275 | \$ - | \$ 7,293 | \$ - | \$ 8,568 |
| Operations: | | | | | |
| Maintenance | 506 | - | 156 | - | 662 |
| Utilities | 443 | - | 257 | - | 700 |
| Laundry | 28 | - | 199 | - | 227 |
| Housekeeping | 367 | - | 333 | - | 700 |
| Groundskeeping | 201 | - | 45 | - | 246 |
| Security | 69 | - | 44 | - | 113 |
| Dietary | 1,871 | - | 1,212 | - | 3,083 |
| Activities, Transportation, and Ministry | 506 | - | 269 | - | 775 |
| Administrative | 1,662 | 85 | 2,802 | (710) | 3,839 |
| Management Fees | 461 | - | 635 | - | 1,096 |
| Subtotal | 7,389 | 85 | 13,245 | (710) | 20,009 |
| Depreciation | | | | | 2,654 |
| Interest Expense and Amortization | | | | | 144 |
| Total Operating Costs and Expenses | | | | | \$ 22,807 |

See Independent Accountants' Compilation Report

Summary of Significant Projection Assumptions and Accounting Policies

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

| | For the fiscal year ending September 30, 2026 | | | | Combined Total Operating Expenses |
|--|--|--|---|--------------|---|
| | Lutheran Retirement Center - Salisbury, Inc. | Lutheran Home at Trinity Oaks Property, Inc. | Lutheran Home at Trinity Oaks, Inc. | Eliminations | |
| Expenses | | | | | |
| Health Care | \$ 1,313 | \$ - | \$ 7,511 | \$ - | \$ 8,824 |
| Operations: | | | | | |
| Maintenance | 521 | - | 161 | - | 682 |
| Utilities | 457 | - | 264 | - | 721 |
| Laundry | 29 | - | 205 | - | 234 |
| Housekeeping | 378 | - | 343 | - | 721 |
| Groundskeeping | 207 | - | 46 | - | 253 |
| Security | 71 | - | 46 | - | 117 |
| Dietary | 1,927 | - | 1,248 | - | 3,175 |
| Activities, Transportation, and Ministry | 521 | - | 278 | - | 799 |
| Administrative | 1,712 | 88 | 2,886 | (732) | 3,954 |
| Management Fees | 475 | - | 649 | - | 1,124 |
| Subtotal | <u>7,611</u> | <u>88</u> | <u>13,637</u> | <u>(732)</u> | <u>20,604</u> |
| Depreciation | | | | | 2,787 |
| Interest Expense and Amortization | | | | | 140 |
| Total Operating Costs and Expenses | | | | | <u>\$ 23,531</u> |

See Independent Accountants' Compilation Report

Attachment 4

Interim Financials
(January 31, 2022)

Trinity Oaks Campus Consolidated
Balance Sheet
As of January 31, 2022

ASSETS

Current Assets

| | | |
|--------------------------------|----|-------------------|
| Cash and Cash Equivalents | \$ | 9,179,101 |
| Investments | | 10,140,197 |
| Receivables - Net of Allowance | | 1,584,958 |
| Other | | 3,284,335 |
| Inventories | | 71,608 |
| Prepaid Expenses | | 5,130 |
| Assets Limited - Residents | | 12,041 |
| Total Current Assets | | 24,277,371 |

Non-Current Assets Limited as to Use

| | | |
|--|--|------------------|
| Board Designated Funds | | 2,279,766 |
| Operating Reserve Requirement | | 1,802,000 |
| Assets Restricted for Property & Equip | | 1,004,756 |
| Total Assets Limited as to Use | | 5,086,522 |

Property & Equipment

23,812,710

Total Assets

53,176,603

LIABILITIES

Current Liabilities

| | | |
|-----------------------------------|--|------------------|
| Accounts Payable - Trade | | 425,487 |
| Accrued Salaries and Payroll | | 872,379 |
| Accrued Employee Benefits | | 40,271 |
| Refundable Fees - Current Portion | | 638,086 |
| Resident' Funds | | 12,041 |
| Total Current Liabilities | | 1,988,264 |

Other Liabilities and Credits

| | | |
|--|--|-------------------|
| Long-Term Debt | | 5,098,499 |
| Deferred Revenue | | 1,835,846 |
| Refundable Fees | | 7,916,512 |
| Deferred Revenue from Advance Fees | | 7,369,474 |
| Total Other Liabilities and Credits | | 22,220,331 |

Total Liabilities

24,208,595

Net Assets

| | | |
|-------------------------|--|-------------------|
| Unrestricted | | 27,559,489 |
| Temporarily Restricted | | 1,408,519 |
| Total Net Assets | | 28,968,008 |

Total Liabilities and Net Assets

\$ 53,176,603

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

| | Actual |
|--|----------------------|
| Revenue and Other Support | |
| Net Resident Service Revenue | \$ 7,467,640 |
| Amortization of Deferred Entrance Fees | 268,691 |
| Released from Restrictions for Operation | 10,426 |
| Other Revenue | 400,389 |
| In-Kind Contribution | 2,721 |
| Total Operating Income | 8,149,867 |
| Expenses | |
| Salaries and Wages | 3,143,961 |
| Employee Benefits | 507,422 |
| Supplies and Other | 2,595,888 |
| Marketing | 71,014 |
| Depreciation | 868,336 |
| Interest and Amortization | 196,821 |
| Total Expenses | 7,383,443 |
| Operating Income (Loss) | 766,424 |
| Non-Operating Gains (Losses) | |
| Investment Income | 222,819 |
| Unrealized Gain (Loss) on Investment | (152,086) |
| Contributions | 45,400 |
| Total Non-Operating Gains (Losses) | 116,133 |
| Excess Revenues Over Expenses | 882,557 |
| Temporarily Restricted | |
| Contributions and Grants | 68,545 |
| Release of Restricted Funds | (10,426) |
| Change in Temporarily Restricted Net Assets | 58,119 |
| Increase (Decrease) in Net Assets | 940,676 |
| Net Assets Beginning of Year | 28,027,332 |
| Current Net Assets | \$ 28,968,008 |

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

| | | |
|---|--|----------------------------|
| Change in net assets | | \$ 940,676 |
| Cash flows from operating activities: | | |
| Depreciation and amortization | | 868,336 |
| Amortization of deferred entrance fees | | (268,691) |
| (Increase) decrease in assets | | 1,278,266 |
| Increase (decrease) in liabilities | | (211,013) |
| Net adjustments | | <u>1,666,899</u> |
| Net cash provided by operating activities | | 2,607,575 |
| | | |
| Cash flows from purchase of property and equipment | | (443,763) |
| | | |
| Cash flows from financing activities: | | |
| Change in refundable deferred fees | | 624,991 |
| Change in deferred revenue | | 246,948 |
| Change in debt | | (215,975) |
| Net cash used by financing activities | | <u>655,964</u> |
| Net increase (decrease) in cash | | 2,819,777 |
| | | |
| Cash flows from purchase from investments | | (70,214) |
| | | |
| Cash at the beginning of the year | | 6,429,539 |
| | | |
| Cash at the end of the period | | <u><u>\$ 9,179,101</u></u> |

Attachment 5

Assisted Living
Enhanced Care Program

LEVEL OF CARE DETERMINATION

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

Assessment Date _____

Resident Name _____ Apt. # _____

Responsible Party _____ Phone _____

Attending Physician _____ Phone _____

Levels of Care are defined as follows:

_____ Independent

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

_____ Enhanced Care services

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

_____ Enhanced Care Plus services

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

_____ Maximum Care

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

DETERMINATION OF LEVEL OF CARE AND RELATED EXPENSES

PERFORMANCE CODE TOTAL from ADL and BEHAVIORAL Assessment Tool _____

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

RESIDENT ASSESSMENT FORM

Level of Care before Assessment _____

Level of Care after Assessment _____

RESIDENT _____

ADL NEEDS CHECKLIST

ADL

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

BEHAVIORAL

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

TOTAL SCORE _____

DEFINITION OF PERFORMANCE CODES

0. INDEPENDENT

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

1. SUPERVISION

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

2. LIMITED ASSISTANCE

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

3. EXTENSIVE ASSISTANCE

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

4. TOTALLY DEPENDENT

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

Staff completing assessment _____ Date _____

Attachment 6

Cottage Unbundling of
Services Program

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

January 1 thru December 31, 2022

| | 1st Occupant | 2nd Occupant | Total Mthly Rate |
|----------------------------|--------------|--------------|------------------|
| Unbundled Base Rate | \$2,837.00 | \$845.00 | \$3,682.00 |

A la carte options

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

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

Fee for Service Transportation

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

Housekeeping: Can be contracted through Trinity at Hom \$22.00 Per Hour

Healthcare days: 15 Free Days at Health and Reh ab per year
(Effective for all new residents that reserve in 2022)

I agree with the unbundling program fee structure and the additional a la carte pricing as listed for January 1 through December 31, 2022

| | | | |
|-----------|------|------------------|---------------|
| Signature | Date | | Base \$2,837 |
| | | | Trans |
| | | | Mthly rate \$ |
| | | | 2nd person |
| Signature | Date | Total mthly rate | \$ |