

DISCLOSURE STATEMENT

May 30, 2024

THE PINES AT DAVIDSON, INC.

400 Avinger Lane
Davidson, North Carolina 28036
(704) 896-1100

Visit our website at www.thepinesatdavidson.org

Mission Statement

Provide high quality housing, healthcare and other services that exceed residents' expectations.

In pursuing its mission, The Pines at Davidson will set itself apart by the following:

- 1. Being ever mindful of the needs of residents.*
- 2. Attracting and retaining a professional and caring staff committed to the service and well-being of residents.*
- 3. Leveraging collaborative opportunities, including those with the College and the Town.*
- 4. Exhibiting innovation through bold investments in technologies and facilities.*
- 5. Maintaining its identity as a nonprofit community established by members and friends of Davidson College Presbyterian Church and The Trustees of Davidson College.*

IN ACCORDANCE WITH SECTION 58-64-30(a) OF THE NORTH CAROLINA GENERAL STATUTES, THIS DISCLOSURE STATEMENT MAY BE DELIVERED UP TO MAY 29, 2025, IF NOT EARLIER REVISED. DELIVERY OF THIS DISCLOSURE STATEMENT TO A CONTRACTING PARTY BEFORE THE EXECUTION OF A CONTRACT FOR THE PROVISION OF CONTINUING CARE IS REQUIRED BY NORTH CAROLINA LAW. THIS DISCLOSURE STATEMENT HAS NOT BEEN REVIEWED OR APPROVED BY ANY GOVERNMENT AGENCY OR REPRESENTATIVE TO ENSURE ACCURACY OR COMPLETENESS OF THE INFORMATION SET OUT.

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THE PINES AT DAVIDSON, INC.

BEYOND EXPECTATIONS: *Shaping Our Future Together*

CORE VALUES

1. *Extraordinary level of service to residents.*
2. *Exemplary stewardship of financial and physical assets.*
3. *Kindness, compassion, respectfulness.*
4. *Honesty, integrity, transparency.*
5. *Balanced consideration of the needs of all constituents.*
6. *Stability, security, safety.*
7. *Lifelong personal learning and growth.*

CORE PURPOSE

Enhance aging with dignity and independence through empathetic, compassionate service.

VISION FOR 2026 AND BEYOND

In 10 years we must be able to look back and say:

- *Everything we do radiates The Pines' Core Values.*
- *Our Wellness and Aftercare programs allow residents to enjoy optimal health and independence.*
- *Our facilities and services are such that current and future residents see The Pines as in a class by itself.*
- *The Pines has modified its facilities and programs to enhance resource conservation and environmental sensitivity in a fiscally responsible manner.*
- *Everyone connected with The Pines is committed to the relentless pursuit of our strategic goals and clearly understands how he or she can make a difference.*
- *We have kept ahead of the curve – being proactive and approaching change as an opportunity.*
- *The charitable gifts are in place to support extraordinary facilities and the continual nurturing of residents and employees.*

STRATEGIC GOALS

1. *DELIGHTED RESIDENTS who are The Pines' best ambassadors.*
2. *HIGH QUALITY HEALTH CARE AND OTHER SERVICES.*
3. *A CARING, TALENTED AND LOYAL STAFF.*
4. *STATE-OF-THE-ART FACILITIES.*
5. *STRONG COMMUNITY RELATIONS with Davidson College and the local communities.*
6. *An INNOVATIVE CULTURE and SPIRIT OF INQUIRY that ensures success into the future.*
7. *Highly EFFECTIVE BOARD GOVERNANCE.*
8. *FINANCIAL STRENGTH, enabling financial security and comfort for residents while attracting and retaining high performing staff.*

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Appendix A	Residence and Care Agreement
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INTRODUCTION

The Pines at Davidson (“The Pines”) is a continuing care retirement community located in Davidson, North Carolina, which offers its residents (“Residents”) lifetime use of a living unit (a “Living Accommodation”) and care in the Mariam Coltrane Schramm Health Center (the “Schramm Health Center”) in accordance with the terms of a Residence and Care Agreement entered into by The Pines at Davidson, Inc. with each Resident (a “Residence and Care Agreement”), the current version of which is attached hereto as Appendix A.

The purpose of this Disclosure Statement is to make disclosures required by North Carolina law and to furnish information to prospective Residents, their families and their advisers concerning the ownership and operation of The Pines.

Ownership

The Pines is owned and operated by The Pines at Davidson, Inc., a nonprofit, non-stock corporation organized for charitable purposes under the laws of the State of North Carolina on February 17, 1983, to construct and operate a continuing care retirement community. The business address of The Pines at Davidson, Inc. is 400 Avinger Lane, Davidson, North Carolina 28036. The name of the corporation was changed from Davidson Retirement Community, Inc. to The Pines at Davidson, Inc., effective June 6, 2001.

The Pines at Davidson, Inc. has received a determination that it is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. As a nonprofit, non-stock corporation, The Pines at Davidson, Inc. pays no dividends, and all of its earnings, if any, are used to further the purposes of the corporation. Gifts and bequests to The Pines at Davidson, Inc. are deductible for income, gift and estate tax purposes, subject to applicable statutory limitations.

Legal Status and Operations

The Pines at Davidson, Inc. manages and operates the continuing care retirement community that operates under the name “The Pines at Davidson.” The Pines may sometimes be referred to as a life plan community. The terms “continuing care retirement community” and “life plan community” are interchangeable as used by The Pines.

Under the Charter and Bylaws of The Pines at Davidson, Inc., the members of the Board of Directors of The Pines at Davidson, Inc. are elected by the Board of Directors. The Pines at Davidson, Inc. is not affiliated with any religious, charitable or other nonprofit organization. However, members and friends of Davidson College Presbyterian Church, Davidson, North Carolina provided substantial leadership and support in the establishment of The Pines.

Accreditation

The Pines is licensed as a continuing care retirement community by the North Carolina Department of Insurance. The Pines is licensed by the North Carolina Department

of Health and Human Services, Division of Facility Services, to operate 75 beds offering intermediate and skilled nursing care (the “Nursing Facility Beds”) for Residents who are temporarily ill or who require long term nursing care and 30 beds to provide support services for Residents who require assistance with activities of daily living (the “Adult Care Home Beds”). This Disclosure Statement refers to the area of the Schramm Health Center containing the Nursing Facility Beds as the Peggy and Bill Hidell Nursing Center or the “Hidell Nursing Center” and the area of the Schramm Health Center containing the Adult Care Home Beds as the “Assisted Living Unit.”

None of the Nursing Facility Beds or Adult Care Home Beds are certified as Medicaid or Medicare beds. The Pines obtained its Nursing Facility Beds and Adult Care Home Beds through an exemption for non-Medicare and non-Medicaid beds. The Pines chooses not to participate in the federal Medicare program as it concerns its skilled nursing beds because the collective benefits of participating in such program to The Pines and its Residents do not outweigh the costs of administering such program.

Medicare does not provide long term coverage for skilled nursing care. Residents desiring such coverage should purchase their own long-term care insurance. There are strict eligibility requirements, such as a qualifying three-night hospital stay and discharge to a skilled nursing bed for specific diagnoses, in order to receive benefits under the 100 maximum available days of Medicare coverage for skilled nursing care. While the maximum Medicare coverage is up to 100 days, the average stay in a typical Medicare situation is about 20 days. After day 100 the patient would be responsible for all costs. The costs of administering the program at The Pines would be substantial.

Although The Pines’ Nursing Facility Beds and Adult Care Home Beds are not Medicare certified, under The Pines’ Residence and Care Agreement, Residents may reside temporarily in the Schramm Health Center for up to 14 days each year with no increase in their Monthly Charge. Residents residing in the Schramm Health Center are eligible to receive Medicare benefits for certain health care treatment provided on-site at The Pines by third parties, such as licensed physical/occupational/speech therapists, physicians, podiatrists and hospice.

THE FACILITIES

Description of The Pines

The Pines provides housing and services, including health care, to people of retirement age and consists of independent living units, common facilities, and health care facilities. The Pines is located on a contiguous wooded tract of approximately 149 acres at 400 Avinger Lane in Davidson, North Carolina.

A central building contains 157 residential units consisting of 7 studio apartments, 30 deluxe studio apartments, 79 one-bedroom apartments, 28 two-bedroom apartments, 10 two-bedroom suites and three two-bedroom deluxe apartments. There are 22 detached duplexes comprising 44 detached cottage units and three single-family cottages. There are also four detached apartment buildings each containing 12 villa apartments and two detached apartment buildings each containing 19 villa apartments (for a total of 86 villa apartments). Chartwell Estate (described below) and Shaw Property (described below) are each single residential units. There are a total of 292 residential units at The Pines.

The following common areas and amenities are provided: central dining room, private dining room, central kitchen, central living room, library, chapel, beauty parlor/barber shop, multi-purpose room, lobbies, lounges, terraces, porches, administration areas, craft and activity areas, laundry facilities, post office, resident storage areas, wellness clinic, health club, fenced dog park and outdoor garden. The Schramm Health Center is designed to accommodate 105 Residents, with 30 private Adult Home Care Beds in the Assisted Living Unit and 75 private Nursing Facility Beds in the Hidell Nursing Center.

The Pines operates a Warm Water Therapy Facility that includes a 24 ft. x 50 ft. warm water therapy pool, a hot water whirlpool, outdoor courtyards, locker rooms and an exercise therapy room containing exercise therapy equipment. In order to use the Warm Water Therapy Facility an individual must sign a Pool Use Agreement and agree to abide by the pool rules which require, among other things, that individuals never use the Warm Water Therapy Facility alone (a copy of the Pool Use Agreement is attached as Appendix D). Only individuals 18 and over may use the Warm Water Therapy Facility. Residents who have completed the Pool Use Agreement are issued a card key which unlocks the locker room door.

The following table summarizes the type, number and size of the current residential units:

Unit Type / Description	# of Units	Approximate Heated Square Feet
<u>Independent Living Accommodations</u>		
Studio	7	418
Deluxe Studio	30	527
1 Bedroom	79	722
2 Bedroom	28	975
2 Bedroom Suite	10	1,140
2 Bedroom Deluxe	3	1,249
Cottage	4	1,200
Large Cottage	2	1,440
Large Cottage with Sunroom	38	1,565
Large Cottage with Sunroom/Study and Garage	3	1,656
2 Bedroom Villa (Plan A)	24	1,429
2 Bedroom Deluxe Villa (Plan B)	8	1,619
2 Bedroom with Den Villa (Plan C)	8	1,809
2 Bedroom with Den Deluxe Villa (Plan D)	8	1,870
1 Bedroom Deluxe Villa with Sunroom/Study (1.5 Bath) (Green)	6	1,164
2 Bedroom Villa with Porch or Balcony (2 Bath) (Blue)	2	1,515
2 Bedroom Villa with Sunroom/Study (2 Bath) (Red)	14	1,667
2 Bedroom Villa with Sunroom/Study and Balcony (2 Bath) (Yellow)	16	1,681
Chartwell Estate	1	N/A
Shaw Property	1	N/A
Total Independent Living Accommodations	292	

Location and Physical Property

The Pines’ main campus is located on a 52-acre wooded tract (the “campus”) on Avinger Lane in Davidson, North Carolina. The central facilities include residential apartments, the Schramm Health Center and the William H. and Nancy Grey Jetton Community Center (the “Jetton Community Center”). Walkways connect the central facilities to the Living Accommodations clustered nearby.

In addition to the main campus, The Pines owns the following:

- a. Approximately 64 acres of wooded land adjoining the main campus that it is holding as investment property. The Pines’ plans for the approximately 64 acres of land held as an investment property is uncertain at this time.
- b. Approximately 31 acres at 200 Avinger Lane, of which 2.276 acres contains a two-story residence, garage and driveway, which is made available as a living

accommodation and is known as the Chartwell Estate residence (“Chartwell Estate”). The remaining portion of the 31 acres adjoins Chartwell Estate but is not part of the living accommodation (“Remaining Area”).

- c. Approximately 2 acres located at 228 Avinger Lane and an additional 0.46 acres located at 220 Avinger Lane, which contains a two-story residence that is known as the Shaw Property residence (“Shaw Property”). Shaw Property includes a detached wine storage facility and driveway.

Estimated Number of Residents

It is estimated that the total number of Residents who may be provided services at a given time under Residence and Care Agreements at The Pines is currently 493. This estimate is based on the assumption that there is full occupancy of all of the Living Accommodations described above, that 33% of the residential units are occupied by two persons and that all 105 of the beds in the Schramm Health Center are occupied.

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LEADERSHIP

Board of Directors

The Board of Directors of The Pines is composed of twenty-one persons made up of citizens of nearby communities, business executives, church officials and qualified professionals with experience in various fields. Three residents of The Pines are included and have voting privileges. Directors serve staggered terms of three years or until their successors are duly elected and qualified. In addition, two individuals named below serve as Ex-officio Directors with no definite term. The names of the current members and officers of the Board of Directors of The Pines, a synopsis of their principal business and civic affiliations and the expiration of their terms (in parenthesis at the end of each synopsis) are as follows. There are frequently directors who have relatives who reside at The Pines.

Joseph L. Trask, M.D. –Chair and Director. Dr. Trask’s contact address is 400 Avinger Lane, Davidson, NC 28036. After practicing cardiology in Myrtle Beach for 24 years, Dr. Trask moved to Davidson in 2012 and began practicing in this area. He is practicing cardiology for the Mooresville, NC office of Novant Health Heart and Vascular. Dr. Trask graduated from Davidson College (1979). He obtained his medical degree from the Medical University of South Carolina (1983). Dr. Trask completed his residency at the University of Alabama at Birmingham (1986) and his fellowship at the Medical University of South Carolina (1988). He has board certifications in internal medicine and cardiovascular disease. He is married to Sally Trask and they have two adult children, Rebecca (Davidson Class of 2008), who is a CPA in Charlotte, and Lake (Davidson Class of 2011), who has completed his Ph.D. in mathematics at N.C. State University and works with Kittleson and Associations in Wilmington, NC. (2025)

Mary Weeks Fountain – Vice Chair and Director. Ms. Fountain’s contact address is 400 Avinger Lane, Davidson, NC 28036. Ms. Fountain is a Chartered Financial Analyst. She serves as Managing Director of Sterling Capital Management which she joined in 1985. Ms. Fountain is a senior private client portfolio manager. She received her B.A. in Chemistry from the University of North Carolina at Chapel Hill. Ms. Fountain is a member of First Presbyterian Church in Charlotte, NC. (2024)

Linda Need – Secretary and Director. Ms. Need’s contact address is 400 Avinger Lane, Davidson, NC 28036. Ms. Need serves on the Board of Directors of OneAmerica Financial and manages Linda Need Consulting, LLC providing independent consulting focused on insurance, annuity and other financial product management, marketing and distribution. Ms. Need’s prior work experience includes serving with Wells Fargo (SVP, Managing Director, Life Insurance, 2011-2016); Bank of America (SVP, Merrill Lynch Transition, 2008-2011; SVP, Division Sales Executive, Premier Banking & Investments, 2006-2008; SVP, various insurance product/sales management roles, 2002-2006); Morgan Stanley (Executive Director, National Sales Manager, Insurance & Annuities, 1998-2002); Allstate (various actuarial and sales roles, 1986-1997); Willis Towers Watson (actuarial consulting, 1984-1986); and Northwestern Mutual (Actuarial Associate, 1978-1984). Ms. Need graduated from Williams College in 1978 with a BA in Mathematics and Economics

and obtained a MS in Financial Services from The American College in 2015. She was previously the Board Chair for The American College's Board of Trustees. (2026)

John Barkley, MD, FCCP – Director. Dr. Barkley's contact address is 400 Avinger Lane, Davidson, NC 28036. Dr. Barkley served in the role of Chief Medical Officer for Atrium Health Continuing Care Services for 13 years where his responsibilities included oversight of the five Atrium Health skilled nursing facilities, two hospice agencies and Atrium Health at Home. Dr. Barkley received his undergraduate and medical degrees from the University of North Carolina prior to completing an internship and residency in Internal Medicine and fellowship in Pulmonary & Critical Care Medicine. In 2002, Dr. Barkley left private practice in Pulmonary & Critical Care to become the first paid Medical Director at what was then Hospice at Charlotte (now Via Health Partners). There, Dr. Barkley started the first Palliative Care services in the Charlotte region and was the Chief Medical Officer of Hospice at Charlotte until assuming the Chief Medical Officer role with Atrium Health in April 2010. Dr. Barkley's current clinical work is in the hospice inpatient unit setting. (2024)

Amy Bezanson – Director. Mrs. Bezanson's contact address is 400 Avinger Lane, Davidson, NC 28036. Mrs. Bezanson has served as Director of Design with Crescent Communities since early 2016 with a focus on the design, master planning and development of mixed-use, commercial office, multifamily developments, creating places that enhance the way people live, work, and play. Her diverse project experience spans 18 years and includes over 4,000,000 built square feet and 8,000,000 planned square feet. Prior to joining Crescent, she was the Associate Director of Design at MSTSD in Atlanta, GA. Mrs. Bezanson earned a Bachelor of Science degree in Architecture with highest honors from the Georgia Institute of Technology, including City and Regional Planning certificates of minor study specializing in Urban Law and Land Development. In addition, she holds a Master of Architecture degree from Clemson University and was awarded the AIA Medal. Mrs. Bezanson is a registered architect (NCARB/Georgia), member of the American Institute of Architects (AIA), Fitwel Ambassador and LEED Accredited Professional in Building Design + Construction. She lives in Charlotte with her husband, daughter (14) and son (10). (2025)

Sarah Boehmler – Director. Mrs. Boehmler's contact address is 400 Avinger Lane, Davidson, NC 28036. Mrs. Boehmler received a B.A. from Sweet Briar College. She is a retired Executive Vice President of the American Stock Exchange. Mrs. Boehmler was Chairman of the Corporation of The Brick Presbyterian Church in New York City and a Board member of The Brick Church Day School for four years. She served on the Board of Sweet Briar College, The Board of Trustees of Davidson College and the Board of the YWCA of New York City. Mrs. Boehmler was Co-Chair of the World Service Council of The National YWCA, a member of the Third Street Music Settlement and a Deacon of Davidson College Presbyterian Church. She currently serves on the Davidson College Board of Visitors. (2025)

Katherine Bunn – Director. Mrs. Bunn's contact address is 400 Avinger Lane, Davidson, NC 28036. Mrs. Bunn is a retired financial services professional. Most recently,

she retired from Bank of America, where she was a Managing Director and was employed from 1994 to 2018. At Bank of America, she served in various roles within Leveraged Finance, Global Principal Investments Risk Management and Corporate Treasury. She graduated from Davidson College in 1988 with a B.A. in Political Science and obtained an MBA from the Kenan-Flagler Business School at UNC-Chapel Hill in 1994. (2025)

Jason Cameron – Director. Mr. Cameron’s contact address is 400 Avinger Lane, Davidson, NC 28036. Mr. Cameron graduated in 1995 from the University of Tennessee at Knoxville with a BS in Civil Engineering. Mr. Cameron is currently employed by The Spectrum Companies, a real estate developer and manager. Prior to this, Mr. Cameron worked as a Project Manager for construction management firms similar to Rodgers Builders. He formerly worked with Edifice, Inc. (2017 to 2022), The Whiting Turner Contracting Company (1999-2006) and JE Dunn Construction (2006-2017). He is a member of Myers Park United Methodist Church in Charlotte, NC. (2025)

Kevin Davis – Director. Mr. Davis’s contact address is 400 Avinger Lane, Davidson, NC 28036. Mr. Davis joined Davidson College in 2017 and currently serves as the Chief Information Officer. Prior to joining Davidson College, Mr. Davis worked in Information Technology at Duke University (11 years) and Harvard University (5 years). Mr. Davis has an AB in Government from Harvard University and MBA from Boston University. (2024)

John N. Gilbert III – Director. Mr. Gilbert’s contact address is 400 Avinger Lane, Davidson, NC 28036. He is President of Gilbert Engineering Company where he has been employed for the past 22 years. Mr. Gilbert received a B.A. in the History of Art from University of North Carolina at Chapel Hill. He has served on the City of Statesville Planning Board and the City of Statesville Board of Adjustments. He is a member of First Presbyterian Church in Statesville, NC where he has served as Elder and Treasurer. (2026)

Emmie Alexander Hancock – Resident Director. Ms. Hancock attended Agnes Scott College and graduated from Queens College (now Queens University) with a B.A. degree in English and French. Almost 20 years later she earned the M.A. degree in Speech Communication from Wake Forest University. She began her career teaching English, Advanced World Literature, Speech Communication, and Introduction to Foreign Languages in the Charlotte-Mecklenburg Schools. After a hiatus to raise a family of four children, she began a second career as a management consultant, executive coach, strategic planning facilitator, trainer of trainers, and developer and instructor of leadership programs for major corporations, local and Federal government, and non-profits. She is a Founding Partner of AlexanderHancock Associates and retired in 2023. Her work took her to 24 states and 10 foreign countries as she worked with every level from the executive suites to the factory floor. Before moving to Davidson in 1985 she was actively engaged in civic life in Charlotte. At United Family Services (now SafeAlliance) she served several years on the Board of Directors and one year as chair. One of her passions was bringing attention to the problem of domestic violence. When Charlotte was struggling to implement school integration, Ms. Hancock chaired the Quality Education Committee, a group of citizens from all across the County dedicated to ensuring a quality education for all children. This group was chosen by Judge McMillan to design the integration plan that was adopted by the School

Board. She also co-chaired the first community-wide celebration of the birthday of Dr. Martin Luther King Jr. She has been an active member of Davidson United Methodist Church, where she taught numerous Bible study classes and chaired several committees, including the Ministry to Seniors committee. She and her husband moved to the Pines in 2017. Between them, they have 6 children (including 3 Davidson College graduates) and 12 grandchildren. (2026)

James E. Harris, Jr. (Jay) – Director. Mr. Harris’ contact address is 400 Avinger Lane, Davidson, NC 28036. He is a Managing Director in the Mergers & Acquisitions Group at Bank of America Securities, where he has been employed since November 2019. Prior to joining Bank of America Securities, Mr. Harris was a Managing Director in the Mergers & Acquisitions Group at Wells Fargo Securities, LLC, where he was employed for 20 years. Before joining Wells Fargo Securities, Mr. Harris worked in the Industrials M&A Group for JP Morgan Securities and, prior to business school, he worked at James E. Harris Construction Company, a family-owned business based in Huntersville, NC. Mr. Harris received a B.A. in History from Davidson College, and an MBA, with honors, from the Booth School of Business at the University of Chicago, where he was a Peter May Scholar. Mr. Harris is a member of Davidson College Presbyterian Church, where he has served as an Elder, Chairman of the Global Missions and Planning Committees, a Sunday school teacher for the Confirmation class, and a youth group small group leader. Mr. Harris has served as an Assistant Scoutmaster with Troop 58 of the Boy Scouts of America and has been actively involved in Y-Guides and Y-Princesses. Mr. Harris has served as Co-Chairman of the Fund for Davidson, a member of the Campaign for Davidson, and as Co-Chairman of the Ne Ultra Society for Davidson College. (2024)

Joseph Konen, M.D., M.S.P.H. – Director. Dr. Konen’s contact address is 400 Avinger Lane, Davidson, NC 28036. Dr. Konen taught Family Medicine, Public Health, Health Care Systems and History of Medicine for 35 years at various academic institutions including 8 years as a department chair in Family and Community Medicine. Dr. Konen served as Vice Chair of Family Medicine at Wake Forest School of Medicine/Baptist Hospital before coming to Carolinas Medical Center as Chair of Family Medicine. He then went to work with Pfizer Pharmaceuticals in NYC, initially in Pfizer’s cardiovascular division and then in its international division. In 2019, Dr. Konen retired with 15 years of pharmaceutical industry leadership experience in field medical, medical affairs, pharmaceutical innovation and integrated health from both US and Global perspectives. He also taught part-time as adjunct faculty at Davidson College for 17 years. He currently volunteers with the American Red Cross assisting with local Disaster Action Teams, Sheltering, Health Services, and youth preparedness education. Dr. Konen graduated from Hamilton College in 1975 (AB), the State University of New York Health Science Center at Syracuse in 1979 (MD), and the University of Utah in 1984 (MSPH) where he was a Robert Wood Johnson Foundation Fellow. (2026)

Scott Laws – Director. Mr. Laws is the Vice President, Total Rewards and HR Technology for the Atrium Health enterprise. In his role Scott leads the strategy and leadership team responsible for the execution of compensation and benefits to attract and retain top talent. He is a member of the Human Resources Executive Leadership Team focused on transformation, growth, and operational excellence within the healthcare industry. Scott partners with operational leaders to align with and enable strategic business

priorities. He leads change through cultivating partnerships, developing leaders, and engaging teams. Mr. Laws is a Human Resources leader with over 25 years of experience in various human resources and operational roles and a history of achieving results aligned with the strategy and vision of the organization. He began his career in retail store operations where he spent 10 years in various direct operational roles. The experience he gained working in store operations prepared him to lead HR strategy and teams in a unique way through understanding the needs of the business and finding creative solutions. (2024)

Paul Leonard – Resident Director. Mr. Leonard’s contact address is 400 Avinger Lane, Davidson, NC 28036. Mr. Leonard graduated Cum Laude from Davidson College, earned a Bachelor of Divinity from the University of Chicago and Masters in Business Administration from Emory University. He also received honorary doctorate degrees from Queens University and Davidson College. He served seven years as a Presbyterian minister. First at Trinity Presbyterian Church in Charlotte and then led a non-traditional church in Catawba Presbytery, also in Charlotte focusing on community action and service. He left the ministry and moved into not-for-profit housing before being recruited by the John Crosland Company, the largest privately held homebuilder in the Southeast. He became President of the company in 1984 and was Executive Vice President with Centex Corporation when it purchased the Crosland Company. After retiring from Centex, he was elected to the Board of Habitat for Humanity International (Habitat) and served as Chairman for two years. In June 2004 he was employed as the interim CEO of Habitat. He has served as a trustee for Davidson College and Pfeiffer University. In 2022 he serves as Chairman of the Board of Directors for Crosland Interest, LLC and as a director on the Board of Crowder Construction. He also serves on the Davidson Community Foundation Board. He and his wife of 65 years, Judy have lived at the Pines for 7 years. They have four children, eight grandchildren and one great grandchild. (2024)

Richard (Rich) Lockridge – Director. Mr. Lockridge’s contact address is 400 Avinger Lane, Davidson, NC 28036. Mr. Lockridge is a partner with the law firm McGuireWoods LLP in Charlotte, NC. He focuses his practice on commercial real estate transactions. He received his law degree from the University of Southern California Gould School of Law in 2015. He earned a bachelor's degree in political science from Davidson College in 2012, where he graduated with Honors and was a member of the Davidson football team. (2026)

Harrison L. Marshall, Jr. – Director. Mr. Marshall’s contact address is 400 Avinger Lane, Davidson, NC 28036. Mr. Marshall recently retired from McGuireWoods LLP, where he practiced corporate law, including representing large corporations, emerging growth companies and private equity funds in merger and acquisition transactions. He also represented colleges, universities, and non-profit entities with regard to corporate governance and other legal matters. Mr. Marshall has served on the Board of Partners for McGuireWoods LLP and as the chair of the firm’s Finance Committee. Prior to entering private practice, Mr. Marshall served for fort years as captain in the U.S. Army JAG Corps. He was an Elliott Cheatham Scholar at Vanderbilt University Law School and a Samuel Bell Scholar at Davidson College. He attends Providence Baptist Church in Charlotte, NC. (2024)

Grace Mitchell – Resident Director. Dr. Mitchell came to The Pines from Cornelius, NC. Her degrees include a BS from East Carolina University, MA from UNCC, ME from Duke and a PhD from the University of Virginia. She was a college professor at Davidson, UNCC and Warren Wilson College. She also was a schoolteacher, administrator, guidance counselor and educational consultant. She has authored several books and many articles in the field of education as well as leadership and adult development. Her volunteer services have included the Animal Shelter, Soup Kitchen, Stephen Ministry and she currently serves on various boards. Her hobbies include working with continuing education programs such as Davidson Learns, local history, cooking, book clubs and coordinating programs in various settings. (2025)

Carranza Pryor – Director. Mr. Pryor's contact address is 400 Avinger Lane, Davidson, NC 28036. Mr. Pryor is Chief Counsel for Louisiana State University Health Sciences Center Shreveport, a public university focused on the health sciences and located in Shreveport, Louisiana. It is part of the LSU System and is composed of three different schools: the School of Medicine, School of Graduate Studies, and School of Allied Health Professions. Before joining LSUHSC, Mr. Pryor was the owner of the Pryor Firm, LLC, in Atlanta, Georgia, where he practiced business litigation. He is an elder and member of the First Presbyterian Church in Atlanta. (2026)

Rev. Dr. Peter J. M. Henry – Ex-Officio Director. Rev. Dr. Henry's contact address is 400 Avinger Lane, Davidson NC 28036. Rev. Dr. Henry has been the Pastor and Head of Staff of Davidson College Presbyterian Church (DCPC) since 2019. Prior to his position at DCPC, he was at Grosse Pointe Memorial Church in Grosse Pointe Farms, Michigan where he was head of staff since 2007. Prior to his time at Grosse Pointe Memorial, Peter served as Associate Pastor for Youth and their families at Myers Park Presbyterian Church (1996-2000) in Charlotte and as Interim Associate Pastor at Nassau Presbyterian Church (2001-2002) in Princeton, New Jersey. From 2002-2006, he was a doctoral candidate in homiletics at Princeton Theological Seminary. Peter holds the Master of Divinity ('96), Master of Theology - Homiletics ('01) and Doctor of Philosophy in Practical Theology Homiletics ('09) degrees from Princeton Theological Seminary. Peter received a Bachelor of Arts (English Literature) from the University of Illinois in 1992.

Dr. Doug Hicks - Ex-Officio Director. Dr. Hicks, a member of Davidson's class of 1990, returned to his alma mater in 2022 as president. He joined Davidson from his role as Dean of Oxford College at Emory University. He received an AB degree magna cum laude with honors in economics from Davidson, a Master of Divinity summa cum laude from Duke University, and MA and PhD degrees in religion from Harvard University, where he studied with distinguished theologian Ronald Thiemann and Nobel Prize-winning economist Amartya Sen. He has written or edited nine books along with fifty articles for scholarly and public audiences. On August 1, 2022, he started as Davidson's 19th president. Dr. Hicks previously served as a member of the board of trustees of Agnes Scott College and, earlier, a trustee at Duke University.

None of the members of the Board of Directors of The Pines are employees of The Pines.

Management Staff

The following is a list of the officers and members of The Pines' management staff and a synopsis of their relevant background and experience:

Vernon M. Baker – President/CEO. Mr. Baker has worked in the senior living industry for more than 35 years. Prior to coming to The Pines in March 2021, he was Executive Vice President/Chief Operating Officer of Williamsburg Landing, Inc. in Williamsburg, Virginia, where he served just under four years. For almost 15 years, Mr. Baker served as Administrator, reporting directly to the Board, of Dogwood Village of Orange County, a senior living community in Orange, Virginia. While at Dogwood Village, Vernon was able to expand and renovate the health care center and build a new assisted living building. Prior to this, he served at American HealthCare, L.L.C. in Roanoke, Virginia, as Senior Vice President of Operations and Regional Director of Operations for a total of 4 years. Prior to that Vernon served as an Administrator of three single site health care centers ranging in size from 60 to 180 beds in Charlottesville and Brookneal Virginia. For nearly twenty years, he served on the Board of Directors of the Virginia Health Care Association/Virginia Center for Assisted Living, finishing up as Chairman and then Immediate Past Chairman. Mr. Baker is a graduate of Virginia Polytechnic Institute and State University, more commonly known as Virginia Tech.

David Gentry – Vice President/CFO, Mr. Gentry joined The Pines in 2022 from his previous role as CFO at Menno-Haven, Inc., a Life Plan Community in Pennsylvania. Prior to his 11 years' experience in not-for-profit senior living, Mr. Gentry worked with large for-profit corporations in a variety of leadership positions. He spent nine years with Capital One, where he led the Activity-based Costing team and directed the financial planning & analysis efforts of several Infrastructure Finance teams including HR, IT, corporate real estate, marketing, legal, etc. He also had 13 years' experience with Circuit City Stores and spent his early career in public accounting with KPMG and internal audit with International Paper. Mr. Gentry received a Bachelor of Business Administration in Accounting from Georgia State University and holds an active Certified Public Accountant, CPA, license in the State of Georgia.

Colin R. Madden – Controller. Mr. Madden is a graduate of the University of North Carolina at Charlotte, where he received a B. S. in Business Administration with a concentration in Accountancy. Prior to joining The Pines in May of 2023, Mr. Madden spent 8 years gaining progressive accounting experience in Charlotte before moving to Mooresville where he worked for 7 years as Controller for Bucher Municipal North America Inc., a division of Bucher Industries AG.

Elyse Piscitelli, RN – Director of Health Services. Mrs. Piscitelli joined The Pines at Davidson as its Director of Health Services in July 2023 and moved into the role of Health Center Administrator in March 2024. She came to The Pines from Aldersgate, where she served as the Director of Nursing for five years, and in the joint roles of Director of Nursing and Director of Health Services/Nursing Home Administrator. Prior to joining Aldersgate, Mrs. Piscitelli had 16 years of experience in various clinical leadership roles in senior services including Assistant Director of Nursing and RN MDS Coordinator. Before advancing into

leadership, she worked in direct resident care as a Personal Care Assistant, and then as an LPN. Mrs. Piscitelli is a nursing graduate of SUNY Farmingdale and Excelsior College in New York. In 2019, she received her Infection Prevention Certification through the North Carolina Statewide Program for Infection Control and Epidemiology. In 2021, she received the Excellence in Leadership Award, as presented by LeadingAge, North Carolina. In 2022, she received her Licensed Nursing Home Administrator's license. Currently, she sits on the LeadingAge North Carolina Education Committee, where she has served in an advisory role since 2020.

Lesley Chambless – Director of Human Resources. Mrs. Chambless is a graduate of the University of North Carolina at Chapel Hill where she received her B.A. in Psychology. She received an advanced degree from Villanova University where she graduated with a M.S. degree in Human Resource Development. Ms. Chambless is certified as a Senior Professional in Human Resources. She has 35 years of experience in healthcare human resources where she has worked in a variety of for-profit and non-profit settings in both small and large organizational settings. Recent roles include Assistant Vice President of Human Resources at Atrium Health and Director of Human Resources for Mosaic Pediatric Therapy, a company that provides therapy services to children with autism. Ms. Chambless was hired in May 2022 and leads The Pines human resource function, focusing on a combination of recruitment, workplace culture and modern HR systems. Ms. Chambless is a former member of the Board of the Ada Jenkins Center where she served as Chair from 2020 – 2021 and Vice Chair from 2022-2023.

David Samec – Director of Facilities Services. Mr. Samec joined The Pines in 2022 from his leadership role in the buildout, launching and operation of the Sarasota Art Museum, where he was the Deputy Director and Chief Operating Officer. Before that he had 10 years of experience at the National Gallery of Art in Washington, DC as the Chief of Facilities and before that he spent over 6 years managing and operating facilities at some of the Smithsonian Institution's largest museums, to include the National Air and Space Museum. Mr. Samec spent his early career as a commissioned officer in the U.S. Army Corps of Engineers and received a Bachelor of Science degree in General Engineering from the United States Military Academy at West Point. He received a Master of Science degree in Civil Engineering and Construction Management from Case Western Reserve University, with a minor in Business Administration from the Weatherhead School of Management. Mr. Samec is a licensed Professional Engineer and a Certified Facility Manager. He retired from the military as a Lieutenant Colonel after serving an honorable 20-year career.

Stuart McCachern – Assistant Director of Facilities Services, Horticulturist, and Safety Officer. Mr. McCachern is a graduate of North Carolina State University, where he received a B.S. in Horticulture. Prior to joining The Pines in January 1994, he had experience supervising landscape installation and construction. Mr. McCachern is a certified plantsman and a certified pool operator. His responsibilities at The Pines include supervising the maintenance of the grounds and installation of new plantings, assisting in fire control, safety and operation of the Warm Water Therapy Facility. Mr. McCachern has served on the Board of Deacons and was on the Grounds Committee at First Presbyterian Church in Mooresville, North Carolina.

Gretchen Likins – Director of Sales, Marketing and Communication. Gretchen joined The Pines in 2024. She has 13 years of experience in sales and marketing from Carol Woods Retirement Community in Chapel Hill, including 11 years in the director’s role. Before her career in the senior living industry, she served as the public relations coordinator for a history museum near Buffalo, NY. Prior to that, she worked as a newspaper editor and reporter in various locations, including New York, Texas and Arizona. She holds a degree in journalism from the University of Arizona in Tucson.

Michael Bummel – Director of Dining Services. Mr. Bummel is a seasoned hospitality executive with decades of food service and country club experience, working in places such as Savannah Yacht Club, Quail Hollow and River Hills Country Clubs, as well as Nobles, M5, Upstream and Rooster’s restaurants. His breadth of experience has ignited several areas of passion for him. Some of these include working with, appreciating and serving older populations, planning fabulous events, educating on affordable fine wines, supporting team members in their career interests and growth goals, and building a workforce of organized professionals.

Motria Procyk – Director of Development and Community Relations. Prior to moving to Davidson, Ms. Procyk worked as a fund raiser at the Columbia University School of Law, where she served as Director of Corporate and Foundation Relations, Associate Director of Development, and Director of a \$125 Million Capital Campaign. Earlier, she served as Assistant Director of Corporate Relations at Mount Sinai Hospital during its capital campaign. Ms. Procyk has a B.A. in English from Wesleyan University and an M.A. in Education from Teachers College, Columbia University. She is currently serving as an Elder at Davidson College Presbyterian Church.

Erica Flowers, BSN, RN – Director of Nursing. Ms. Flowers joined The Pines at Davidson in 2006 as a CNA. She then graduated with her LPN in 2006 and was promoted to a nursing position. From 2016 to 2018 she became the Nursing Office Manager. During this time, she gained management experience and was promoted to weekend charge nurse from 2018 to 2020. She continued her pursuit in nursing and graduated with honors from Queens University of Charlotte with a Bachelor of Science in Nursing. She left The Pines to pursue hospital experience, working in the Neuroscience/ Stroke unit. She was then certified through the National Institute of Health Stroke Scale (NIHSS). Ms. Flowers returned to The Pines in 2021 as Assistant Director of Nursing and became the Director of Nursing in 2024. She has since obtained her BLS Instructor Certification and Infection Control in long-term certification through NC Spice/ statewide program for infection control and epidemiology.

Wendy Tobin, MA, NBCC – Director of Resident Services. Ms. Tobin joined The Pines in 2015. Prior to coming to The Pines, she spent 29 years in both private and public education working in such roles as admissions counselor, academic advisor, and school counselor. Mrs. Tobin has spent numerous hours volunteering at the Bryan Center in Charlotte, the Elder Center in Statesville, and the South Iredell Senior Center. She earned her BS in English and Political Science at Rivier University in New Hampshire, her MA in Counseling at UNC Charlotte, and a graduate certificate in Gerontology at UNC Charlotte. She has been a National Board-Certified Counselor since 1997.

The business address for The Pines' management staff is 400 Avinger Lane, Davidson, North Carolina 28036.

None of the officers, directors or persons involved in managing The Pines on a day-to-day basis has been convicted of a felony or plead nolo contendere to a felony charge, nor been held liable or enjoined in a civil action by final judgment which involved fraud, embezzlement, fraudulent conversion, or misappropriation of property; or 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 related to the business activity of health care, including actions affecting a license to operate a foster care facility, nursing home, retirement home, home for the aged, or similar facility.

In accordance with North Carolina General Statute § 58-64-20(a)(3)(b), through this statement, it is hereby disclosed that there is no professional service firm, association, trust, partnership or corporation, in which the President/CEO, any member of the management staff, or any member of the Board of Directors of The Pines has a 10% or greater interest in and which it is presently intended shall currently or in the future provide goods, leases or services to The Pines or to residents of The Pines, of an aggregate value of \$500 or more within any year. Further, given that The Pines is a not-for-profit corporation without shareholders or other owners, there is not any professional service firm, association, trust, partnership or corporation that has an ownership interest in The Pines which currently or in the future is anticipated to provide goods, leases or services to The Pines or to residents of The Pines, of an aggregate value of \$500 or more within any year.

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ADMISSIONS POLICY AND OTHER TERMS OF RESIDENCY

Health And Financial Conditions for Acceptance

The Pines does not unlawfully discriminate in admission decisions or otherwise with respect to residents on the basis of race, color, gender, disability, national origin, religion, or sexual orientation. Admission is restricted to persons 65 years of age or older, except that in the case of a married couple in which one spouse is at least 65 years of age, the other spouse must be at least 62 years of age.

The Pines or its agent will interview a prospective Resident and may request other personal interviews. The prospective Resident is required to submit an Application for Admission, a Personal Health History and a Confidential Financial Statement within 30 days of executing the Residence and Care Agreement. Prior to admission, the Resident must submit a report of a physical examination by a physician selected by the Resident, and The Pines may require the Resident to have another physical examination by the Medical Director or a physician selected by The Pines. The report of the physician must indicate that the Resident is in good health, the Resident is able to take care of himself or herself in residential living activities and the Resident's health profile does not present a significant risk of intensive or imminent increased health care needs.

A prospective Resident must have assets and income that will be sufficient under foreseeable circumstances to pay the financial obligations of the Resident under the Residence and Care Agreement and to meet the ordinary living expenses of the Resident. The Pines may require the Resident to furnish current financial information at any time prior to occupancy.

Changes of Condition Prior to Occupancy

A Resident may terminate a Residence and Care Agreement at any time prior to taking occupancy at The Pines and receive a partial refund of the Entrance Fee paid in accordance with the refund provisions of the Residence and Care Agreement (described below under the Section entitled "Termination and Refund Policies - Prior to Occupancy"). The Pines may terminate the Residence and Care Agreement at any time prior to the date the Resident takes occupancy if The Pines determines that the Resident does not meet the physical, mental or financial requirements for admission.

Direct Admission to Schramm Health Center

If, at the time an applicant executes a Residence and Care Agreement, the applicant would not be able to occupy a Living Accommodation at The Pines because of the applicant's health or inability to take care of himself or herself in residential living activities, but the applicant meets the other requirements set forth in the Residence and Care Agreement, then such applicant may, pursuant to an Addendum to the Residence and Care Agreement (the "Health Center Addendum"), take occupancy in the Schramm Health Care Center as a Resident upon payment of an Entrance Fee, currently \$23,000 for direct admission to the Assisted Living Unit and \$10,000 for direct admission to the Hidell Nursing Center. A copy of the current form of the Health Center Addendum is attached hereto as Appendix B.

The Health Center Addendum also provides that if the Resident regains good health and becomes able to take care of himself or herself in residential living activities, as determined by The Pines or its Medical Director, then the Resident will have priority to a Living Accommodation at The Pines as soon as one of the types desired by the Resident becomes available.

The regulations provide that 40 of The Pines' 75 nursing beds are open to direct admission, and 35 of the 75 nursing beds require entrants to reside in independent living or assisted living for at least 30 days prior to admission to such nursing beds.

Transfers or Changes in Levels of Care

The Pines has authority to determine if the Resident should be transferred from the Resident's Living Accommodation to the Schramm Health Center or from one level of care to another level of care within the Schramm Health Center, based on the professional opinion of the Medical Director and the opinion of the President/CEO of The Pines, after consultation to the extent practical with the Resident, a representative of the Resident's family or the sponsor of the Resident and the Resident's attending physician. If the Medical Director and President/CEO determine that a Resident needs care beyond that which can be provided by The Pines, the Resident may be transferred to a hospital, center or institution equipped to give such care, which care will be at the expense of the Resident. If such transfer is determined to be permanent in nature, the Resident must surrender the Living Accommodation or accommodation in the Schramm Health Center. If the Resident is able to resume occupancy in accommodations comparable to those occupied by the Resident prior to such transfer, the Resident has priority to such accommodations as soon as they become available.

Changes in Occupancy by Two Residents

In the event that two Residents occupy a Living Accommodation and one of them permanently transfers to the Schramm Health Center, one of them dies or the Residence and Care Agreement is terminated with respect to one of them, the remaining or surviving Resident has the option to remain in the same Living Accommodation or move to a smaller Living Accommodation in which latter event the Resident may be entitled to receive a partial refund of the Entrance Fee as set forth in Paragraph IV. F. of the Residence and Care Agreement. The Resident will thereafter pay the Monthly Charge for only one Resident associated with the Living Accommodation occupied by the Resident.

Marriage During Occupancy

If a Resident while occupying a Living Accommodation marries a person who is also a Resident, the two Residents may, with the prior written consent of The Pines, occupy the Living Accommodation of either Resident and surrender the Living Accommodation not to be occupied by them. No refund will be payable with respect to the Living Accommodation surrendered except as described below under "Termination and Refund Policies." Such married Residents will pay the Monthly Charge for double occupancy associated with the Living Accommodation occupied by them. In the event that a Resident marries a person

who is not a Resident of The Pines, the spouse may become a Resident if such spouse meets all of the then-current requirements for admission to The Pines, enters into a current version of the Residence and Care Agreement with The Pines and pays an Entrance Fee equal to an amount determined by The Pines in its discretion but in any event no more than one-half of the then current Entrance Fee associated with the type of Living Accommodation to be occupied by the Resident and spouse. The Resident and spouse will be required to pay the Monthly Charge for double occupancy associated with the Living Accommodation occupied by them. If the Resident's spouse does not meet the requirements of The Pines for admission as a Resident, the Resident may terminate the Residence and Care Agreement in the same manner as provided with respect to voluntary termination, described below under "Termination and Refund Policies—Voluntary Termination."

Combination of Living Accommodations

From time to time The Pines may determine that various circumstances make it desirable to combine a one-bedroom, studio or deluxe studio Living Accommodation, occupied by a Resident, with an adjoining Living Accommodation to form one combined Living Accommodation. If The Pines makes this determination, the Resident must surrender occupancy of such Living Accommodation within a reasonable time after receiving notice of such determination. Upon notification by The Pines of such determination, the Resident shall have the option to transfer into the combined Living Accommodation when such Living Accommodation is ready for occupancy or transfer to a Living Accommodation of the same type as previously occupied by the Resident when available. If the Resident elects to occupy the combined Living Accommodation, the Resident will be required to pay any excess Entrance Fee upon occupancy. The Resident will thereafter pay the required Monthly Charge associated with the combined Living Accommodation as established by The Pines. If the Resident elects to transfer to a Living Accommodation of the same type as previously occupied by the Resident, The Pines will repaint and recarpet, if needed, such Living Accommodation at its expense prior to occupancy by the Resident.

Transfer to Another Living Accommodation

In order to accommodate Residents who desire to transfer from one Living Accommodation to another Living Accommodation, as well as those individuals who have executed a Future Residency Agreement with The Pines ("Future Residents") and are seeking admission to a Living Accommodation, it is The Pines' policy to alternate priority in reserving units becoming available between Residents and Future Residents. This policy, sometimes referred to as the "alternating unit assignment plan," is used by The Pines to determine priority as to Living Accommodations becoming available by alternating the right to reserve a Living Accommodation becoming available between those Residents who have requested a transfer to another Living Accommodation, on one hand, and those Future Residents desiring admission to The Pines, on the other hand. As among Residents who desire to transfer to another Living Accommodation, priority will be based on the date that the request for a transfer is made to The Pines. As among Future Residents, priority will be based on the priority position assigned to such Future Resident for purposes of the Future Residency Agreement of such Future Resident. Notwithstanding the "alternating unit assignment plan," Residents desiring to transfer to another Living Accommodation will have

priority over all non-residents, including Future Residents, as to reserving an available Living Accommodation in the following circumstances:

- (a) transfers due to medical necessity as determined by the Medical Director and the President/CEO of The Pines;
- (b) transfers to a same-size Living Accommodation or to a smaller Living Accommodation; and
- (c) when two Living Accommodations (one of which is vacant) are combined, the Resident occupying one of the Living Accommodations will have priority in reserving the combined Living Accommodation.

Notwithstanding the above, The Pines reserves the right to fill, in its sole discretion and without regard to the waiting list, up to five vacancies in Living Accommodations each year, none of which will be of the same unit type. It is expected that exercise of this option by The Pines will be rare.

Renovations or Reconstruction of Living Accommodations

The Pines is dedicated to maintaining the Living Accommodations and all other facilities of The Pines in a good state of repair. The Pines does not currently have plans to make any further major renovations to or reconstruction of any residential Living Accommodation or the Schramm Health Care Center, but it recognizes the possibility that at some time in the future it may be necessary to do so. In such event, if a Resident is required to vacate a unit affected by the construction work, The Pines would continue to provide to the Resident affected the same services customarily provided to Residents and would bear the costs incurred by the Resident in any such move. The Pines would under such circumstances provide to the Resident other accommodations which would be comparable to the extent practicable to the Resident's Living Accommodation being renovated or reconstructed although an interim accommodation may be larger or smaller or of a different type.

Financial Assistance

It is The Pines' policy not to terminate a Residence and Care Agreement solely because of a Resident's financial inability to continue to pay the Monthly Charge or other charges by reason of circumstances beyond the Resident's control. If The Pines determines that there are facts justifying special financial consideration, The Pines will give careful consideration to subsidizing in whole or in part the Monthly Charge and other charges. Any determination by The Pines with regard to granting financial assistance is within the sole discretion of The Pines. The Pines has created a Resident Support Fund, a portion of which may, in the discretion of The Pines, be used to subsidize Residents in financial need.

Residents' Animals

The Board of Directors of The Pines has adopted policies governing Residents' keeping animals at The Pines, which are subject to change by action of the Board of Directors

of The Pines. A Resident who qualifies to keep an animal as a service animal, a support animal, or a pet pursuant to one of these policies shall review and sign the applicable addendum to the Residence and Care Agreement, a copy of which is attached as Appendix C.

Service Animal Policy

A Resident qualifies to keep an animal as a service animal if he or she has a disability as defined by the Americans with Disabilities Act and an animal such as a dog has been individually trained to do work or perform tasks for the benefit of the Resident. Service animals are permitted to accompany Residents with disabilities in all areas of the campus of The Pines where Residents are allowed to go, including a Resident's personal living unit, entryways, hallways, sitting areas, meeting rooms, lounges, dining rooms, the lobby and the post office. It is not necessary that the animal be certified or licensed as a service animal. No request to bring a service animal to The Pines is required, no registration of the service animal is required and no documentation supporting the need for a service animal is required.

Support Animal Policy

A Resident qualifies to keep an animal as a support animal if he or she has a disability as defined by the Fair Housing Act and the animal works, provides assistance or performs tasks for the benefit of the Resident, or provides emotional support that alleviates one or more identified symptoms or effects of the Resident's disability, in order for the Resident to have an equal opportunity to use and enjoy The Pines' housing facilities. Qualified support animals will be permitted access only to the Resident's personal living unit (including, if applicable, his or her living unit in nursing or assisted living, provided that the support animal is under the Resident's control and the Resident is able to care for the support animal); the hallways, elevators, stairwells and entryways necessary for the animal's entrance and exit to the Resident's Living Accommodation; and certain designated outdoor areas appropriate for the animal's natural relief. Support animals will not be permitted to access any other areas, including the dining rooms, recreation rooms, sitting areas, meeting rooms, lounges, the lobby or the post office. Residents must request the use of support animals through the Director of Sales, Marketing & Communications or the Director of Resident Services and must present documentation from a reliable party who is in a position to know about the individual's disability demonstrating that the Resident has a disability; that the support animal is necessary for the Resident to have an equal opportunity to use and enjoy, or to participate in, housing at The Pines; and that there is a relationship or nexus between the Resident's disability and the assistance the animal provides.

Pet Policy

Only Residents of the cottage units and the villa apartments may keep pets at The Pines. Pets will be permitted access only to the Resident's personal cottage unit or villa apartment; the hallways, elevators, stairwells and entryways necessary for the animal's entrance and exit to the Resident's Living Accommodation; and certain designated outdoor areas appropriate for the animal's natural relief. Residents must apply to the Director of Sales, Marketing & Communications or Director of Resident Services at The Pines for

permission to keep a pet in a cottage unit or villa apartment. The Pines may, in its sole discretion, approve or disapprove the Resident's request to keep a pet.

No Smoking Policy

The Board of Directors of The Pines has adopted an Amended and Restated No Smoking Policy declaring that no smoking will be allowed on the premises of The Pines, including all indoor and outdoor areas, except as permitted in the policy. The policy applies to all Residents who begin living at The Pines after July 1, 2012, unless (a) they entered into a Residence and Care Agreement with The Pines prior to July 1, 2012 or (b) they entered into a Future Residency Agreement after July 1, 2012 and began living at The Pines no later than December 31, 2012. The policy also applies to all guests of Residents and other visitors to The Pines.

Residents who (a) have been living at The Pines since no later than July 1, 2012, (b) entered into a Residence and Care Agreement with The Pines prior to July 1, 2012 or (c) entered into a Future Residency Agreement after July 1, 2012 and began living at The Pines no later than December 31, 2012, may continue to smoke in outdoor areas on the premises of The Pines, but they may not smoke in any indoor areas on the premises of The Pines.

Residents who entered into a Residence and Care Agreement with The Pines prior to October 25, 2007, may continue to smoke within their living units and in outdoor areas on the premises of The Pines.

The Pines does not warrant or promise that the premises and common areas will be free from secondhand smoke. The Pines' ability to create a smoke-free environment is dependent in significant part on voluntary compliance by the Residents and their guests. The No Smoking Policy is subject to revision by action of the Board of Directors of The Pines.

Insurance Requirements

The Pines requires that all Residents entering The Pines maintain property insurance on the Resident's personal property located within the Resident's Living Accommodation or elsewhere within the premises of The Pines. For jewelry and items of personal property that are rare or have historic or artistic value, the Resident's property insurance policy should include specific coverage for such items based on appraisals furnished to the property insurance carrier. Residents are also required to maintain personal liability insurance with a liability limit of at least \$100,000 per occurrence.

Residents are also required to maintain automobile liability insurance on any vehicle owned by the Resident and to register such vehicle with The Pines' administrative office.

Property insurance covering personal property, personal liability insurance and automobile liability insurance should be obtained from insurance carriers of the Resident's choice.

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TERMINATION AND REFUND POLICIES

Prior to Occupancy

A Resident may terminate a Residence and Care Agreement for any reason at any time prior to taking occupancy at The Pines by giving written notice to The Pines. In the event that the Resident terminates a Residence and Care Agreement prior to occupancy, the Resident will receive a refund of the Entrance Fee paid, less a non-refundable fee equal to 5% of the total amount of the Entrance Fee, provided, however, that if the Resident terminates the Residence and Care Agreement due to the death of the Resident's spouse, The Pines will refund the full Entrance Fee without deduction of a fee.

The Residence and Care Agreement will terminate automatically prior to the date that a Resident takes occupancy if (a) the Resident dies before occupying a living unit in The Pines (or, if there are two Residents, both Residents die before occupying a living unit in The Pines); or (b) on account of physical injury, physical, mental or financial incapacity or physical or mental illness, the Resident is precluded from occupying a living unit at The Pines under the terms of the Residence and Care Agreement. In the event of such automatic termination, the Resident shall receive a refund of the full Entrance Fee paid by the Resident. Any such refund will be paid by The Pines within 60 days following termination of the Residence and Care Agreement.

Trial Period

The first 60 days of occupancy will be considered a trial period. During this period the Resident may terminate the Residence and Care Agreement for any reason. Upon written notice of such termination by the Resident or in the event of the Resident's death during such 60-day period, The Pines will refund to the Resident the Entrance Fee less a non-refundable fee equal to 5% of the total amount of the Entrance Fee paid by the Resident. During the 60-day trial period, The Pines may terminate the Residence and Care Agreement if The Pines determines that the Resident's physical or mental condition or emotional adjustment will not permit adaptation to the living environment at The Pines. Upon such termination by The Pines, The Pines will refund to the Resident the full Entrance Fee. Any such refund will be paid by The Pines within 60 days after the Living Accommodation has been vacated by the Resident.

Voluntary Termination

After the expiration of the 60-day trial period, the Resident may terminate the Residence and Care Agreement by giving 30 days' prior written notice of such termination. If such termination occurs within 12 months after the date of occupancy by the Resident, the Resident will receive a refund in the amount equal to the full Entrance Fee paid to The Pines less 5% thereof for each full calendar month or portion thereof which has elapsed from the date of occupancy to the effective date of termination and less a non-refundable fee equal to 5% of the full Entrance Fee. However, a Resident who has elected the 50% Refund Entrance Fee Option will be entitled to a refund of no less than 50% of the Entrance Fee paid by such Resident, and a Resident who has elected the 90% Refund Entrance Fee Option will be

entitled to a refund of no less than 90% of the Entrance Fee paid by such Resident. Unless a Resident has elected the 50% Refund Entrance Fee Option or the 90% Refund Entrance Fee Option, no refund of the Entrance Fee will be paid to the Resident after the first 12 months of occupancy. Any such refund due the Resident under the circumstances described in this paragraph will be made at such time as such Resident's Living Accommodation has been reserved by a prospective Resident and the prospective Resident has paid to The Pines the full Entrance Fee for such Living Accommodation.

Termination Upon Death

If the Resident dies following expiration of the first 60 days of the Resident's occupancy at The Pines and such deceased Resident is not survived by a spouse or second resident residing at the Pines who has co-signed the Residence and Care Agreement, the Residence and Care Agreement shall terminate and, subject to the Resident's continuing obligations described therein, the portion, if any, of the Entrance Fee paid by the Resident to be refunded shall be determined in the same manner described in the preceding paragraph. If the Resident dies following expiration of the first 60 days of the Resident's occupancy and such Resident is survived by a spouse or second resident residing at The Pines who has co-signed the Residence and Care Agreement, then the Residence and Care Agreement shall not terminate and no refund will be payable thereunder. In the event a refund becomes due, the date of the Resident's death shall determine the termination date. Any refund due the Resident's estate will be made at such time as such Resident's Living Accommodation shall have been reserved by a prospective Resident and such prospective Resident shall have paid to The Pines such prospective Resident's full Entrance Fee for such Living Accommodation; provided, however, that the Resident's estate shall continue to be obligated to pay the applicable Monthly Charge for such Resident's Living Accommodation until such Resident's Living Accommodation is vacated and left in good condition except for normal wear and tear.

Termination By The Pines

The Pines may terminate the Residence and Care Agreement at any time if there has been a material misrepresentation or omission made by the Resident in the Resident's Application for Admission, Personal Health History or Confidential Financial Statement; if the Resident fails to make payment to The Pines of any fees or charges due The Pines within 60 days of the date when due; if the Resident's conduct is abusive toward members of The Pines' staff or is disruptive or is detrimental to the health, safety or welfare of the Resident or other Residents or to other Residents' peaceful enjoyment of The Pines; or if the Resident does not abide by The Pines' policies, rules or regulations or breaches any of the terms and conditions of the Residence and Care Agreement. In the event of termination for any of such cause, the portion, if any, of the Entrance Fee paid by the Resident to be refunded shall be determined in the same manner as in the case of voluntary termination by the Resident after the 60-day trial period as described above and such refund will be made at such time as such Resident's Living Accommodation shall have been reserved by a prospective Resident and such prospective Resident shall have paid to The Pines such prospective Resident's full Entrance Fee for such Living Accommodation.

Termination Upon Direct Occupancy of Schramm Health Center

For Residents taking direct occupancy of the Schramm Health Center, in lieu of the provisions in the Residence and Care Agreement relating to the refund of an Entrance Fee in the event of termination of the Residence and Care Agreement, the Schramm Health Center Addendum provides that if the Resident terminates the Agreement and vacates the Schramm Health Center within 12 months after the date of occupancy of the Schramm Health Center by the Resident, the Resident will receive a refund in an amount equal to the full Entrance Fee paid to The Pines less 5% thereof for each full calendar month or portion thereof which has elapsed from the date of occupancy to the effective date of termination and less an administrative charge equal to 5% of the full Entrance Fee. No refund of the Entrance Fee will be paid to the Resident after the first 12 months of occupancy in the Schramm Health Center.

In lieu of the provisions in the Residence and Care Agreement relating to the refund of an Entrance Fee in the event of the death of a Resident taking direct occupancy in the Schramm Health Center, the Health Care Addendum provides that if the Resident dies within the first 30 days of occupancy in the Schramm Health Center, the Resident's estate will receive a refund of 75% of the Entrance Fee paid. If the Resident dies after the first 30 days of occupancy in the Schramm Health Center but within the first 60 days of occupancy, the Resident's estate will receive a refund of 50% of the Entrance Fee paid. If the Resident dies after the first 60 days of occupancy in the Schramm Health Center but within the first 90 days of occupancy, the Resident's estate will receive a refund of 25% of the Entrance Fee paid. No refund of the Entrance Fee will be payable to the Resident's estate by reason of the death of the Resident after the first 90 days of occupancy in the Schramm Health Center.

If at any time after admitting a Resident directly into the Schramm Health Center The Pines determines that there is insufficient space in the Schramm Health Center to accommodate such Resident, the Health Care Addendum provides that The Pines may terminate the Residence and Care Agreement and the Health Care Addendum of such Resident upon 15 days' written notice. In the event of such termination, The Pines will refund the full Entrance Fee of such Resident and upon request will assist such Resident in finding another facility.

Optional Surrender of Living Accommodation Upon Transfer to Schramm Health Center

In the event that a Resident shall occupy an accommodation in the Schramm Health Center for more than 14 days in any calendar year then, upon the expiration of such 14 days, the Resident shall thereafter during such year and in any year thereafter pay the amount of the published per diem rate for the Schramm Health Center accommodation occupied by the Resident, plus charges for other services not included in such per diem rate.

If the Resident shall continue to occupy an accommodation in the Schramm Health Center for more than 30 days within any 90-day period following the use of the last of such 14 days, the Resident shall have the option of surrendering the Living Accommodation (if formerly occupied by the Resident as single occupant) or continuing to pay the Monthly

Charge associated with such Living Accommodation in addition to the per diem charge for the Schramm Health Center accommodation occupied by the Resident.

Rescission

A Resident may rescind the Residence and Care Agreement by giving written notice of such rescission to The Pines within 30 days following the later of the execution of the Residence and Care Agreement or the receipt of a disclosure statement that meets the requirements of Section 58-64-1 et seq. of the North Carolina General Statutes. In the event of such rescission, the Resident will receive a full refund of the Entrance Fee paid by the Resident less any Monthly Charge or portion thereof applicable to any period a Living Accommodation was actually occupied by the Resident. The Resident shall not be required to move into The Pines before the expiration of such 30-day period. Any such refund will be paid by The Pines within 60 days following receipt of written notice of rescission.

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SERVICES

In General

The services to be provided by The Pines and the respective rights and duties of The Pines and Resident are stated in the Residence and Care Agreement entered into by The Pines with each Resident. The current version of the Residence and Care Agreement is attached hereto as Appendix A. Certain Residence and Care Agreements entered into prior to the date of this Disclosure Statement differed in certain respects from the current version, and in the future some Residence and Care Agreements may also differ from the current version in certain respects.

Standard Services Available

The services and facilities in addition to the Living Accommodation that are covered by the Monthly Charge and described in Section I of the Residence and Care Agreement are summarized below:

- utilities, including heating, air conditioning, lights, water, sewer, electricity, trash removal and basic local telephone service (provided, however, that The Pines reserves the right to discontinue providing local telephone service);
- certain standard furnishings in the Living Accommodation, and emergency signal equipment;
- participation in The Pines' Choice Meal Plan, which provides each Resident with a pre-set balance each quarter (or, at the discretion of The Pines, for a period of time not greater than a quarter of a calendar year) to purchase à la carte meals at the current meal prices published to Residents;
- housekeeping services;
- regular laundering of bed and bath linens furnished by The Pines and facilities for personal laundry;
- maintenance and repair of improvements, furnishings and equipment owned by The Pines, unless such maintenance or repair is necessitated by negligence of the Resident or any guest of the Resident;
- grounds keeping services;
- parking for each Resident's vehicle;
- use of common facilities; and
- local transportation on a regular, scheduled basis.

Additional Services Available

Services that are not covered by the Monthly Charge and will be at the Resident's expense include, but are not limited to:

- charges associated with any additional telephone expenses, such as long-distance calls and directory assistance;
- internet and cable television installation and service charges;
- the cost of meal purchases exceeding the pre-set balance provided under The Pines' Choice Meal Plan;
- the cost of purchases of alcohol, catering, guest meals and non-food sundry items (e.g., tissues, batteries);
- the extra cost, if any, for a special diet or tray delivery;
- any structural or physical change or redecoration within the Living Accommodation and any cost to return the unit to its original condition; and
- special transportation.

Privileges at River Run Country Club

The Pines has obtained certain limited membership privileges at River Run Country Club (the "Club") to allow Residents of The Pines to utilize the facilities of the Club. The Club has extended such privileges to Residents in a spirit of community outreach. The Club is located approximately two miles from The Pines and includes a championship 18-hole golf course, driving range, clubhouse with locker rooms, pro-shop, dining facilities, bar and ballroom, outdoor swimming pool and tennis courts. Residents may use facilities of the Club without paying an individual membership fee or monthly dues. Residents must pay for any food or beverages purchased at the Club's dining facilities and for any user fees such as green fees and cart fees (such user fees are at a discounted rate equal to 50% of the applicable fee that a Club member pays for a Club member's guest). Total Resident use of the Club's 18-hole golf course is limited to an aggregate of 30 rounds of golf per week. These limited membership privileges at the Club are extended only to current Residents; Future Residents, Early Reservers and prospective Residents (i.e., those who have reserved a living accommodation at The Pines by placing a deposit with The Pines) are not extended these membership privileges. The Pines' membership agreement with the Club terminates on December 31, 2030.

Health Care Services

Under the Residence and Care Agreement, The Pines provides accommodations, equipment and staffing for assisted, intermediate nursing and skilled nursing care in the Schramm Health Center upon a space-available basis. Private accommodations are provided in the Assisted Living Unit and in the Hidell Nursing Center. A 24-hour nursing staff is

maintained in the Schramm Health Center. A Medical Director, who is a licensed physician, coordinates the provision of health care services. Charges for health care services are described below under “Fees—Charges for Occupancy in the Schramm Health Center.” Charges for health care services not covered by the Monthly Charge or the per diem (daily) rate in the Schramm Health Center to be paid for by the Resident include, but are not limited to, the following: charges by Resident’s personal physician for medical services; charges for pharmacy products; surgical, dental and optical services; laboratory tests; physical therapy; occupational therapy; rehabilitative treatments; wheelchairs and other medical equipment and supplies; and therapeutic activities.

Medical Emergencies in Independent Living

Independent living (“IL”) Residents residing on The Pines’ main campus in the main apartment building, cottages and villas may request help in the event of a medical emergency using one or more of the following methods:

1. Call 911 – Residents may call the Mecklenburg County Emergency Medical Service (“EMS”) for assistance by dialing 911 on a landline or personal cell phone. If using a landline phone in a Living Accommodation, a Resident may dial 911 without first dialing “9” to get an outside line. If using a landline phone outside of a Living Accommodation a Resident may need to dial a “9” before dialing 911, although phones in common areas such as the Warm Water Therapy Facility generally do not require this. After calling EMS, Residents are asked to notify The Pines’ nursing station by dialing 1463 (on The Pines’ telephone system) or 704-896-1463 (on a personal cell phone or other landline) so that The Pines’ staff may help in directing first responders and EMS personnel to the Resident’s location. Residents may also use one or more additional emergency alert systems available at The Pines after calling EMS.

2. Portable System – Residents may activate a portable emergency alert system that operates using small, portable “button” type devices, such as pendants, bracelets and wall buttons mounted in the bedrooms and bathrooms of each IL residence. The system is designed to provide coverage inside all of The Pines’ buildings and in the majority of the outdoor areas on The Pines’ main campus. The wall-mounted buttons provide more accurate locating information than the pendants and bracelets, and Residents are encouraged to activate a wall-mounted button instead of a pendant or bracelet if circumstances allow. To activate the portable “button,” a Resident must press and hold down the button until the device vibrates. When the button is activated, a small red light will begin to flash rapidly before it changes to one flash every 3 or 4 seconds. To activate the wall-mounted buttons that are mounted in the bedrooms and bathrooms, a Resident must press and hold down the button until the light above the button flashes.

3. Pull-Cord System – Residents may activate a pull cord emergency alert system by pulling wall-mounted pull cords that are available in each IL bedroom and bathroom. Pull cords are also available in certain other locations, including some public restrooms, the dining room, the Jetton Community Center and the Warm Water Therapy Facility. The pull cord system operates using the fire and smoke alarm system and, in the event of a power outage, will be powered by The Pines’ emergency generator.

4. Telephone – Residents may call The Pines’ nursing staff directly by dialing 1463 (on The Pines’ telephone system) or 704-896-1463 (on a personal cell phone or on a landline in any Living Accommodation; outside the Living Accommodation it may be necessary to dial a “9” first to get an outside line to call this number).

When an IL Resident activates the portable system or pull cord system, the respective emergency alert system will determine the location of the device that was activated. If the alert indicates that the location of the Resident is within his or her IL living accommodation, The Pines’ nursing personnel will first call the Resident’s IL residence to speak with the Resident and confirm the emergency. If the Resident does not answer the phone or if the phone service is out of order, The Pines’ nursing personnel will go to the Resident’s unit and investigate. If the alert indicates that the location of the Resident is outside his or her IL living accommodation, The Pines’ nursing personnel will go to the location identified by the portable system or the pull cord system and investigate.

The Pines strives to respond to medical emergencies inside Residents’ IL living accommodations within 15 minutes, but nursing response times will vary depending upon various factors including the urgency of the call and the number of calls being handled at that time. When responding to medical emergencies outside a Resident’s IL living accommodation the response time may exceed 15 minutes due to a variety of factors, including weather conditions, time of day or conditions that may obscure visibility, as well as the urgency of the call and the number of calls being handled at that time. While The Pines’ emergency alert systems are reliable most of time, system failures may occur due to device or sensor failure, an unexpected gap in coverage, telephone or power outage or other reasons. Therefore, Residents should take other appropriate precautions such as carrying their personal cell phone or participating in a “buddy system.” In addition to The Pines’ periodic testing program, Residents may, with prior notice to Plant Services, activate any of the Portable or Pull Cord System devices in their IL living accommodations to confirm such devices are functioning properly. If The Pines’ nursing personnel do not respond promptly after a Resident activates either the pull cord system or portable system, the Resident should request help using an alternative method.

The procedures outlined above will vary for residents residing at Chartwell Estate and Shaw Property (which typically will be one or two people).

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FEES

Deposit

Upon deciding to become a resident at The Pines, a prospective Resident will execute a Residence and Care Agreement to reserve the Living Accommodation selected. At the time such Agreement is signed, the Resident will pay a deposit equal to 10% of the Standard Entrance Fee for the kind of Living Accommodation selected, together with \$300 as a non-refundable application fee. The balance of the Entrance Fee is due 10 days prior to the projected date of occupancy.

Entrance Fees

The Entrance Fee is a payment that assures a Resident a place in The Pines for a term of years or for life, provided that the Resident otherwise complies with all terms and conditions of the Residence and Care Agreement.

Under the Residence and Care Agreement, a prospective Resident chooses one of three options as to the Entrance Fee to be paid with respect to the Living Accommodation selected: the Standard Entrance Fee Option, the 50% Refund Entrance Fee Option or the 90% Refund Entrance Fee Option.

Current Entrance Fees under the Standard Entrance Fee Option for the various types of Living Accommodations are as follows:

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Living Accommodation (**)	Effective through June 30, 2024	Effective July 1, 2024 and After
<i>Main Apartments</i>		
Studio	\$50,620	\$55,000
Deluxe Studio	68,320	73,000
1 Bedroom	145,700	169,500
2 Bedroom	253,700	280,000
2 Bedroom Suite^(B)	260,700	304,500
2 Bedroom Deluxe^(C)	277,600	315,000
<i>Cottages</i>		
Cottage	288,200	356,000
Large Cottage	305,200	402,000
Large Cottage with Sunroom	323,000	433,000
Large Cottage with Sunroom/Study and Garage	617,400	617,400
<i>Villas at Laurel Ridge & Hickory Crest</i>		
2 Bedroom Villa (Plan A)	456,100	488,000
2 Bedroom Deluxe Villa (Plan B)	488,800	528,000
2 Bedroom with Den Villa (Plan C)	545,100	586,000
2 Bedroom with Den Deluxe Villa (Plan D)	556,700	598,000
<i>Villas at Poplar Hill^(F)</i>		
1 Bedroom Deluxe Villa with Sunroom/Study (1.5 Bath) (Green)	362,900	389,000
2 Bedroom Villa with Porch or Balcony (2 Bath) (Blue)	455,900	489,000
2 Bedroom Villa with Sunroom/Study (2 Bath) (Red)	515,300	551,000
2 Bedroom Villa with Sunroom/Study and Balcony (2 Bath) (Yellow)	531,800	569,000
<i>Other</i>		
Chartwell Estate^(D)	600,000	600,000
Shaw Property^(G)	1,000,000	1,000,000
Second Person Fee^(E)	28,500	30,500

Additional Notes Regarding Standard Entrance Fees:

- (*) **In the event of any discrepancy between the Standard Entrance Fees listed in the table above and those listed in Appendix K (Compilation of Financial Forecast) the table above takes precedence.**
- (**) **The Standard Entrance Fees listed above represent the base Entrance Fee for a standard Living Accommodation. In certain instances where improvements have been made in a Living Accommodation, an extra amount of premium may be added to Standard Entrance Fees listed above.**
- (A) **Not used.**
- (B) **2 Bedroom Suite represents the combination of a Studio unit and a 1 Bedroom apartment.**
- (C) **2 Bedroom Deluxe represents the combination of a Deluxe Studio unit and a 1 Bedroom apartment.**
- (D) **In the event The Pines delivers notice of its intent to develop or sell the Chartwell Estate or Remaining Area or the Resident is required to surrender occupancy of the Chartwell Estate, the Resident may receive a partial refund of the Entrance Fee or the Resident may transfer to another living accommodation. In the event the Resident transfers to another living accommodation The Pines will (a) provide Resident a credit toward the Entrance Fee of the new living accommodation in an amount equal to the amortized portion of the Resident's Entrance Fee; (b) refund to the Resident an amount equal to the unamortized portion of the Resident's Entrance Fee less the remaining amount of the Entrance Fee for the new living accommodation (after taking into account the credit applied in clause (a)); and (c) reimburse Resident for up to Twenty Thousand Dollars (\$20,000) of relocation expenses actually incurred by Resident.**
- (E) **When two persons enter The Pines together and occupy one Living Accommodation, the Second Person Fee shown in the above table is charged in addition to the Standard Entrance Fee for the type of Living Accommodation selected. If prospective Residents select the 50% Refund Entrance Fee Option or the 90% Refund Entrance Fee Option prior to entering The Pines, the Second Person Fee will be included in the Standard Entrance Fee when determining the Entrance Fee due from the Residents.**
- (F) **The Standard Entrance Fees for the Villas at Poplar Hill include basement parking. If such basement parking is not available and the Resident is assigned detached covered parking, the Standard Entrance Fees will be reduced by \$15,000.**
- (G) **In the event The Pines delivers notice of its intent to develop or sell the Shaw Property or the Resident is required to surrender occupancy of the Shaw Property, the Resident may receive a partial refund of the Entrance Fee or the Resident may transfer to another living accommodation. In the event the Resident transfers to another living accommodation The Pines will (a) provide Resident a credit toward the Entrance Fee of the new living accommodation in an amount equal to the amortized portion of the Resident's Entrance Fee; (b) refund to the Resident an amount equal to the unamortized portion of the Resident's**

Entrance Fee less the remaining amount of the Entrance Fee for the new living accommodation (after taking into account the credit applied in clause (a)); and (c) reimburse Resident for up to Twenty Thousand Dollars (\$20,000) of relocation expenses actually incurred by Resident.

Entrance fees for direct admission to the Schramm Health Center are described under the section entitled “Direct Admission to Schramm Health Center.”

The amount of the Entrance Fee payable in the event that the Resident elects the 50% Refund Entrance Fee Option or the 90% Refund Entrance Fee Option is determined actuarially based on the life expectancy of the Resident at the time of occupancy. In the case of a single occupant the age at occupancy is based on the Resident’s age at his or her birthday that is nearest the occupancy date and in the case of a couple it is based on the age of the older Resident at his or her birthday that is nearest the occupancy date. This method of determining age at occupancy applies to all Living Accommodations.

The Entrance Fee payable under the 50% and 90% Refund Options is determined by reference to the schedule on the following page, which shows the percentage of the Standard Entrance Fee to be added to such Entrance Fee for a Resident’s attained age at the time of occupancy (with age as determined by the method described above).

The amount of the Standard Entrance Fee payable with respect to the Living Accommodation selected is set forth in the Resident’s Residence and Care Agreement and the amounts of the Entrance Fees payable under the 50% and 90% Refund Options are estimated. The Resident must notify The Pines in writing of the choice of Entrance Fee option on or before the date that the balance of the Entrance Fee is due.

Entrance Fees for Direct Occupancy of Schramm Health Center

If an applicant takes occupancy directly in the Schramm Health Center as a Resident pursuant to the Schramm Health Center Addendum, the Resident must pay an Entrance Fee, currently set at \$23,000 for direct admission to the Assisted Care Unit and at \$10,000 for direct admission to the Hidell Nursing Center. While residing in the Schramm Health Center the Resident will pay such per diem rates and charges as are established by The Pines, which rates and charges are subject to change from time to time as deemed necessary by The Pines. If transferred from the Schramm Health Center to a Living Accommodation, the Resident will enter into a Residence and Care Agreement without the Schramm Health Center Addendum and will pay an Entrance Fee equal to the Entrance Fee for such Living Accommodation in effect at the time of transfer, less the amount of the Entrance Fee previously paid by the Resident upon taking occupancy in the Schramm Health Center.

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Refund Options – Percentage Over Standard Entrance Fee

Age at Occupancy	50% Refund Option	90% Refund Option
62	23 %	45 %
63	24	47
64	25	49
65	25	51
66	26	53
67	27	56
68	28	58
69	30	61
70	31	64
71	32	68
72	34	71
73	35	75
74	37	79
75	38	84
76	40	89
77	41	94
78	43	99
79	45	106
80	47	112
81	49	119
82	51	127
83	53	135
84	55	144
85	57	153
86	59	162
87	61	172
88	63	182
89	65	193
90	66	203
91	68	213
92	70	223
93	71	233
94	73	243
95	74	252
96	75	261
97	76	270
98	78	281
99	79	291
100	80	302

NOTE: As described on the preceding page, this chart applies to determine the Entrance Fee payable under the 50% and 90% Refund Options.

Monthly Charges*

The Monthly Charge covers the Living Accommodation and standard services described in Section I of the Residence and Care Agreement. The Monthly Charges for various types of Living Accommodations are as follows:

	Effective through June 30, 2024		Effective July 1, 2024 and After ^(**)	
	<u>Single Standard Occupancy</u>	<u>Double Occupancy</u>	<u>Single Standard Occupancy</u>	<u>Double Occupancy</u>
<i>Living Accommodation</i>				
<i>Apartments</i>				
Studio	\$3,100	\$4,750	\$3,255	\$4,988
Deluxe Studio	3,250	4,898	\$3,413	\$5,143
1 Bedroom	3,863	5,672	\$4,056	\$5,956
2 Bedroom	4,241	6,229	\$4,453	\$6,540
2 Bedroom Suite ^(B)	4,354	6,340	\$4,572	\$6,657
2 Bedroom Deluxe ^(C)	4,571	6,560	\$4,800	\$6,888
<i>Cottages</i>				
Cottage	4,599	6,770	\$4,829	\$7,109
Large Cottage	4,964	7,139	\$5,212	\$7,496
Large Cottage with Sunroom	4,964	7,139	\$5,212	\$7,496
Large Cottage with Sunroom/Study and Garage	5,305	7,493	\$5,570	\$7,868
<i>Villas at Laurel Ridge & Hickory Crest</i>				
2 Bedroom Villa (Plan A)	4,990	7,181	\$5,240	\$7,540
2 Bedroom Deluxe Villa (Plan B)	5,082	7,270	\$5,336	\$7,634
2 Bedroom with Den Villa (Plan C)	5,221	7,410	\$5,482	\$7,781
2 Bedroom with Den Deluxe Villa (Plan D)	5,290	7,457	\$5,555	\$7,830
<i>Villas at Poplar Hill</i>				
1 Bedroom Deluxe Villa with Sunroom/Study (1.5 Bath) (Green)	4,353	6,340	\$4,571	\$6,657
2 Bedroom Villa with Porch or Balcony (2 Bath) (Blue)	4,978	7,169	\$5,227	\$7,527
2 Bedroom Villa with Sunroom/Study (2 Bath) (Red)	5,069	7,257	\$5,322	\$7,620
2 Bedroom Villa with Sunroom/Study and Balcony (2 Bath) (Yellow)	5,082	7,270	\$5,336	\$7,634
<i>Other</i>				
Chartwell Estate ^(D)	7,493	7,493	\$7,868	\$7,868
Shaw Property ^(E)	7,493	7,493	\$7,868	\$7,868

Additional Notes Regarding Monthly Charges:

- (*) **In the event of any discrepancy between the Monthly Charges listed in the table above and those listed in Appendix K (Compilation of Financial Forecast) the table above takes precedence.**
- (A) **Not used.**
- (B) **2 Bedroom Suite represents the combination of a Studio apartment and a 1 Bedroom apartment.**
- (C) **2 Bedroom Deluxe represents the combination of a Deluxe Studio apartment and a 1 Bedroom apartment.**
- (D) **The Resident is responsible for the costs of all utilities for the Chartwell Estate. The Pines will provide a monthly statement showing the total amount of fees and other charges owed by the Resident for heating, air conditioning, lights, water, sewer, and electricity, which Resident shall pay pursuant to the terms of the Residence and Care Agreement. The Resident shall pay any costs for internet, telephone (other than basic local telephone service) and cable television services and installation directly to the utility provider. The Monthly Charge for Chartwell Estate is the same for single and double occupancy.**
- (E) **The Resident is responsible for the costs of all utilities for the Shaw Property. The Pines, at its discretion, will either (a) provide a monthly statement showing the total amount of fees and other charges owed by the Resident for heating, air conditioning, lights, water, sewer, and electricity, which Resident shall pay, or (b) have such charges billed directly to the Resident, which Resident shall pay directly to the utility provider. The Resident shall pay any costs for internet, wi-fi and cable television services and installation directly to the utility provider. The Pines will furnish basic telephone service; the Resident is responsible for any additional telephone expenses, such as long-distance calls and directory assistance. The Monthly Charge for Shaw Property is the same for single and double occupancy.**
- (**) **Figures provided above reflect charges effective for Residents who executed a Residence and Care Agreement after June 30, 2018.**

For Residents who executed a Residence and Care Agreement before July 1, 2018, the Single Standard Occupancy charge effective for July 1, 2024 and after for the following units are: Studio – \$3,124; Deluxe Studio – \$3,281; 1 Bedroom – \$3,926; 2 Bedroom – \$4,321; 2 Bedroom Suite – \$4,440; 2 Bedroom Deluxe – \$4,668; Cottage – \$4,698; Large Cottage with or without Sunroom – \$5,082; 2 Bedroom Villa (Plan A) – \$5,110; 2 Bedroom Deluxe Villa (Plan B) – \$5,205; 2 Bedroom with Den Villa (Plan C) – \$5,352; and 2 Bedroom with Den Deluxe Villa (Plan D) – \$5,401.

For Residents who executed a Residence and Care Agreement before July 1, 2018, the Double Standard Occupancy charge effective for July 1, 2024 and after for the following units are: Studio – \$4,855; Deluxe Studio – \$5,012; 1 Bedroom – \$5,825; 2 Bedroom – \$6,409; 2 Bedroom Suite – \$6,527; 2 Bedroom Deluxe – \$6,756; Cottage – \$6,978; Large Cottage with or without Sunroom – \$7,366; 2 Bedroom Villa (Plan A)

– \$7,410; 2 Bedroom Deluxe Villa (Plan B) – \$7,503; 2 Bedroom with Den Villa (Plan C) – \$7,647; and 2 Bedroom with Den Deluxe Villa (Plan D) - \$7,700.

Adjustment to Monthly Charge

The Monthly Charge is intended to meet the cost of debt service, insurance, maintenance, administration, staffing and other expenses associated with the establishment, operation and management of The Pines. Under the Residence and Care Agreement, The Pines has the authority to adjust the Monthly Charge from time to time as The Pines in its discretion deems necessary in order to reflect changes in the costs of providing the facilities, programs and services at The Pines consistent with operating on a sound financial basis and maintaining the high quality of services. The Pines may make any increases in the Monthly Charge or other charges upon 30 days' written notice to the Resident.

Charges for Occupancy in the Schramm Health Center

The Pines will establish and publish per diem rates and charges for accommodations and services in the Schramm Health Center.

If a Resident is transferred to the Schramm Health Center, the Resident will continue to pay the Monthly Charge equal to the same Monthly Charge associated with the Resident's Living Accommodation for the first 14 days' occupancy (whether or not consecutive) in the Schramm Health Center each calendar year. For such 14 days, the Resident will not be required to pay a per diem (daily) charge for occupancy in the Schramm Health Center, and the cost of one meal per day will be included in the Monthly Charge; however, the Resident must pay for additional meals or other services not normally covered by the Monthly Charge or by the per diem charge for occupants of the Schramm Health Center. Credit for any unused portion of the 14 days per year may not be carried forward to successive years.

In the event that a Resident shall occupy an accommodation in the Schramm Health Center for more than 14 days in any calendar year, then upon the expiration of such 14 days, the Resident shall thereafter in such year and in any year thereafter pay the amount of the published per diem rate for the Schramm Health Center accommodation occupied by the Resident, plus charges for other services not included in such per diem rate.

If the Resident shall continue to occupy an accommodation in the Schramm Health Center for more than 30 days within any 90 day period following the use of the last of such 14 days, the Resident shall have the option of surrendering the Living Accommodation (if formerly occupied by the Resident as single occupant) or continuing to pay the Monthly Charge associated with such Living Accommodation in addition to the per diem charge for the Schramm Health Center accommodation occupied by the Resident.

The current per diem rates for Residents in the Schramm Health Center are as follows:

<u>Type of Schramm Health Center Accommodation</u>	Per Diem Rate Effective through June 30, 2024	Per Diem Rate Effective July 1, 2024 (*)
Assisted Living- private	\$225.40	\$237.00
Intermediate nursing- private (Brown & Purcell)	\$336.30	\$353.00
Skilled nursing- private (Brown & Purcell)	\$336.30	\$353.00
Skilled nursing- private (Wilson & Maulden)	\$349.00	\$366.00

In the event one of two Residents occupying a Living Accommodation is transferred to the Schramm Health Center, the Resident remaining in the Living Accommodation pays the Monthly Charge associated with such Living Accommodation based on single occupancy.

(*) Figures provided above reflect charges effective for Residents who executed a Residence and Care Agreement on or after July 1, 2018. For Residents who executed a Residence and Care Agreement after June 30, 2017 and before July 1, 2018, per diem rates effective July 1, 2024 are as follows: Assisted Living Unit - \$232.00; Intermediate nursing-private – \$349.00; Skilled nursing – private – \$349.00; and Skilled nursing – private (Wilson & Maulden Halls) - \$362.00.

For Residents who executed a Residence and Care Agreement before July 1, 2017, per diem rates effective July 1, 2024 are as follows: Assisted Living Unit – \$198.00; Intermediate nursing – private – \$297.00; Skilled nursing – private – \$297.00; and Skilled nursing – private (Wilson & Maulden Halls) – \$308.00.

Changes in Charges Since 2018

Increases in monthly and per diem charges at The Pines since 2018 are shown in chart form horizontally on the following page:

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Independent Living Unit	7/1/19-6/30/20		7/1/20-6/30/21		7/1/21-6/30/22		7/1/22-6/30/23		7/1/23-6/30/24		7/1/24-After(*)	
	Single	Double	Single	Double	Single	Double	Single	Double	Single	Double	Single	Double
Studio	\$2,557	\$3,917	\$2,631	\$4,031	\$2,723	\$4,172	\$2,884	\$4,418	\$3,100	\$4,750	\$3,255	\$4,988
Deluxe Studio	\$2,681	\$4,040	\$2,758	\$4,157	\$2,855	\$4,303	\$3,023	\$4,556	\$3,250	\$4,898	\$3,413	\$5,143
1 Bedroom	\$3,186	\$4,678	\$3,278	\$4,813	\$3,393	\$4,982	\$3,593	\$5,276	\$3,863	\$5,672	\$4,056	\$5,956
2 Bedroom	\$3,498	\$5,138	\$3,599	\$5,287	\$3,725	\$5,472	\$3,945	\$5,795	\$4,241	\$6,229	\$4,453	\$6,540
2 Bedroom Suite (2)	\$3,591	\$5,229	\$3,695	\$5,381	\$3,825	\$5,569	\$4,050	\$5,898	\$4,354	\$6,340	\$4,572	\$6,657
2 Bedroom Deluxe (3)	\$3,770	\$5,410	\$3,880	\$5,567	\$4,015	\$5,762	\$4,252	\$6,102	\$4,571	\$6,560	\$4,800	\$6,888
Cottage	\$3,793	\$5,584	\$3,903	\$5,746	\$4,039	\$5,947	\$4,278	\$6,298	\$4,599	\$6,770	\$4,829	\$7,109
Large Cottage with or without Sun Room	\$4,094	\$5,888	\$4,213	\$6,059	\$4,361	\$6,271	\$4,618	\$6,641	\$4,964	\$7,139	\$5,212	\$7,496
Large Cottage with Sunroom/Study and Garage	\$4,375	\$6,180	\$4,502	\$6,359	\$4,660	\$6,582	\$4,935	\$6,970	\$5,305	\$7,493	\$5,570	\$7,868
2 Bedroom Villa (Plan A)	\$4,116	\$5,923	\$4,235	\$6,095	\$4,384	\$6,308	\$4,642	\$6,680	\$4,990	\$7,181	\$5,240	\$7,540
2 Bedroom Deluxe Villa (Plan B)	\$4,191	\$5,996	\$4,313	\$6,170	\$4,464	\$6,386	\$4,727	\$6,763	\$5,082	\$7,270	\$5,336	\$7,634
2 Bedroom with Den Villa (Plan C)	\$4,306	\$6,111	\$4,431	\$6,288	\$4,586	\$6,509	\$4,857	\$6,893	\$5,221	\$7,410	\$5,482	\$7,781
2 Bedroom with Den Deluxe Villa (Plan D)	\$4,344	\$6,150	\$4,470	\$6,329	\$4,627	\$6,550	\$4,900	\$6,937	\$5,290	\$7,457	\$5,555	\$7,830
1 Bedroom Deluxe Villa (Green)	\$3,591	\$5,229	\$3,695	\$5,381	\$3,825	\$5,569	\$4,050	\$5,898	\$4,353	\$6,340	\$4,571	\$6,657
2 Bedroom Villa (Blue)	\$4,106	\$5,913	\$4,225	\$6,084	\$4,373	\$6,297	\$4,631	\$6,669	\$4,978	\$7,169	\$5,227	\$7,527
2 Bedroom Villa (Red)	\$4,181	\$5,986	\$4,302	\$6,159	\$4,453	\$6,375	\$4,715	\$6,751	\$5,069	\$7,257	\$5,322	\$7,620
2 Bedroom Villa (Yellow)	\$4,191	\$5,996	\$4,313	\$6,170	\$4,464	\$6,386	\$4,727	\$6,763	\$5,082	\$7,270	\$5,336	\$7,634
Chartwell (4),(5)	\$7,381	\$7,381	\$7,595	\$7,595	\$7,861	\$7,861	\$6,970	\$6,970	\$7,493	\$7,493	\$7,868	\$7,868
Shaw (6),(7)	NA	NA	NA	NA	NA	NA	\$6,970	\$6,970	\$7,493	\$7,493	\$7,868	\$7,868
Weighted Average Increase over prior year	\$102	\$46	\$105	\$47	\$130	\$59	\$227	\$102	\$305	\$443	\$219	\$318
% Increase	2.9%	2.9%	2.9%	2.9%	3.5%	3.5%	5.9%	5.9%	7.5%	7.5%	5.0%	5.0%

(1) Not used.

(2) 2 Bedroom Suite represents the combination of a Studio unit and a 1 Bedroom apartment.

(3) 2 Bedroom Deluxe represents the combination of a Deluxe Studio unit and a 1 Bedroom apartment.

(4) The Resident is responsible for the costs of all utilities for Chartwell Estate. The Pines, at its discretion, will provide a monthly statement showing the total amount of fees and other charges owed by the Resident for heating, air conditioning, lights, water, sewer, and electricity, which Resident shall pay pursuant to the terms of the Residence and Care Agreement. The Resident shall pay any costs for internet, telephone (other than basic local telephone service) and cable television services and installation directly to the utility provider.

(5) The Monthly Charge for Chartwell Estate is the same for single and double occupancy.

(6) The Resident is responsible for the costs of all utilities for the Shaw Property. The Pines, at its discretion, will either (a) provide a monthly statement showing the total amount of fees and other charges owed by the Resident for heating, air conditioning, lights, water, sewer, and electricity, which Resident shall pay, or (b) have such charges billed directly to the Resident, which Resident shall pay directly to the utility provider. The Resident shall pay any costs for internet, wi-fi and cable television services and installation directly to the utility provider. The Pines will furnish basic telephone service; the Resident is responsible for any additional telephone expenses, such as long-distance calls and directory assistance.

(7) The Monthly Charge for Shaw Property is the same for single and double occupancy.

(*) Figures provided above reflect charges effective for Residents who executed a Residence and Care Agreement after June 30, 2018.

For Residents who executed a Residence and Care Agreement before July 1, 2018, the Single Standard Occupancy charge effective for July 1, 2024 and after for the following units are: Studio – \$3,124; Deluxe Studio – \$3,281; 1 Bedroom – \$3,926; 2 Bedroom – \$4,321; 2 Bedroom Suite – \$4,440; 2 Bedroom Deluxe – \$4,668; Cottage – \$4,698; Large Cottage with or without Sunroom – \$5,082; 2 Bedroom Villa (Plan A) – \$5,110; 2 Bedroom Deluxe Villa (Plan B) – \$5,205; 2 Bedroom with Den Villa (Plan C) – \$5,352; and 2 Bedroom with Den Deluxe Villa (Plan D) – \$5,401.

For Residents who executed a Residence and Care Agreement before July 1, 2018, the Double Standard Occupancy charge effective for July 1, 2024 and after for the following units are: Studio – \$4,855; Deluxe Studio – \$5,012; 1 Bedroom – \$5,825; 2 Bedroom – \$6,409; 2 Bedroom Suite – \$6,527; 2 Bedroom Deluxe – \$6,756; Cottage – \$6,978; Large Cottage with or without Sunroom – \$7,366; 2 Bedroom Villa (Plan A) – \$7,410; 2 Bedroom Deluxe Villa (Plan B) – \$7,503; 2 Bedroom with Den Villa (Plan C) – \$7,647; and 2 Bedroom with Den Deluxe Villa (Plan D) - \$7,700.

INCREASES IN PER DIEM (DAILY) CHARGES

Schramm Health Center Accommodations	7/1/19 to 6/30/20	7/1/20 to 6/30/21	7/1/21 to 12/31/21	1/1/2022 to 6/30/22	7/1/22 to 6/30/23	7/1/23 to 6/30/24	7/1/24 and after (*)
Assisted Living	\$184.16	\$189.50	\$196.13	\$196.13	\$209.67	\$225.40	237.00
ICF-Private (Brown & Purcell)	\$264.32	\$269.34	\$278.77	\$292.67	\$312.86	\$336.30	353.00
SNF-Private (Brown & Purcell)	\$264.32	\$269.34	\$278.77	\$292.67	\$312.86	\$336.30	353.00
SNF-Private (Wilson & Maulden)	N/A	\$277.27	\$286.98	\$300.88	\$321.64	\$349.00	366.00
Assisted Living	\$5.19	\$5.34	\$6.63	\$0.00	\$13.54	\$15.73	11.60
ICF-Private (Brown & Purcell)	\$7.45	\$5.02	\$9.43	\$13.90	\$20.19	\$23.44	16.70
SNF-Private (Brown & Purcell)	\$7.45	\$5.02	\$9.43	\$13.90	\$20.19	\$23.44	16.70
SNF-Private (Wilson & Maulden)	N/A	N/A	\$9.71	\$13.90	\$20.76	\$27.36	17.00

(*) **Figures provided above reflect charges effective for Residents who executed a Residence and Care Agreement on or after July 1, 2018.**

For Residents who executed a Residence and Care Agreement after June 30, 2017 and before July 1, 2018, per diem rates effective July 1, 2024 are as follows: Assisted Living Unit - \$232.00; Intermediate nursing-private – \$349.00; Skilled nursing – private – \$349.00; and Skilled nursing – private (Wilson & Maulden Halls) - \$362.00.

For Residents who executed a Residence and Care Agreement before July 1, 2017, per diem rates effective July 1, 2024 are as follows: Assisted Living Unit – \$198.00; Intermediate nursing – private – \$297.00; Skilled nursing – private – \$297.00; and Skilled nursing – private (Wilson & Maulden Halls) – \$308.00.

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FUTURE RESIDENCY AGREEMENT

A prospective Resident (a “Future Resident”) may reserve a priority position on The Pines’ waiting list for occupancy at some time in the future by entering into a Future Residency Agreement (a “Future Residency Agreement”), the current version of which is attached hereto as Appendix E. A prospective Future Resident is required to submit an Application for Admission, a Personal Health History and a Confidential Financial Statement within 30 days of executing a Future Residency Agreement. A non-interest bearing deposit of one thousand dollars (\$1,000) is required of all Future Residents and will be credited toward the Entrance Fees due by the Future Resident at the time of occupancy, as outlined in the Residence and Care Agreement.

The Future Residency Agreement provides that upon notification by The Pines that a Living Accommodation of the type selected by the Future Resident will be available for occupancy, the Future Resident will have three days to accept such Living Accommodation. When the Future Resident accepts a Living Accommodation, the Future Resident and The Pines will enter into the form of Residence and Care Agreement in effect at the time of such acceptance. The Future Resident may reject any offer by The Pines to take occupancy without losing the Future Resident’s priority on The Pines’ waiting list. The right to reserve Living Accommodations becoming available for occupancy will be alternated between Residents occupying Living Accommodations at The Pines who wish to transfer to another Living Accommodation, on one hand, and Future Residents who have executed a Future Residency Agreement with The Pines, on the other hand. Notwithstanding The Pines’ policy to alternate the right to reserve Living Accommodations becoming available for occupancy between those Residents who wish to transfer to another Living Accommodation and Future Residents entering The Pines, Residents will have priority over all non-Residents, including Future Residents, in transferring to another Living Accommodation becoming available in the following circumstances:

- a. transfers due to medical necessity as determined by the Medical Director and the President/CEO of the Corporation;
- b. transfers to a smaller Living Accommodation; and
- c. when two Living Accommodations (one of which is vacant) are combined, the Resident occupying one of the Living Accommodations will have priority in reserving the combined Living Accommodation.

The Pines also reserves the right to fill, in its sole discretion and without regard to the waiting list, up to five vacancies in Living Accommodations each year, none of which will be of the same unit type. It is expected that exercise of this option by The Pines will be rare.

The Future Residency Agreement entitles the Future Resident to certain privileges at The Pines with prior reservations and at established rates, including meals in The Pines’ dining room, use of the common areas within The Pines and participation in planned programs provided by The Pines.

The Future Resident may terminate the Future Residency Agreement for any reason prior to occupancy by giving written notice to The Pines. The Future Resident will receive a refund of the full amount of the \$1,000 deposit upon such termination. The Pines may terminate the Future Residency Agreement at any time if there is a material misrepresentation or omission in the documents submitted by the Future Resident in connection with the Future Residency Agreement. The Pines may also terminate the Future Residency Agreement if the Future Resident does not meet the admission criteria set by the Board of Directors, in which event the full amount of the \$1,000 deposit is refundable.

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EARLY RESERVATION AGREEMENT

The Pines has determined that there may be persons who are younger than the typical Future Resident who wish to obtain a priority position on The Pines' waiting list. A prospective Resident under the age of seventy (an "Early Reserver") may reserve a priority position on The Pines' waiting list without completing a Future Residency Agreement by signing an Early Reservation Agreement (an "Early Reservation Agreement"), the current version of which is attached hereto as Appendix F. An Early Reserver must pay a one hundred dollar (\$100) non-refundable fee.

The Early Reservation Agreement does not entitle the Early Reserver to any current privileges at The Pines; it merely places the Early Reserver on the waiting list so that he or she has a better opportunity to have a Living Accommodation available when the Early Reserver may be ready to occupy it.

Under the Early Reservation Agreement, within a year of turning seventy years old, the Early Reserver must sign a Future Residency Agreement and comply with the application procedures contained therein, including making a reservation deposit. The Early Reserver will forfeit his or her position on the waiting list if he or she fails to do so.

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FINANCIAL INFORMATION

Financial Overview

An overview of the financial results of The Pines' operation is contained in the audited financial statements, the unaudited interim financial statements and the projected financial statements.

Financial Statements

Audited financial statements for The Pines as of December 31, 2023 are attached as Appendix G. Unaudited interim financial statements for The Pines as of March 31, 2024 are attached hereto as Appendix H.

Explanation of Material Differences

Appendix I contains an explanation of the material differences between (a) the forecast statements of projected revenue and expenses and cash flows of The Pines for 2023 contained as a part of the Disclosure Statement dated June 12, 2023 filed with the North Carolina Department of Insurance and (b) the actual results of operations for 2023 as shown in the audited financial statements of The Pines contained as a part of Appendix G attached hereto.

Projected Financial Statements

Projected financial statements for the next five fiscal years compiled by an independent certified public accountant, including a balance sheet, a statement of operations and a statement of cash flows, are attached as Appendix K. These projected financial statements are based on information available to the accountants as of the date set forth on the report and reflect revised cost projections and the revised Entrance Fees and Monthly Charges contained in this Disclosure Statement.

Actuarial Study

From time to time, The Pines engages an actuary to perform an actuarial study to estimate the capacity of The Pines to meet its contractual obligations to its Residents. A Statement of Actuarial Opinion prepared by an actuarial firm dated May 18, 2021 regarding the condition of The Pines as of December 31, 2020 is attached as Appendix J.

Operating Reserve Requirement

Section 58-64-33 of the North Carolina General Statutes requires continuing care retirement communities to establish operating reserves equal to a certain percentage (based upon maintenance of occupancy levels) of total operating costs projected in projected financial statements for the following 12-month periods. The projected operating reserve as of December 31 for 2024, 2025, 2026, 2027 and 2028 is as follows:

\$s in 000s	2024	2025	2026	2027	2028
Operating Expenses	\$35,704	\$37,936	\$38,201	\$39,570	\$40,776
Add: Principal Payments	1,385	1,430	1,470	1,515	1,560
Total Operating Expenses	37,089	39,366	39,671	41,085	42,336
Less: Depreciation	5,846	5,993	6,035	6,143	6,028
Less: Amortization expense	48	46	45	44	43
Less: Amortization of bond premium	-118	-118	-118	-118	-118
Total Adjusted Expenses	\$31,313	\$33,445	\$33,709	\$35,016	\$36,383
Required Reserve (A)	25%	25%	25%	25%	2500%
Required Operating Reserve at December 31	\$7,828	\$8,361	\$8,427	\$8,754	\$9,096

Note: (A) The requirement to maintain operating reserves at this percentage of total projected expenses (less depreciation and amortization expenses and bond interest expense) is based on the maintenance of occupancy of not less than 90% in fiscal years 2024 through 2028.

Operating Reserve Section 58-64-33 of the General Statutes of North Carolina, as amended, requires that all continuing care facilities maintain operating reserves equal to 50 percent of the total operating costs (as defined in Section 58-64-33) (or 25 percent of the total operating costs if such facilities maintain an occupancy level in excess of 90 percent and the North Carolina Commissioner of Insurance so approves) forecasted for the 12 month period following the period covered by the most recent annual statement filed with the North Carolina Department of Insurance. Such operating reserves may only be released upon approval of the North Carolina Commissioner of Insurance. The Pines operating reserve is comprised of long-term investments presently invested in U.S. Treasury Notes. As indicated in the audited financial statements attached as Appendix G hereto, the amount of the operating reserve for 2023 was \$7,540,000. The 2023 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/or board designated funds, which are presently on hand.

Investment policy regarding the funds held by The Pines as operating reserves is established by the Finance Committee of the Board of Directors. Mr. Vernon M. Baker, who serves as President/CEO of The Pines, and Mr. David A. Gentry, who serves as Vice President/CFO for The Pines, make the day-to-day decisions necessary to implement the investment policy established by the Finance Committee regarding investment of the operating reserves. The respective backgrounds and experience of Mr. Baker and Mr. Gentry are summarized under the heading “Management Staff.”

Benefits of Charitable Giving

The Pines at Davidson, Inc. is a non-profit charitable organization which is tax exempt pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986. Gifts and bequests to The Pines are deductible for income, gift and estate tax purposes, subject to applicable statutory limitations. The Pines and its Residents have benefited from an active fundraising effort since the inception of The Pines. Members and friends of Davidson College Presbyterian Church provided the initial funding in gifts and pledges that helped to establish The Pines in the early 1980s. For the year ended December 31, 2023, The Pines received gifts in the amount of \$736,820 with a focus on the Chaplaincy Fund and Entry Assistance Fund. Such gifts and pledges exclude revocable deferred gifts.

It is the practice of The Pines to keep all of its constituents apprised of current events at The Pines as well as various charitable giving opportunities that may be available. Such communication may include newsletters, bulletins, letters and personal visits. Constituents include directors, employees, Residents and their families, future Residents, vendors, foundations and other friends of The Pines. While not everyone will be able or interested in providing charitable gifts to The Pines, communication of these opportunities will be made available to everyone. Giving opportunities at The Pines include but are not limited to strengthening the Resident Support Fund, the Landscape Fund and Wellness Program.

Tax Consequences

NO INFORMATION IS PROVIDED HEREIN WITH RESPECT TO THE TAX CONSEQUENCES OF ENTERING INTO A RESIDENCE AND CARE AGREEMENT UNDER APPLICABLE FEDERAL, STATE OR LOCAL LAWS. THE DECISION BY A RESIDENT TO ENTER INTO A RESIDENCE AND CARE AGREEMENT MAY HAVE MATERIAL TAX CONSEQUENCES TO THE RESIDENT. EACH RESIDENT IS URGED TO CONSULT HIS OR HER OWN TAX ADVISOR WITH RESPECT TO ANY TAX CONSEQUENCES OF ENTERING INTO A RESIDENCE AND CARE AGREEMENT.

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HISTORY OF FACILITY DEVELOPMENT

Construction of the facilities at The Pines began in January 1987. Construction of the original 171 units in the central building, the Schramm Health Center and 12 of the detached cottage units was completed in 1988. Construction of the remaining 32 detached cottage units was completed over a period of years: 14 completed in 1989; 10 completed in 1993; eight completed in 1997. Beginning in 1992, The Pines began combining Studio or Deluxe Studio apartments in the central building with one-bedroom apartments to create larger apartments, which are in greater demand. This has reduced the total number of units in the central building to 157. From time to time The Pines may combine apartments to create additional larger units.

The facilities were designed by the architectural and engineering firm of Sherertz, Franklin, Crawford, Shaffner (now SFCS) of Roanoke, Virginia, recognized as a leader in designing projects for the elderly. Rodgers Builders, Inc. of Charlotte, North Carolina was the general contractor for the major portion of the facilities, with John Crosland Company serving as contractor for the first 26 detached cottages, Shelco, Inc. serving as contractor for the next 10 detached cottages, and Brotherton Construction serving as contractor for the eight detached cottages completed in 1997.

In March 2008 The Pines completed an expansion of its physical facilities that included but was not limited to the following: the improvement and expansion of the dining room, kitchen, Davidson Room, Library and crafts room; the conversion of eight semi-private nursing beds to private; the addition of 10 new private Assisted Living beds; the addition of four new private Nursing beds, net of the conversion of all eight existing semi-private beds to private beds; and the addition of two new apartment buildings each containing 12 two-bedroom or two-bedroom with den independent living apartments, with covered parking (for a total of 24 apartments). The 24 apartments completed in 2008 are called the Villas at Laurel Ridge.

In 2014, The Pines purchased 31 additional acres at 200 Avinger Lane, which contain Chartwell Estate. On June 23, 2014, the Town of Davidson Planning Department issued a Zoning Verification Letter, which verified that Chartwell Estate may be used as a residence for a Resident who has entered into a Residence and Care Agreement with The Pines.

On January 1, 2015, The Pines completed the construction of two new apartment buildings each containing 12 two-bedroom or two-bedroom with den independent living apartments, with covered parking (for a total of 24 apartments, collectively referred to herein as the “Villas at Hickory Crest”), which are located in the wooded area behind cottages 401-404 and across the street from cottages 414, 416, 417 and 418.

In November 2020, The Pines completed a renovation and partial replacement of the Hidell Nursing Center, moving from a hospital-like design with long corridors to a residential neighborhood plan. The Hidell Nursing Center consists of four neighborhoods: the Purcell (Memory Support) neighborhood with its 16 private rooms; a nursing neighborhood comprised of 19 private rooms (“Brown”); and two state-of-the-art nursing neighborhoods, each with 20 private rooms (“Maulden” and “Wilson”). Each of the four

nursing neighborhoods includes private rooms clustered near a common kitchen, dining and community space for resident activities and socializing.

This updated neighborhood design enables Residents to benefit from a smaller, more intimate sense of community, enhancing their quality of life by encouraging more activity and greater engagement. Additionally, the 40 new private rooms offer more square footage, larger windows providing more natural light, private showers, built-in cabinets and personal-sized refrigerators and microwaves so that each room becomes a comfortable residence.

Including these improvements, The Pines has a total of 75 Nursing Facility Beds offering intermediate and skilled nursing care.

In December 2020 and January 2021, The Pines completed two new villa apartment buildings, which are known as the “Villas at Poplar Hill”. The two new villa apartment buildings provide a total of 38 new independent living residences, which include both one-bedroom and two-bedroom villa apartments featuring open floor plans, nine-foot ceilings, large windows, walk-in closets and porches or balconies. The villa apartment buildings are four stories in height over basement parking and are located near the front of the Jetton Community Center.

In January 2022, The Pines completed three single-family cottages which are located on Kimbrough Circle across the street from cottages 414, 415, 416, 417 and 418.

Also in January 2022, The Pines purchased 2 acres at 228 Avinger Lane and 0.46 acres at 220 Avinger Lane, which are adjoining and comprise the Shaw Property.

Including these most recent additions, The Pines has a total of 292 Independent Living units.

Dining

Dining is central to community life at The Pines. Current and future Residents seek relaxed, more varied and, at times, quicker dining options. While retaining its traditional waited table service dining (“Heritage”), The Pines reconfigured portions of the Jetton Community Center during 2021 to create three new dining venues:

1. A market-place styled café where fresh food is ordered and prepared to Residents’ specifications from a variety of popular stations, such as an open-hearth oven (e.g., pizza, cedar plank salmon, casseroles), Asian wok, Chef’s Exhibition station (e.g., omelets, hand-carved meats, custom pastas), Char Grille, Rotisserie oven (e.g., chicken, ribs, turkey), hand-crafted salad bar, bakery and dessert café (“Marketplace”);
2. A pub offering meals and adult beverages (“Pub”); and
3. A coffee and ice cream kiosk for snacks and prepared items that can be purchased to “grab and go” (“Davis Café”).

Wellness

Wellness has always been an important part of life at The Pines. A fitness area, attached to the current Wellness Wing, provides an attractive setting for strength and cardio fitness equipment (“Martin Fitness Center”). The multi-purpose space in the lower level of the Davidson Room provides space for exercise classes (“Williams Room”). Additional space was added to the Wellness Clinic.

Second Entrance and Parking

The Pines added a second entrance at the front of the campus (by extending Avinger Lane by approximately 750 feet) (“Poplar Meadow Lane”), and additional parking near the Schramm Health Center and Jetton Community Center.

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FUTURE IMPROVEMENTS AND ADDITIONS

Potential Future Projects – *Not Currently Planned*

In connection with the strategic planning process, The Pines received approval from the Town of Davidson for an Amended Master Plan. The Amended Master Plan is forward-looking and permits The Pines to make improvements and additions beyond those that are currently planned.

The Amended Master Plan permits the construction of up to six new villa buildings that would contain up to a combined 48 additional independent living residences. Three of these villa buildings would be located in the approximate location of cottages 409, 410, 411, 412, 423, 424, 425 and 426 (“Buildings 3, 4 and 5”), and the remaining three villa buildings would be located in the approximate location of cottages 437, 438, 439, 440, 441, 442, 443 and 444 (“Buildings 6, 7 and 8”). Construction would require removal of the existing cottages that are located in the planned location of these new villa buildings. Buildings 3, 4 and 5 may be up to five stories in height, and Buildings 6, 7 and 8 may be up to four stories in height (with an additional fifth story permitted if certain conditions are met). The Pines does not currently have plans for construction of any of these six new villa buildings.

The Amended Master Plan also permits the construction of additions to the Hidell Nursing Center and the Assisted Living Unit, each of which may be up to three stories in height. Following these additions, The Pines would be permitted to operate up to 120 Nursing Facility Beds in the Hidell Nursing Center (including the current 75 Nursing Facility Beds) and up to 52 Adult Care Home Beds in the Assisted Living Unit. The Pines would be required to apply for and obtain an additional Certificate of Need in connection with these improvements. The Pines does not currently have plans to construct additions to the Hidell Nursing Center or the Assisted Living Unit, separate from the Hidell Nursing Center previously described. Finally, the Amended Master Plan permits The Pines to construct space for a common area on the front of the existing Jetton Community Center, as well as an additional maintenance building. The Pines does not currently have plans for either of these improvements.

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MANDATORY ARBITRATION

Arbitration is a process of dispute resolution that can be used in place of the traditional state or federal court system. Instead of a judge and/or jury determining the outcome of a dispute, a neutral third party or parties (known as the arbitrators) are selected by the parties to the dispute to make a decision, which is binding on both sides. Typically, the decision of the arbitrators is final and not subject to appeal. Arbitration is a private process, protecting the confidentiality interests of all parties. In addition, because there are no long court dockets to deal with, disputes are usually resolved much more quickly in arbitration. The arbitrator or arbitrators will hear both sides of the dispute and render a decision based on law, fairness, common sense and the rules established by the parties' agreement.

The Pines has selected Mandatory Arbitration for inclusion in the Residence and Care Agreement in order to resolve health care-related and personal injury claims and disputes, with the goal of reducing the time, formalities and costs of resolving them. The normal judicial process is available for all other claims and disputes.

The Residence and Care Agreement provides that any claim or dispute arising out of or related to the provision of medical or mental health care services to the Resident by The Pines and any claim or dispute arising out of or related to any physical, psychological or emotional injury experienced by the Resident which the Resident claims was the result in whole or in part of any service provided by, or act or omission of, The Pines under the terms of the agreement to arbitrate, regardless of how any such claim or dispute may be characterized and whether any such claim or dispute sounds in contract or tort or is based upon statutory right, shall be subject to final and binding arbitration as provided in the agreement to arbitrate and shall not be the subject of a lawsuit or resort to judicial process except to the extent that applicable law provides for judicial review of arbitration proceedings or the judicial enforcement of arbitration agreements and awards. However, the agreement to arbitrate in the Residence and Care Agreement shall not limit the Resident's right to file a grievance or complaint, formal or informal, with The Pines or any appropriate state or federal agency. The Residence and Care Agreement also provides that any claim or dispute arising between the parties that is not subject to the agreement to arbitrate may be heard by a court of competent jurisdiction in Mecklenburg County, North Carolina.

Reference is made to the agreement to arbitrate set out in full in Article X of the Residence and Care Agreement, a copy of which is attached as Appendix A.

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AGREEMENTS

The current versions of agreements with Residents are attached as follows:

<u>Appendix</u>	<u>Agreement</u>
A	Residence and Care Agreement
B	Addendum to Residence and Care Agreement Relating to Long Term Direct Admission to Schramm Health Center
C	Addendum to Residence and Care Agreement Relating to Animals
D	Pool Use Agreement
E	Future Residency Agreement
F	Early Reservation Agreement

To the extent that the text of this Disclosure Statement differs or conflicts with the terms of any agreement attached hereto, the terms of the agreement will control.

APPENDIX A
RESIDENCE AND CARE AGREEMENT

THE PINES AT DAVIDSON

RESIDENCE AND CARE AGREEMENT

THIS AGREEMENT is made this _____ day of _____, 20____, by and between The Pines at Davidson, Inc., a North Carolina nonprofit corporation, hereinafter called the “Corporation” and _____, hereinafter called “Resident” (if husband and wife, or two other persons enter into this Agreement, the word “Resident” shall apply to them collectively unless the context otherwise requires).

WHEREAS, the Corporation has developed a continuing care retirement community located at 400 Avinger Lane in Davidson, North Carolina, known as “The Pines at Davidson”, hereinafter referred to as “The Pines”; and

WHEREAS, Resident is desirous of becoming a resident of The Pines and to use and enjoy the facilities, programs and services provided by the Corporation subject to the terms and conditions of the Agreement;

NOW, THEREFORE, Resident and the Corporation agree as follows:

I. ACCOMMODATIONS AND SERVICES

Subject to the terms and conditions set forth in this Agreement, the Corporation agrees to provide the Resident the living accommodations, services and programs at The Pines described as follows:

A. Living Accommodation. Unit number _____, a _____ type of living accommodation, located _____ in The Pines (hereinafter referred to as the “Living Accommodation”). Resident has the exclusive right to occupy and use the Living Accommodation subject to the terms and conditions set forth in this Agreement. Resident, with the prior written consent of the Corporation and subject to the terms and conditions of this Agreement, may from time to time transfer from one Living Accommodation in The Pines to another. In the event of such a transfer, the reference to the “Living Accommodation” designated above shall be automatically amended to reflect such a transfer.

B. Utilities. The Corporation will furnish basic local telephone service, heating, air conditioning, lights, water, sewer, electricity and trash removal. The Resident is responsible for any internet and cable television installation and service charges and for charges associated with any additional telephone expenses, such as long-distance calls and directory assistance. The Corporation reserves the right to discontinue providing local telephone service.

- C. **Furnishings.** The Corporation will provide wall-to-wall carpeting in the Living Accommodation, emergency signal equipment, and other fixtures and appliances as described in the literature published by the Corporation regarding The Pines. All other furniture and furnishings for the Living Accommodation shall be provided by the Resident.
- D. **Meals.** The Corporation will make meals available to the Resident as follows:
1. **Independent Living Residents.** The Corporation will make available three (3) nutritionally well-balanced meals each day to Independent Living Residents (i.e., Residents not residing in the Schramm Health Center) and which will be served in communal dining areas, which can be selected by the Resident pursuant to the terms of the Corporation's Choice Meal Plan (the "Choice Plan"). The cost of the Choice Plan is included in the Monthly Charge. The Choice Plan provides each Resident with a pre-set balance each quarter (or, at the discretion of The Pines, for a period of time not greater than a quarter of a calendar year) to purchase à la carte meals at the current meal prices published to Residents. The Choice Plan does not apply to the purchase of alcohol, catering, guest meals, or non-food sundry items (e.g., tissues, batteries), even though such items may be available for purchase in the Café. Due to inventory limitations, the volume of purchases of pre-packaged products such as bottled drinks, pre-packaged crackers, candy bars, and the like may be restricted. The pre-set balance may be used at any time during the quarter (or other period) but may not be carried over from one quarter (or other period) to another. Any purchases over the pre-set balance in the period, unless paid for separately, will be charged to the Resident's account and billed the following month. Tray service and meals containing substitute or special diets will be provided when approved by the Corporation. An extra charge may be made for special diets and for tray service. The Choice Plan is subject to change from time to time (including but not limited to the amount of the pre-set balance and à la carte pricing) and will be published to those participating.
 2. **Residents Residing in the Schramm Health Center.** The Corporation will make available three (3) nutritionally well-balanced meals each day to Residents residing in the Schramm Health Center. The cost of these meals is included in the published per diem rate as described in Paragraph II E. (For Residents who are within their first 14 days of occupancy in the Schramm Health Center (as such 14 days are described in Paragraph II E), the cost of one (1) of the three (3) meals is included in the Monthly Charge; the cost of the other two (2) meals will be charged to the Resident's account and billed the following month.) The cost of additional meals taken by the Resident will be paid for by the Resident and billed on a monthly basis. Independent Living residents who transfer temporarily to the Schramm Health Center will

have their pre-set balance reduced in proportion to the number of days they reside in the Schramm Health Center. Tray service and meals containing substitute or special diets will be provided when approved by the Corporation. An extra charge may be made for special diets and for tray service.

- E. **Housekeeping Services.** The Corporation agrees to maintain the Living Accommodation by providing regular housekeeping services including vacuum cleaning, dusting, cleaning of baths and kitchens, and trash removal.
- F. **Laundry.** The Corporation will provide, change and launder the Resident's bed and bath linens on a regular basis. Convenient laundry facilities will be provided free of charge for personal laundry.
- G. **Maintenance and Repairs.** The Corporation will maintain and keep in repair the improvements, furnishings and equipment owned by the Corporation. The Resident will be responsible for the cost of repairing any damage to property of the Corporation caused by the negligence of the Resident or any guest of the Resident, ordinary wear and tear excepted. The Resident will be responsible for the cost of any special cleaning and repair required by reason of smoking within the Resident's Living Accommodation. Any structural or physical change or redecoration of any kind within the Living Accommodation will require the prior approval of the Corporation. The cost of any change, including any subsequent cost to return the living unit to its original condition in the event of such change, or cost of redecoration, will be paid by the Resident. Any such improvement or change will be owned by the Corporation and will not be considered in determining the amount of any refund to the Resident upon termination of this Agreement.
- H. **Grounds keeping.** The Corporation will furnish basic grounds keeping service for the grounds of The Pines, including lawn, tree and shrubbery care. Subject to approval by the Corporation, Residents may plant and maintain certain areas designated for such purpose by the Corporation.
- I. **Parking.** The Corporation will provide parking areas for the Resident's personal vehicle (limited to one vehicle for each individual Resident) and parking for guests.
- J. **Common Facilities.** The Corporation will provide common facilities for the use and/or benefit of all Residents such as a central dining room, central kitchen, post office, multi-purpose room, lounges and sitting areas.
- K. **Transportation.** The Corporation will provide a base package of local transportation for Residents on a regular, scheduled basis without additional charge. An additional charge may be made for transportation for special, personal or group trips.

- L. **Activities.** Social, recreational, spiritual, educational and cultural activities will be provided for the Residents.
- M. **Nursing and Health Care.** The Corporation will provide nursing and health care for each Resident as follows:
1. The Mariam Coltrane Schramm Health Center (the “**Schramm Health Center**”) at The Pines will be provided for the benefit of the Residents. The Corporation is licensed by the North Carolina Department of Health and Human Services, Division of Services Regulation to operate 51 beds offering intermediate and skilled nursing care for Residents who are temporarily ill or who require long term nursing care and 30 beds to provide support services for Residents who require assistance with activities of daily living. Private or semi-private accommodations will be provided for Residents in the assisted living area of the Schramm Health Center and in the intermediate and skilled nursing care area of the Schramm Health Center.
 2. A twenty-four (24) hour nursing staff will be maintained in the Schramm Health Center.
 3. The overall coordination and provision of health care services by the Corporation will be provided by a Medical Director who will be a licensed physician selected by the Corporation.
 4. Charges for the Health Care accommodations and services described above in this Paragraph I M shall be as set forth in Paragraph II E.
 5. Residents will choose their own personal physicians and will be responsible for charges for services by such physicians and any consultants. Other health care services will be made available to the Resident at the Resident’s expense, including, but not limited to: pharmacy services; surgical, dental and optical services; laboratory tests; physical therapy; occupational therapy, including therapeutic activities; rehabilitative treatments; and wheelchairs and other medical equipment and supplies. The cost of such services shall not be covered by the charges described in Paragraph II E.
 6. The Resident acknowledges that the services provided by the corporation cannot protect the Resident from the effects of the natural aging process or the everyday, normal risks of living. In addition, the Resident acknowledges that the Resident’s particular health condition, as noted in the individual care plan, may cause the Resident to be particularly susceptible to certain risks and dangers. The Resident further acknowledges that the services provided by the Corporation do not include 24 hour, one-on-one monitoring of each resident. If a Resident desires to have a dedicated caregiver at all times, the Resident

may wish to consider engaging a companion, sitter or private duty nurse, or certified nursing assistant in accordance with subparagraph 8 of this Paragraph I M.

7. The Corporation will make good faith efforts to provide its routine services to the Resident, including those prescribed by the Resident's attending physician. A Resident has a right to refuse treatment. However, should a Resident refuse to comply with recommended treatments or with physician's orders, the Resident assumes the risk of any adverse outcomes associated with such refusal. The Corporation shall not be expected to coerce or intimidate the Resident into accepting such services or complying with physician orders. Residents and their families or legal representative are strongly encouraged to participate in the planning of the Residents' care, both with the attending physician and the Corporation.
8. The Resident shall not employ any companion, sitter, private duty nurse or certified nursing assistant without prior notification to the Corporation. The Corporation shall have no responsibility to review, approve or otherwise opine as to the qualifications or abilities of any service providers engaged by the Resident.

All companions, sitters, private duty nurses and certified nursing assistants engaged by the Resident, as well as the Resident's visitors, are subject to the rules and regulations in effect at The Pines. All companions' sitters, private duty nurses, and certified nursing assistants will act in accordance with the Resident's plan of care for any resident in the Health Care Center. The Corporation may expel or refuse admission to any such individual who, in the Corporation's judgment, poses a threat to the health, safety or welfare of residents or staff.

The Resident shall pay all expenses (including meals) of the individuals engaged by the Resident. Resident acknowledges that the Corporation is not responsible for any losses, damages, costs, claims, liabilities and expenses suffered by the Resident or the Corporation, including attorney fees and court costs, arising from the services, actions, inactions, or statements of any sitters, companions, private duty nurses, and certified nursing assistants engaged by the Resident.

II. FINANCIAL ARRANGEMENTS

A. Entrance Fee.

1. The Resident agrees to pay the Corporation an Entrance Fee as a condition of becoming a resident of The Pines. The Resident shall choose one of the following options as to the Entrance Fee to be paid:

<u>Option</u>	<u>Amount of Entrance Fee</u>
Standard Entrance Fee Option:	\$ _____
50% Refund Entrance Fee Option:	\$ _____ (estimated)
90% Refund Entrance Fee Option:	\$ _____ (estimated)

The amounts shown above for the 50% Refund Entrance Fee Option and the 90% Refund Entrance Fee Option are estimates, based on the age of the Resident at the date of the execution of this Agreement by the Resident. The exact amount of the Entrance Fee payable in the event that the Resident shall elect either of these options will be determined actuarially based on the life expectancy of the Resident at the time of occupancy (or the life expectancy of the older Resident in the case of double occupancy). The Resident must notify the Corporation in writing of the choice of Entrance Fee option on or before the date that the balance of the Entrance Fee is due as provided in Subparagraph II A 2 below. Without approval by the Corporation, the Resident may not change the option chosen after the date that the balance of the Entrance Fee is due.

2. It is agreed that \$ _____, representing a deposit of 10% of the Entrance Fee payable under the Standard Entrance Fee Option together with \$300 as a non-refundable application fee, will be due and payable upon execution of this Agreement by the Resident. The balance of the Entrance Fee will be due and payable 10 days prior to the projected date of occupancy. The Corporation will give reasonable notice prior to the Resident's projected date of occupancy. Unless the Corporation shall agree in writing to other arrangements, the Resident must take occupancy within 60 days after notice to the Resident that the Admissions Committee has determined that the Resident meets the admission requirements. If the Resident does not take occupancy by such time, the Resident shall accept financial responsibility for the Living Accommodation.

- B. Monthly Charge. In addition to the Entrance Fee and any other charges provided for under this Agreement, Resident agrees to pay a Monthly Charge during the term of this Agreement which shall be payable in advance by the 10th day of each month. As of the date of this Agreement, the Corporation projects that the Monthly Charge associated with the Living Accommodation will be approximately \$ _____ per month, and an additional \$ _____ per month if a second Resident occupies the Living Accommodation. The Monthly Charge may be adjusted by the Corporation during the term of this Agreement as described in Paragraph II C below.

- C. **Adjustments in the Monthly Charge.** The Monthly Charge is made to provide the facilities, programs and services described in this Agreement and is intended to meet the cost of debt service, insurance, maintenance, administration, staffing and other expenses associated with the establishment, operation and management of The Pines. The Corporation shall have the authority to adjust the Monthly Charge from time to time during the term of this Agreement as the Corporation in its discretion deems necessary in order to reflect changes in the costs of providing the facilities, programs and services described herein consistent with operating on a sound financial basis and maintaining the quality of services called for herein. In the event that it should be determined that the Corporation is required to pay ad valorem taxes upon its property, the Monthly Charge may be adjusted to reflect the amount of such taxes. Any such increases in the Monthly Charge or other charges may be made by the Corporation upon thirty (30) days written notice to the Resident.
- D. **Monthly Statements.** The Corporation will furnish the Resident with monthly statements showing the total amount of fees and other charges owed by the Resident, which shall be payable by the 10th day of the month. The Corporation may charge interest on any unpaid balance owed by the Resident 30 days after the monthly statement is furnished.
- E. **Health Center Fees and Charges.**
1. The Corporation will establish and publish per diem rates and charges for the accommodations and services in the Schramm Health Center described in Paragraph I M.
 2. If a Resident is transferred to the Schramm Health Center and such transfer has not been determined by the Corporation to be permanent in nature, the Resident shall continue to pay the Monthly Charge equal to the same Monthly Charge associated with the type of Living Accommodation described in Paragraph I A of this Agreement for the first 14 days' occupancy (whether or not consecutive) in the Schramm Health Center each calendar year. For such 14 days, the Resident will not be required to pay a per diem charge for occupancy in the Schramm Health Center but shall pay for additional meals or other services not normally covered by the Monthly Charge or by the per diem charge for occupants of the Schramm Health Center. Credit for any unused portion of the 14 days per year may not be carried forward to successive years.
 3. In the event that a Resident shall occupy an accommodation in the Schramm Health Center for more than 14 days in any calendar year, then upon the expiration of such 14 days, the Resident shall thereafter in such year and in any year thereafter pay the amount of the published per diem rate for the Schramm Health Center accommodation

occupied by the Resident, plus charges for other services not included in such per diem rate.

4. If the Resident shall continue to occupy an accommodation in the Schramm Health Center for more than 30 days within any 90 day period following the use of the last of such 14 days, the Resident shall have the option of surrendering the Living Accommodation of such Resident described in Paragraph I A of this Agreement (if formerly occupied by the Resident as single occupant) or paying the Monthly Charge associated with such Living Accommodation in addition to the per diem charge for the Schramm Health Center accommodation occupied by the Resident.

III. ADMISSION REQUIREMENTS

The requirements for admission to The Pines include the following:

- A. Age. The Pines does not unlawfully discriminate in admission decisions or with respect to residents on the basis of race, color, religion, sex, disability, or national origin. Admission is restricted to persons 65 years of age or older, except that in the case of a married couple in which one spouse is at least 65 years of age, the other spouse shall be at least 62 years of age.
- B. Personal Interview. The Resident shall have an interview with a representative from The Pines prior to taking residency at The Pines. Upon review of all information required to be furnished herein, additional personal interviews may be requested by the Corporation.
- C. Application, Health History and Financial Statement. The Resident shall submit for review by the Admissions Committee appointed by the Corporation an Application for Admission, a Personal Health History, a Medical Certificate and a Confidential Financial Statement, all on forms furnished by the Corporation, within 30 days of execution of this Agreement by the Resident.
- D. Notification. The Corporation shall review the Application for Admission, the Personal Health History, the Medical Certificate, the Confidential Financial Statement and the results of the Personal Interview and will notify the Resident whether the Resident meets the admissions requirements. The Corporation will also notify the Resident as early as possible of the date on which the Living Accommodation is expected to be available for occupancy. Until the Corporation accepts an Application for Admission in writing, the Corporation reserves the right to accept or reject an Application for Admission in the sole discretion of the Corporation for any reason other than unlawful discrimination.
- E. Health Requirements. Prior to admission for residency at The Pines, the Resident shall submit a report of a physical examination of the Resident made

by a physician selected by the Resident. Such report shall include a statement by such physician that the Resident is in good health, is able to take care of himself or herself in residential living activities and the Resident's health profile does not present a significant risk of intensive or imminent increased health care needs. The Corporation may require the Resident to have another physical examination by the Medical Director or by another physician approved by the Corporation. The Resident shall be responsible for the costs of such physical examinations. If the health of the Resident as disclosed by such physical examination differs materially from that disclosed in the Resident's Application for Admission and Personal Health History, the Corporation shall have the right to decline admission of the Resident and to terminate this Agreement, or in the discretion of the Corporation, to permit the Resident to take occupancy of accommodations at The Pines suitable to the needs of the Resident.

- F. **Financial Requirements.** The Resident must have assets and income which will be sufficient under foreseeable circumstances to pay the financial obligations of the Resident under this Agreement and to meet ordinary living expenses of the Resident. The Corporation may require the Resident to furnish current financial information and copies of state and federal tax returns at any time prior to occupancy.
- G. **Representations.** The Resident affirms that the representations made in the Application for Admission, Personal Health History and Confidential Financial Statement are true and correct and may be relied upon by the Corporation as a basis for entering into this Agreement.

IV. **TERMS OF RESIDENCY**

- A. **Rights of Resident.** The Resident has the right to occupy and enjoy the Living Accommodation described in Paragraph I A of this Agreement during the Resident's lifetime unless this Agreement shall be terminated as provided herein. It is understood that this Agreement does not transfer or grant any interest in the real or personal property owned by the Corporation other than the right to the use or occupancy of the Living Accommodation in accordance with the terms hereof. The Resident agrees that the rights of the Resident under this Agreement are subject to and subordinate to the rights of a lender under any mortgage or deed of trust now or hereafter executed by the Corporation creating a lien on any property of the Corporation at The Pines.
- B. **Rules and Regulations.** The Resident will abide by the Corporation's rules and regulations and such reasonable amendments, modifications and changes of the rules and regulations as may hereafter be adopted by the Corporation.
- C. **Changes in Living Accommodations.** The Corporation has the right to change the Living Accommodation to meet requirements of any applicable statutes,

law or regulation. The Living Accommodation may not be used in any manner in violation of any zoning ordinances or other governmental law or regulation.

- D. **Visitors.** Except for short term visitors or guests residing in the Living Accommodation for a period of two weeks or less, no person other than the Resident may reside in the Living Accommodation without the approval of the Corporation. Visitors and guests may not reside in the Living Accommodation if the Resident is out of town, on vacation or otherwise not physically present at The Pines.

- E. **Loss of Property.** The Corporation shall not be responsible for the loss of any property belonging to the Resident due to theft, mysterious disappearance, fire or any other cause. It is understood that the Resident will have the responsibility of providing any desired insurance protection covering any such loss.

- F. **Occupancy by Two Residents.** In the event that two Residents occupy a Living Accommodation under the terms of this Agreement, upon the permanent transfer to the Schramm Health Center or the death of one of such Residents, or in the event of the termination of this Agreement with respect to one of such Residents, the Agreement shall continue in effect as to the remaining or surviving Resident who shall have the option to retain the same Living Accommodation, in which event there will be no addition to or refund of the Entrance Fee, or to move to a smaller Living Accommodation, in which event the Resident shall be entitled to a refund of the difference, if any, between the following: (a) the Entrance Fee paid on the larger Living Accommodation less 5% thereof for each month (or portion thereof) from the occupancy date through the date on which the Resident transfers to the smaller Living Accommodation; and (b) the Entrance Fee for the smaller Living Accommodation in effect on the date of transfer less 5% of such Entrance Fee for each month (or portion thereof) from the occupancy date through the date on which the Resident transfers to the smaller Living Accommodation. The remaining or surviving Resident will thereafter pay the Monthly Charge for one Resident associated with the Living Accommodation occupied by the Resident.

- G. **Medical Insurance.** The Resident shall maintain Medicare Part A, Medicare Part B and one supplemental health insurance policy or equivalent insurance coverage acceptable to the Corporation and shall furnish the Corporation with evidence of such coverage upon request.

- H. **Other Insurance Requirements.** The Resident agrees to maintain the following insurance coverages:
 - (a) property insurance on the Resident's personal property located within the Resident's Living Accommodation or elsewhere within the premises of The Pines.

- (b) personal liability insurance with a liability limit of at least \$100,000 per occurrence.
- (c) automobile liability insurance with limits required by state law on any vehicle owned by the Resident.

The Resident agrees to furnish to the Corporation upon request certificates of insurance from the insurance companies providing the insurance coverages required.

- I. **Marriage During Occupancy.** If a Resident while occupying a Living Accommodation marries a person who is also a Resident, the two Residents may, with the prior written consent of the Corporation, occupy the Living Accommodation of either Resident and shall surrender the Living Accommodation not to be occupied by them. No refund will be payable with respect to the Living Accommodation surrendered, except as provided in the Termination and Refund Provisions of Article VI. Such married Residents will pay the Monthly Charge for double occupancy associated with the Living Accommodation occupied by them. In the event that a Resident shall marry a person who is not a Resident of The Pines, the spouse may become a Resident if such spouse meets all of the then current requirements for admission to The Pines, enters into a then current version of the Residence and Care Agreement with the Corporation and pays an Entrance Fee in an amount determined by the Corporation in its discretion but in any event no more than one-half of the then current Entrance Fee associated with the type of Living Accommodation to be occupied by the Resident and spouse. The Resident and spouse shall pay the Monthly Charge for double occupancy associated with the Living Accommodation occupied by them. If the Resident's spouse shall not meet the requirements of The Pines for admission as a Resident, the Resident may terminate this Agreement in the same manner as provided in Paragraph VI C hereof with respect to a voluntary termination.
- J. **Combination of Living Accommodations.** Various circumstances may make it desirable that a one-bedroom, studio or deluxe studio Living Accommodation occupied by a Resident be combined with an adjoining Living Accommodation to form one combined Living Accommodation. Resident agrees that if a determination is made by the Corporation that it is desirable to combine the Resident's Living Accommodation with a Living Accommodation which adjoins the Resident's Living Accommodation, the Resident will surrender occupancy of the Resident's Living Accommodation within a reasonable time after receiving notice of such determination. In the event that the Corporation makes such determination and notifies the Resident, the Resident shall have the option to (a) transfer into the combined Living Accommodation when such combined Living Accommodation is ready for occupancy, or (b) transfer to another Living Accommodation, when

available, of the same type as the Living Accommodation previously occupied by the Resident.

If the Resident elects to occupy the combined Living Accommodation and the entrance fee established for such combined Living Accommodation exceeds the entrance fee paid by the Resident for the Resident's previous Living Accommodation, the Resident shall pay the amount of such excess upon taking occupancy. The Resident shall pay the monthly charge associated with the combined Living Accommodation as established by the Corporation.

If the Resident elects to transfer to a Living Accommodation of the same type as the Living Accommodation previously occupied by the Resident, the Corporation will repaint and recarpet, if needed, such Living Accommodation at its expense prior to occupancy by the Resident.

K. Transfer to Another Living Accommodation. The Resident may transfer from a Living Accommodation occupied by the Resident to a different Living Accommodation at The Pines which becomes available upon payment of such fees, consent by the Corporation and compliance with such guidelines regarding transfers as may be adopted by the Corporation, which fees and guidelines may be changed from time to time by the Corporation. Priority among Residents who wish to transfer to another Living Accommodation will be based on the date that the Resident requests a transfer. The right to reserve Living Accommodations becoming available for occupancy will be alternated between Residents who wish to transfer to another Living Accommodation on one hand, and those individuals who have executed a Future Residency Agreement with The Pines ("Future Residents") on the other hand. Notwithstanding the plan to alternate the right to reserve Living Accommodations becoming available for occupancy between those Residents who wish to transfer to another Living Accommodation and Future Residents entering The Pines, Residents will have priority over all non-residents, including Future Residents, in transferring to another Living Accommodation becoming available in the following circumstances:

1. transfers due to medical necessity as determined by the Medical Director and the President/CEO of the Corporation;
2. transfers to a same size or smaller Living Accommodation; and
3. when two Living Accommodations (one of which is vacant) are combined, the Resident occupying one of the Living Accommodations will have priority in reserving the combined Living Accommodation.

Notwithstanding the above, the Corporation reserves the right to fill, in its sole discretion and without regard to the waiting list, up to five (5) vacancies in Living Accommodations each year. The Living Accommodations granted

under this paragraph shall not be of the same unit type. It is expected that filling vacant Living Accommodations pursuant to this paragraph will be rare.

- L. **Renovations or Reconstruction of Living Accommodations.** The Pines is dedicated to maintaining the Living Accommodations and all other facilities of The Pines in a good state of repair. It recognizes the possibility that at some time in the future it may be necessary to make major renovations to, or reconstruction of one or more of, the residential Living Accommodations or Schramm Health Care Center Accommodations at The Pines requiring that a Resident vacate a unit affected by the construction work. In such event, The Pines would continue to provide to the Resident affected the same services customarily provided to Residents and would bear the costs incurred by the Resident in any such move. The Pines would under such circumstances provide to the Resident other accommodations which would be comparable to the extent practicable to the Resident's Living Accommodation being renovated or reconstructed although an interim accommodation may be larger or smaller or of a different type.

V. **TRANSFERS OR CHANGES IN LEVELS OF CARE**

- A. **Transfer to Schramm Health Center.** The Resident agrees that the Corporation shall have authority to determine that the Resident should be transferred from the Resident's Living Accommodation to the Schramm Health Center for assisted living, intermediate nursing or skilled nursing care, or from one level of care to another level of care within the Schramm Health Center and whether such transfer shall be temporary or permanent in nature. Such determinations shall be based on the professional opinion of the Medical Director and the opinion of the President/CEO of The Pines and shall be made only after consultation to the extent practical with the Resident, a representative of the Resident's family or the sponsor of the Resident and the Resident's attending physician.
- B. **Transfer to Hospital or Other Facility.** If it is determined by the Medical Director and the President/CEO that the Resident needs care beyond that which can be provided by the facility and personnel of The Pines, the Resident may be transferred to a hospital, center or institution equipped to give such care, which care will be 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 the sponsor of the Resident and the Resident's attending physician.
- C. **Surrender of Living Accommodation.** If a determination is made by the Corporation that any transfer described in this Article V is permanent in nature, the Resident agrees to surrender the Living Accommodation or the accommodation in the Schramm Health Center occupied by the Resident prior to such transfer. If the Corporation subsequently determines upon the opinion of the Medical Director and the President/CEO that the Resident can resume

occupancy in accommodations comparable to those occupied by the Resident prior to such transfer, the Resident shall have priority to such accommodations as soon as they become available.

VI. TERMINATION AND REFUND PROVISIONS

- A. **Prior to Occupancy.** This Agreement may be terminated by the Resident at any time prior to taking occupancy at The Pines for any reason by giving written notice to the Corporation. In the event that the Resident terminates this Agreement prior to occupancy, the Resident will receive a refund of the Entrance Fee paid by the Resident, less a non-refundable fee equal to 5% of the total amount of the Entrance Fee as described in Paragraph II A, provided, however, that no fee or charge will be made if such termination is due to the death of the Resident's spouse.

This Agreement will terminate automatically at any time prior to the date that the Resident takes occupancy if (a) the Resident dies before occupying a living unit in The Pines (or, if there are two Residents, both Residents die before occupying a living unit in The Pines); or (b) on account of physical injury; physical, mental or financial incapacity; or physical or mental illness, the Resident is precluded from occupying a living unit at The Pines under the terms of this Agreement. In the event of such automatic termination, the Resident shall receive a refund of the full Entrance Fee paid by the Resident. Any such refund shall be paid by the Corporation within sixty (60) days following termination pursuant to this paragraph.

- B. **Trial Period.** The first sixty (60) days of occupancy at The Pines will be considered to be a trial period. During such sixty (60) day period, the Resident will have the right to terminate this Agreement by giving the Corporation written notice of such termination. In the event of such termination, or in the event of the death of the Resident during such sixty (60) day period, the Resident (or the Resident's estate) shall receive a full refund of the Entrance Fee paid, less a non-refundable fee equal to 5% of the total amount of the Entrance Fee as described in Paragraph II A. During such sixty (60) day period, the Corporation shall have the right to terminate this Agreement based on the Corporation's determination that the Resident's physical or mental condition or emotional adjustment will not permit adaptation to the living environment at The Pines. In the event of such termination, the Corporation will refund the full Entrance Fee paid to the Corporation. Any refund due the Resident under this paragraph shall be paid within sixty (60) days after the Living Accommodation has been vacated by the Resident.
- C. **Voluntary Termination.** At any time after the expiration of the first sixty (60) days of occupancy at The Pines, the Resident may terminate this Agreement by giving the Corporation thirty (30) days prior written notice of such termination. If such termination shall occur within twelve (12) months after the date of occupancy by the Resident, the Resident shall receive a refund in

an amount equal to the full Entrance Fee paid to the Corporation less 5% thereof for each full calendar month or portion thereof which has elapsed from the date of occupancy to the effective date of termination and less a non-refundable fee equal to 5% of the full Entrance Fee, provided that in no event shall a Resident who has elected the 50% Refund Entrance Fee Option be entitled to a refund of less than 50% of the Entrance Fee paid by such Resident and in no event shall a Resident who has elected the 90% Refund Entrance Fee Option be entitled to a refund of less than 90% of the Entrance Fee paid by such Resident. Unless the Resident has elected the 50% Refund Entrance Fee Option or the 90% Refund Entrance Fee Option, no refund of the Entrance Fee shall be paid to the Resident after the first twelve (12) months of occupancy. Any refund due the Resident under this paragraph will be made at such time as such Resident's Living Accommodation shall have been reserved by a prospective Resident and such prospective Resident shall have paid to the Corporation such prospective Resident's full Entrance Fee.

D. Termination Upon Death. In the event of the death of the Resident at any time after the expiration of the first sixty (60) days of the Resident's occupancy at The Pines, and such deceased Resident is not survived by a spouse residing at the Pines who has signed this Agreement, this Agreement shall terminate and, subject to the Resident's continuing obligations described herein below, the portion, if any, of the Entrance Fee paid by the Resident to be refunded shall be determined in the same manner described in Paragraph VI C above. In the event of the death of the Resident at any time after the expiration of the first sixty (60) days of the Resident's occupancy, and such Resident is survived by a spouse residing at The Pines who has signed this Agreement, then this Agreement shall not terminate and no refund will be payable hereunder. In the event a refund becomes due under this Paragraph VI D, the date of the Resident's death shall determine the termination date. Any refund due the Resident's estate under this paragraph will be made at such time as such Resident's Living Accommodation shall have been reserved by a prospective Resident and such prospective Resident shall have paid to the Corporation such prospective Resident's full Entrance Fee; provided, however, that the Resident's estate shall continue to be obligated to pay the applicable Monthly Charge for such Resident's Living Accommodation until such Resident's Living Accommodation is vacated and left in good condition except for normal wear and tear.

E. Termination by the Corporation. The Corporation may terminate the Residence and Care Agreement at any time if there has been a material misrepresentation or omission made by the Resident in the Resident's Application for Admission, Personal Health History or Confidential Financial Statement; if the Resident fails to make payment to the Corporation of any fees or charges due the Corporation within sixty (60) days of the date when due; if the Resident's conduct is abusive toward members of the Corporation's staff or is disruptive or is detrimental to the health, safety or welfare of the Resident or other Residents or to other Residents' peaceful enjoyment of The

Pines; or if the Resident does not abide by the Corporation's policies, rules or regulations or breaches any of the terms and conditions of the Residence and Care Agreement. In the event of termination for any of such causes, the portion, if any, of the Entrance Fee paid by the Resident to be refunded shall be determined in the same manner as in the case of voluntary termination by the Resident after the 60-day trial period as described above and such refund will be made at such time as such Resident's Living Accommodation shall have been reserved by a prospective Resident and such prospective Resident shall have paid to the Corporation such prospective Resident's full Entrance Fee.

- F. **Condition of Living Accommodation.** At the effective date of termination of this Agreement, the Resident shall vacate the Living Accommodation and shall leave it in good condition except for normal wear and tear. The Resident shall be liable to the Corporation for any cost incurred in restoring the Living Accommodation to good condition except for normal wear and tear.

VII. **RIGHT OF RESCISSION**

Notwithstanding anything herein to the contrary, this Agreement may be rescinded by the Resident giving written notice of such rescission to the Corporation within thirty (30) days following the later of the execution of this Agreement or the receipt of a disclosure statement that meets the requirements of Section 58-64-1, et seq. of the North Carolina General Statutes. In the event of such rescission, the Resident shall receive a full refund of the Entrance Fee paid by the Resident less any Monthly Charges or portion thereof applicable to any period a Living Accommodation was actually occupied by the Resident. The Resident shall not be required to move into The Pines before the expiration of such 30-day period. Any such refund shall be paid by the Corporation within sixty (60) days following receipt of written notice of rescission pursuant to this paragraph.

VIII. **FINANCIAL ASSISTANCE**

- A. **Subsidy.** The Corporation declares that it is the policy of the Corporation that this Agreement will not be terminated solely because of the Resident's financial inability to continue to pay the Monthly Charge or other charges payable hereunder by reason of circumstances beyond the Resident's control, provided, however, this declaration shall not be construed as qualifying the right of the Corporation to terminate this Agreement in accordance with the terms hereof. In the event that a Resident presents facts which in the opinion of the Corporation justify special financial consideration, the Corporation will give careful consideration to subsidizing in whole or in part the Monthly Charge and other charges payable by the Resident hereunder so long as such subsidy can be made without impairing the ability of the Corporation to attain its objectives while operating on a sound financial basis. Any determination by the Corporation with regard to the granting of financial assistance shall be within the sole discretion of the Corporation.

- B. **Resident Support Fund.** The Corporation has established a fund which will be used to assist Residents who would otherwise not be able to live at The Pines. Such Fund may be used for the purposes of providing financial assistance in accordance with the provisions of Paragraph VIII A.

IX. **GENERAL**

- A. **Assignment.** The rights and privileges of the Resident under this Agreement to the facilities, services and programs of the Corporation are personal to the Resident and may not be transferred or assigned by the Resident or otherwise.
- B. **Management of the Corporation.** The absolute rights of management are reserved by the Corporation, its Board of Directors and its administrators as delegated by said Board of Directors. The Corporation reserves the right to accept or reject any person for residency. Residents do not have the right to determine admissions or terms of admission of any other Resident.
- C. **Entire Agreement.** This Agreement constitutes the entire contract between the Corporation and the Resident. The Corporation shall not be liable or bound in any manner by any statements, representations or promises made by any person representing or assuming to represent the Corporation, unless such statements, representations or promises are set forth in this Agreement.
- D. **Successors and Assigns.** Except as set forth herein, this Agreement shall bind and inure to the benefit of the successors and assigns of the Corporation and the heirs, executors, administrators and assigns of the Resident.
- E. **Transfer of Property.** The Resident agrees not to make any gift or other transfer of property for less than adequate consideration for the purpose of evading the Resident's obligations under this Agreement or if such gift or transfer would render such Resident unable to meet such obligations.
- F. **Governing Law.** This Agreement shall be governed by the laws of the State of North Carolina.

X. **MANDATORY ARBITRATION**

Introduction

Arbitration is a process of dispute resolution that can be used in place of the traditional state or federal court system. Instead of a judge and/or jury determining the outcome of a dispute, a neutral third party or parties (known as the arbitrators) are selected by the parties to the dispute to make a decision, which is binding on both sides. Typically, the decision of the arbitrators is final and not subject to appeal. Arbitration is a private process, protecting the confidentiality interests of all parties. In addition, because there are no long court dockets to deal with, disputes are usually resolved much more quickly in arbitration. The arbitrator or arbitrators will hear both sides of the dispute and render a

decision based on law, fairness, common sense and the rules established by the parties' agreement.

Terms

The parties have selected Mandatory Arbitration for inclusion in this Agreement in order to resolve health care-related and personal injury claims and disputes, with the goal of reducing the time, formalities and costs of resolving them for both parties. The normal judicial process is available for all other claims and disputes. The terms of the Mandatory Arbitration provision follow.

IN ACCORDANCE WITH THE TERMS OF THE FEDERAL ARBITRATION ACT, THE PARTIES HEREBY AGREE THAT ANY CLAIM OR DISPUTE ARISING OUT OF OR RELATED TO THE PROVISION OF MEDICAL OR MENTAL HEALTH CARE SERVICES TO THE RESIDENT BY THE CORPORATION AND ANY CLAIM OR DISPUTE ARISING OUT OF OR RELATED TO ANY PHYSICAL, PSYCHOLOGICAL OR EMOTIONAL INJURY EXPERIENCED BY THE RESIDENT WHICH THE RESIDENT CLAIMS WAS THE RESULT IN WHOLE OR IN PART OF ANY SERVICE PROVIDED BY, OR ACT OR OMISSION OF, THE CORPORATION UNDER THE TERMS OF THIS AGREEMENT, REGARDLESS OF HOW ANY SUCH CLAIM OR DISPUTE MAY BE CHARACTERIZED AND WHETHER ANY SUCH CLAIM OR DISPUTE SOUNDS IN CONTRACT OR TORT OR IS BASED UPON STATUTORY RIGHT, SHALL BE SUBJECT TO FINAL AND BINDING ARBITRATION AS PROVIDED HEREIN AND SHALL NOT BE THE SUBJECT OF A LAWSUIT OR RESORT TO JUDICIAL PROCESS EXCEPT TO THE EXTENT THAT APPLICABLE LAW PROVIDES FOR JUDICIAL REVIEW OF ARBITRATION PROCEEDINGS OR THE JUDICIAL ENFORCEMENT OF ARBITRATION AGREEMENTS AND AWARDS.

The agreement to arbitrate in this Article X shall not limit the Resident's right to file a grievance or complaint, formal or informal, with the Corporation or any appropriate state or federal agency. The parties agree that any claim or dispute arising between them that is not subject to the agreement to arbitrate in this Article X shall be brought exclusively before a court of competent jurisdiction in Mecklenburg County, North Carolina.

The arbitration required by this Article X shall occur at a place agreed upon by the parties, or in the absence of such agreement, at The Pines. Except as otherwise provided herein or agreed upon by the parties, the arbitration shall be administered by Judicial Arbitration and Mediation Services, Inc. ("**JAMS**"), 555 13th Street, N.W., Washington, D.C. 20004, 202-942-9180, <http://www.jamsadr.com>, and shall be conducted pursuant to the JAMS Comprehensive Arbitration Rules and Procedures or, if unavailable, the comparable JAMS Arbitration Rules then in effect. In the event that JAMS is unavailable to administer the arbitration, the parties shall endeavor in good faith to choose an alternative arbitration service provider by mutual agreement. In the absence of such mutual agreement, the parties shall each select one (1) arbitrator, who shall in turn select a third, neutral arbitrator, and the parties shall proceed to arbitrate their dispute in an arbitration proceeding conducted by these three arbitrators under the JAMS Comprehensive Arbitration Rules and

Procedures or, if unavailable, the comparable JAMS Arbitration Rules in effect at the time that the dispute between the parties arises. Those tasks or services that otherwise would have been performed or provided by JAMS under the JAMS Arbitration Rules shall be determined by agreement of the parties and, absent such agreement, by a majority vote of the three arbitrators.

The parties agree that damages awarded, if any, in an arbitration conducted pursuant to this Article X shall be determined in accordance with the provisions of the state or federal law applicable to a comparable civil action, including any prerequisites to, credit against or limitations on, such damages. The arbitrator's award will consist of a written statement stating the disposition of each claim. The award will also provide a concise written statement of the essential findings and conclusions on which the award is based.

It is the intention of the parties to this Agreement that the provisions of this Article X shall inure to the benefit of and bind the parties, their representatives, successors and assigns, including the agents, employees and servants of the Corporation, and all persons whose claims are derived through or on behalf of the Resident, including that of any parent, spouse, child, guardian, executor, administrator, legal representative, or heir of the Resident.

All claims based in whole or in part on the same incident, transaction, or related course of care or services provided by the Corporation to the Resident, shall be arbitrated in one proceeding. A claim shall be waived and forever barred if it arose prior to the date upon which notice of arbitration is given to the Corporation or received by the Resident, and is not presented in the arbitration proceeding.

THE PARTIES UNDERSTAND AND AGREE THAT BY ENTERING INTO THIS AGREEMENT THEY ARE GIVING UP AND WAIVING THEIR CONSTITUTIONAL RIGHT TO HAVE ANY CLAIM DECIDED IN A COURT OF LAW BEFORE A JUDGE AND A JURY.

The parties understand and agree that any issue or dispute relating to the agreement to arbitrate in this Article X shall be governed by the Federal Arbitration Act. The parties further understand and agree that the Agreement evidences a transaction in interstate commerce within the meaning of, and is subject to, the Federal Arbitration Act.

The Resident understands that he or she has the right to seek legal counsel concerning the agreement to arbitrate in this Article X specifically and this Agreement in general. The Resident also has the right to receive an explanation or clarification of the agreement to arbitrate in this Article X specifically and this Agreement in general. The Resident enters into this Agreement and all of its provisions, including the arbitration provision contained in this Article X, voluntarily.

The provisions of this Article X shall survive termination of this Agreement by either party for any reason and shall remain in effect for all care and services subsequently rendered at The Pines, even if such services are rendered following the Resident's discharge and readmission to The Pines.

[Signature Page Follows]

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

THE PINES AT DAVIDSON, INC.

By: _____ **Resident** _____ (SEAL)

Title: _____ **Resident** _____ (SEAL)

Current Address: Street

City, State, Zip Code

Telephone

AS OF THE DAY AND YEAR ABOVE WRITTEN, THE UNDERSIGNED RESIDENT ACKNOWLEDGES RECEIPT OF A COPY OF THE DISCLOSURE STATEMENT OF THE PINES AT DAVIDSON, INC. DATED _____, 20__.

Resident _____ (SEAL)

Resident _____ (SEAL)

APPENDIX B
ADDENDUM TO RESIDENCE AND CARE AGREEMENT RELATING TO
LONG TERM DIRECT ADMISSION TO SCHRAMM HEALTH CENTER

THE PINES AT DAVIDSON

ADDENDUM TO RESIDENCE AND CARE AGREEMENT
RELATING TO LONG TERM DIRECT ADMISSION
TO SCHRAMM HEALTH CENTER

This ADDENDUM TO RESIDENCE AND CARE AGREEMENT RELATING TO LONG TERM DIRECT ADMISSION TO SCHRAMM HEALTH CENTER (this “Addendum”) is made this ____ day of _____, 20 ____, by and between The Pines at Davidson, Inc., a North Carolina nonprofit corporation (the “Corporation”), and _____, hereinafter called “Resident” (if husband and wife or two other persons enter into this Addendum, the word “Resident” shall apply to them collectively unless the context otherwise requires), and amends the Residence and Care Agreement dated as of the date hereof between the Corporation and the Resident (the “Agreement”). The terms and conditions of the Agreement are incorporated herein. Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Agreement. To the extent that any provisions of the Agreement are inconsistent with the provisions of this Addendum, the provisions of this Addendum shall control.

WHEREAS, the Corporation has determined that as of the date of execution of the Agreement and this Addendum, the Resident would not be able to occupy a Living Accommodation at The Pines because of the Resident’s or the Resident’s inability to take care of himself or herself in residential living activities, and

WHEREAS, the Resident desires to take occupancy in the Schramm Health Center as a Resident of the Pines in an accommodation suitable to his or her needs, and

WHEREAS, the Corporation is agreeable thereto, subject to the Resident’s compliance with the admission requirements in the Agreement and subject to the terms and conditions set forth below.

NOW, THEREFORE, the Corporation and the Resident agree as follows:

1. Paragraph I A of the Agreement is hereby deleted and replaced by the following:

I.A. Living Accommodation. An accommodation in the Schramm Health Center at The Pines (hereinafter referred to as the “Living Accommodation”). Resident has the right to occupy and use the Living Accommodation subject to the terms and conditions set forth in this Agreement.

2. Paragraphs II A, II B, II C and II E of the Agreement pertaining to financial arrangements are hereby deleted. In lieu thereof, the Resident agrees to pay the Corporation an Entrance Fee of \$ _____ as a condition of becoming a resident of The Pines. It is agreed that \$ _____, representing 10% of such Entrance Fee, will be due and payable upon execution of this Addendum as a deposit. The balance will be due and payable ten (10) days prior to the projected date of occupancy.

3. The Resident shall, while residing in the Schramm Health Center, pay such per diem rates and charges as are established by the Corporation for the Schramm Health Center accommodations and services. The Resident has received from the Corporation a schedule of the current per diem rates and charges and understands that such rates and charges are subject to change from time to time as deemed necessary by the Corporation.

4. The Resident understands that no particular room or unit may be reserved in the Schramm Health Center and that the Corporation, in its discretion, may change room assignments from time to time as it deems necessary or appropriate.

5. Paragraphs VI B, VI C, and VI D of the Agreement are hereby deleted and replaced by the following:

VI. B. Trial Period. The first sixty (60) days of occupancy at The Pines will be considered to be a trial period. During such sixty (60) day period, the Resident will have the right to terminate this Agreement by giving the Corporation written notice of such termination. In the event of such termination, or in the event of the death of the Resident during such sixty (60) day period, the Resident (or the Resident's estate) shall receive a full refund of the Entrance Fee paid, less a non-refundable fee equal to 5% of the total amount of the Entrance Fee. During such sixty (60) day period, the Corporation shall have the right to terminate this Agreement based on the Corporation's determination that the Resident's physical or mental condition or emotional adjustment will not permit adaptation to the living environment at The Pines. In the event of such termination, the Corporation will refund the full Entrance Fee paid to the Corporation. Any refund due the Resident under this paragraph shall be paid within sixty (60) days after the Living Accommodation has been vacated by the Resident.

VI. C. Voluntary Termination. At any time after the expiration of the first sixty (60) days of occupancy at The Pines, the Resident may terminate this Agreement by giving the Corporation thirty (30) days' prior written notice of such termination. If the Resident terminates this Agreement and vacates the Schramm Health Center within twelve (12) months after the date of occupancy of the Schramm Health Center by the Resident, the Resident shall receive a refund in an amount equal to the full Entrance Fee paid to the Corporation less 5% thereof for each full calendar month or portion thereof which has elapsed from the date of occupancy to the effective date of termination and less a non-refundable fee equal to 5% of the full Entrance Fee. No refund of the Entrance Fee shall be paid to the Resident after the first twelve (12) months of occupancy in the Schramm Health Center. Any refund due the Resident under this paragraph shall be paid within sixty (60) days after the Living Accommodation has been vacated by the Resident.

VI. D. Termination Upon Death. In the event of the death of the Resident at any time after the expiration of the first sixty (60) days of occupancy in the Schramm Health Center but within the first ninety (90) days of occupancy, the Resident's

estate shall receive a refund of 25% of the Entrance Fee paid. No refund of the Entrance Fee shall be payable to the Resident's estate by reason of the death of the Resident after the first ninety (90) days of occupancy in the Schramm Health Center.

6. If at any time, the Corporation or the Medical Director determines that the Resident is in good health, is ambulatory or able to move about independently and is able to take care of himself or herself in residential living activities, and if the Resident then meets the financial requirements described in Article III of the Agreement, then the Resident shall have priority to a Living Accommodation at The Pines as soon as one of the type desired by the Resident becomes available. Upon transfer from the Schramm Health Center to a Living Accommodation, the Resident shall enter into a Residence and Care Agreement in substantially the form of the Agreement without this Addendum and shall pay an Entrance Fee equal to the Entrance Fee for such Living Accommodation in effect at the time of transfer, less the amount of the Entrance Fee previously paid by the Resident upon taking occupancy in an accommodation in the Schramm Health Center.

7. If at any time the Corporation determines that there is insufficient space in the Schramm Health Center to accommodate the Resident (whether such lack of space is due to transfer of Residents to the Schramm Health Center from Living Accommodations at The Pines or for other reasons), the Corporation may, upon giving fifteen (15) days' written notice, terminate this Agreement. In the event of such termination, the Corporation will refund to the Resident the full amount of the Entrance Fee paid by the Resident and, at the request of Resident, will assist the Resident in finding another facility appropriate to the needs of the Resident, it being understood that all of the costs of such care and residency in such other facility shall be the responsibility of the Resident. The Corporation further agrees to give priority to the Resident for re-admission to the Schramm Health Center when there is sufficient space.

The terms and conditions of the Agreement are incorporated herein. To the extent that any provisions of the Agreement are inconsistent with the provisions of this Addendum, the provisions of this Addendum shall control.

IN WITNESS WHEREOF, the parties have executed this Addendum as of the _____ day of _____, 20__.

THE PINES AT DAVIDSON, INC.

By: _____

Title: _____

Resident

Current Address: Street

City, State, Zip Code

Telephone

APPENDIX C
ADDENDUM TO RESIDENCE AND CARE AGREEMENT
RELATING TO ANIMALS

THE PINES AT DAVIDSON

**ADDENDUM
TO RESIDENCE AND CARE AGREEMENT
RELATING TO PETS, SERVICE ANIMALS, and SUPPORT ANIMALS
Revised January 2023**

This ADDENDUM to RESIDENCE AND CARE AGREEMENT (this “Addendum”) is dated this ____ day of _____, 20____, by and between The Pines at Davidson, Inc. (the “Corporation”) and _____ (the “Resident”). Capitalized words not defined herein shall have the meanings assigned to them in the Agreement, as defined below.

BACKGROUND

1. The Corporation and the Resident entered into a Residence and Care Agreement on _____, 20____ (the “Agreement”).
2. The Resident occupies a Living Accommodation at The Pines at Davidson.
3. The Resident wishes to keep his or her animal, _____, a _____ whose picture is affixed to the signature page of this Addendum (the “Animal”), at The Pines.
Name of Animal
Breed and/or Species of Animal
4. The Corporation wishes to provide for the reasonable accommodation of the Resident’s Animal at The Pines and to provide a comfortable, safe, and sanitary environment for existing and prospective residents, employees, and the public.

THEREFORE, in consideration of the promises and mutual covenants herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Corporation and the Resident agree as follows:

1. The Resident may allow the Animal access to the buildings at The Pines as follows:

- a. If the Animal is a pet (a domesticated animal kept for pleasure), then the Resident may allow the Animal access only to the Resident's Living Accommodation. Only residents of a cottage unit or villa apartment may keep a pet at The Pines. The Resident acknowledges that if the Resident moves to a Living Accommodation other than a cottage unit or villa apartment, then the Resident may no longer keep the pet at The Pines.
 - b. If the Resident is disabled and the Animal is a service animal (a dog that is individually trained to do work or perform tasks that benefit the Resident), as certified by the Resident in Exhibit A to this Addendum, then the Resident may allow the Animal access to the Resident's Living Accommodation and the generally accessed communal areas at The Pines that are open to all Residents. The Resident may not allow the Animal access to areas that are not generally accessed by Residents.
 - c. If the Resident has need for a support animal as defined by the Fair Housing Act, and as certified by the Resident in Exhibit B to this Addendum, then the Resident may allow the Animal access to the Resident's Living Accommodation and only those areas necessary for the animal's entrance or exit from the Resident's unit. Support animals will not be permitted to access of any other areas, including the dining rooms, recreation rooms, sitting areas, meeting rooms, lounges, or the post office.
2. The Resident shall keep the Animal under the Resident's control (for example, carried; on a leash; in a container; or, for residents of cottage units, through the use of a hidden pet fence) at all times that the Animal is outside the Resident's Living Accommodation. The Resident may not chain or tie the Animal outside the Resident's Living Accommodation. If the Animal is a dog or a cat, the Resident shall cause the Animal to wear a collar with a tag identifying (a) the Animal and the Resident, each by name, and (b) the Resident's address and telephone number.

3. The Resident shall be responsible for the proper care of the Animal, including, but not limited to, flea control, yearly inoculations, spaying and neutering, and compliance with all applicable laws, ordinances, rules, and regulations.
4. The Resident shall prevent the Animal from depositing waste in locations other than areas designated for such purpose. The Resident shall be responsible for cleaning up after the Animal anywhere on The Pines property and shall carry a disposable plastic bag for that purpose any time that the Animal is outside the Resident's Living Accommodation. The Resident shall bag the Animal's waste and dispose of it in the appropriate trash receptacles.
5. The Resident shall be responsible for ensuring that the Animal's noise, odors, wastes, or other nuisances do not infringe upon or diminish the health, safety, or rights to peace and quiet enjoyment of other residents. The Resident shall maintain his or her Living Accommodation and the surrounding areas in a sanitary condition at all times, free of animal odors, insect infestation, waste, and litter. The Resident shall, upon receipt of a bill, pay for the cost of all materials and/or labor required to repair any damage caused by the Animal, including, but not limited to, charges for extermination services for insect infestation related to the Animal.
6. The Corporation has the right to demand that the Animal be removed from The Pines immediately if the Corporation, in its sole discretion, determines that the presence of the Animal poses a real and definite threat of harm to any member of The Pines community or otherwise violates the rights of any member of The Pines community.
7. The Resident shall make arrangements for someone to care for the Animal in the event that the Resident becomes unable to do so. The Resident hereby authorizes the Corporation to take appropriate action to transfer the Animal to an appropriate facility, with all corresponding fees to be charged to the Resident, if the Resident becomes unable to care for the Animal and has not made prior arrangements for the Animal's care.
8. The Resident agrees to indemnify and hold the Corporation, its officers, directors, agents, employees, and representatives harmless from all liabilities, losses, damages,

claims, actions, causes of actions, demands, or costs of any nature whatsoever caused by the actions of the Resident's Animal or by the Resident's own negligent or intentional actions related to care or control of the Animal.

9. Violation of this Addendum shall be considered a material violation of the Agreement and may result in termination of the Agreement by the Corporation pursuant to Paragraph VI.E of the Agreement.
10. The terms and conditions of the Agreement are incorporated herein. To the extent that any provisions of the Agreement are inconsistent with the provisions of this Addendum, the provisions of this Addendum shall control.
11. The Resident acknowledges that he or she has received a copy of the companies' POLICIES GOVERNING ANIMALS.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed this Addendum on the date first set forth above.

THE PINES AT DAVIDSON, INC.

By: _____ (SEAL)

Resident

Title: _____

Current Address: Street

City, State, Zip Code

Telephone

Attach Photograph of
Animal Here

EXHIBIT A

CERTIFICATION THAT THE RESIDENT’S ANIMAL IS A SERVICE ANIMAL

By signing this Exhibit A to the Addendum to Residence and Care Agreement Relating to Pets, Service Animals, and Support Animals the Resident certifies that:

1. The Resident requires the use of the Animal at The Pines because of a disability.

2. The Animal has been individually trained to do the following work or perform the following tasks: _____

SIGNATURE OF RESIDENT

PRINTED NAME OF RESIDENT

APPENDIX D
POOL USE AGREEMENT

THE PINES AT DAVIDSON

**POOL USE AGREEMENT,
RELEASE OF LIABILITY AND
HOLD HARMLESS AGREEMENT WARM WATER THERAPY FACILITIES**

- 1. I desire to use the warm water therapy pool, hot water whirlpool and/or exercise equipment room (the “Facilities”) located at The Pines at Davidson, Inc. (The Pines). I understand and accept that use of the Facilities exposes me to a number of risks and dangers. Some of the risks which may be present or occur include, but are not limited to, risk of death from drowning, injuries resulting from slipping or falling which could result in complete or partial paralysis, brain damage or other serious injury to my muscular skeletal system, injuries or disabilities arising from the contraction of infectious, communicable or other diseases, injuries resulting from exposure to hot water, injuries from physical exertion, and serious injuries to other aspects of my general health and well-being.**
- 2. Understanding the potential risks and consequences mentioned above, I hereby state that I am physically fit to use the Facilities.**
- 3. I further state that I am at least 18 years of age and competent to sign this document. I have received a copy of the rules pertaining to use of the Facilities and have read and agree to abide by such rules. In the event I permit a guest to use the Facilities, I will ensure that the guest reads and signs a copy of this Agreement prior to using the Facilities.**
- 4. In consideration of my being allowed to use the Facilities and as a condition to the right to use the Facilities, I personally assume all risks incident to the use of the Facilities and I waive, release and forever discharge The Pines and its officers, directors, agents, employees and representatives from all liabilities, losses, damages, claims, actions, causes of action, demands or costs of any nature whatsoever that may arise in connection with my use of the Facilities, whether caused by the negligence of The Pines, its employees or agents or caused by some other means.**
- 5. I further agree to indemnify and hold The Pines, its officers, directors, agents, employees and representatives harmless from all liabilities, losses, damages, claims, actions, causes of actions, demands, or costs of any nature whatsoever that may arise in connection with my use of the Facilities, whether caused by the negligence of The Pines, or its employees or agents, or caused by some other means.**
- 6. Prior to signing this document, I have had an adequate opportunity to ask questions about it, and any questions I have had have been answered to my satisfaction.**
- 7. This Release Agreement shall be binding upon me, my heirs and personal representatives.**

Signature of Participant

Printed Name

Date

Signature of Witness

Printed Name

Date

(PLEASE RETURN TO THE FRONT DESK)

WARM WATER THERAPY POOL RULES

- **WARNING – NO LIFEGUARD ON DUTY**
- **SWIM AT YOUR OWN RISK.** Owners and management are not responsible for accidents or injuries.
- State regulations require the following notice: **CHILDREN SHOULD NOT USE THE SWIMMING POOL WITHOUT ADULT SUPERVISION. HOWEVER, THE POLICY OF THE PINES PROHIBITS PERSONS UNDER THE AGE OF 18 FROM USING THE POOL.**
- **ADULTS SHOULD NOT SWIM ALONE.**
- **Absolutely NO DIVING** allowed.
- Health regulations prohibit persons with open wounds, wearing bandages, or with known infection (such as skin, ear, eye, or nasal infections) or sickness (including communicable diseases) from entering the pool or spa/whirlpool.
- All persons are required to take a cleansing shower prior to entering the pool. Proper swimming attire is required.
- No running. No boisterous or rough play.
- Pets and Glass Containers in the pool area are prohibited.
- Food, gum, and drinks are prohibited.
- Use of the pool while under the influence of alcohol, tranquilizers, or other drugs that cause drowsiness is prohibited.
- Emergency telephone is located by the locker room doors in the atrium.
- Medical alerts are located:
 - On the wall adjacent to exit door to main building,
 - On the wall opposite entrance to spa/whirlpool.
- In the event of lightening, thunder, or electrical storm, immediately vacate the water and do not re-enter until all thunder and lightning has completely passed through the vicinity and poses no risk to swimmers.
- Management reserves the right to deny the use of the pool to anyone at any time.
- 38 Person Pool Limit.

HOT WATER WHIRLPOOL RULES

STOP:

- All persons are required to take a cleansing shower prior to entering the spa/whirlpool.
- Oils, body lotions, and minerals are prohibited in the water.

CAUTION:

- Pregnant women; elderly persons; and persons suffering from heart disease, diabetes, or high or low blood pressure should not enter the spa/whirlpool without prior medical consultation and permission from their doctor.
- Do not use the spa/whirlpool while under the influence of alcohol, tranquilizers, or other drugs that cause drowsiness or that raise or lower blood pressure. Do not use alone.
- State regulations require the following notice: unsupervised use by children is prohibited. However, the policy of The Pines is that persons under the age of 18 are prohibited from using the spa/whirlpool.
- Enter and exit slowly.
- Observe reasonable time limits (that is, 10-15 minutes), then leave the water and cool down before returning for another brief stay.
- Long exposure may result in nausea, dizziness, or fainting.
- Keep all breakable objects out of the area.
- No running. No boisterous or rough play in the spa/whirlpool area.
- Health regulations prohibit persons with open wounds, wearing bandages, or with known infection (such as skin, ear, eye, or nasal infections) or sickness (including communicable diseases) from entering the spa/whirlpool. Persons using prescription medications should consult their physicians before using the spa/whirlpool.
- 8 Person Whirlpool Limit

APPENDIX E
FUTURE RESIDENCY AGREEMENT

THE PINES AT DAVIDSON

FUTURE RESIDENCY AGREEMENT

THIS AGREEMENT is made this _____ day of _____, 20____, between THE PINES AT DAVIDSON, INC., a North Carolina nonprofit corporation (the “Corporation”), and _____ (the “Future Resident”) (if husband and wife, or two other persons enter into this Agreement, the word “Future Resident” shall apply to them collectively unless the context otherwise requires).

INTRODUCTION

WHEREAS, the Corporation owns and operates a continuing care retirement community on Avinger Lane in Davidson, North Carolina (“The Pines”); and

WHEREAS, the Future Resident desires to become a Resident of The Pines and to use and enjoy the facilities, programs and services provided by The Pines.

AGREEMENT

I. PRIORITY, LIVING ACCOMMODATION TYPE, AND PROJECTED DATE OF OCCUPANCY

- A. **Priority Reservation.** The Corporation agrees to assign to the Future Resident a priority position on The Pines’ waiting list based on the date of this Agreement and the chronological order in which all Early Reservers and Future Residents enter into such Early Reservation Agreements and Future Residency Agreements (as the case may be), regardless of the apartment type selected. If the Future Resident is an Early Reserver, the Priority Position assigned to him or her under the Early Reservation Agreement shall be the Future Resident’s priority position for purposes of this Agreement.
- B. **Apartment Type Preference.** The Future Resident prefers to occupy a _____ type Living Accommodation at The Pines (the “Living Accommodation”) at some time in the future.
- C. **Projected Date of Occupancy.** The Future Resident projects readiness for actual occupancy of the Living Accommodation at The Pines in approximately _____ (Month) of _____ (Year). It is understood that such a Projected Date of Occupancy is an estimate and may vary due to the Future Resident’s readiness and the actual availability of the Living Accommodation at The Pines.

II. ADDITIONAL PRIVILEGES

In addition to the priority established for the Future Resident for the apartment type and projected date of occupancy, the Future Resident shall have the following privileges at The Pines:

- A. **Meals.** The Future Resident may have meals in The Pines' dining room with prior reservations and at the established guest meal rate.
- B. **Use of Common Areas.** The Future Resident may use the common areas within The Pines' including the dining room, arts and crafts room, library, country store, health club, multi-purpose rooms, lounges, beauty and barber shop, other recreational areas, common areas and amenities, from time-to-time with prior reservations and at rates established by the Corporation, if any. The Corporation reserves the right to limit use of such areas, if in its discretion it deems such limitation advisable for the benefit of Residents of The Pines who occupy a Living Accommodation.
- C. **Participation in Planned Activities.** The Future Resident may participate in planned social, recreational, educational, cultural, spiritual, arts and crafts, and exercise programs provided by The Pines with prior reservations and at rates established by the Corporation, if any.

III. ADMISSION PROCEDURES

- A. **Application Forms.** Within thirty (30) days after execution of this Agreement, the Future Resident will submit completed application forms containing all the information required by the Admissions Committee of The Pines for initial review. The Application forms shall include an Application for Admission, a Personal Health History, and a Confidential Financial Statement on forms provided by The Pines for review by the Admissions Committee.
- B. **Admissions Committee Review.** Upon receipt of the completed application forms, The Pines' Admissions Committee will review the forms submitted by the Future Resident as a basis for initial admission to The Pines. The Admissions Committee, in its sole discretion, will within thirty (30) days receipt of the completed application forms, approve or deny the application for initial admission based on admissions criteria and policies established by the Board of Directors of the Corporation.
- C. **Notification of Availability of Living Accommodation.** The Corporation will make reasonable efforts to notify the Future Resident of availability of the Living Accommodation specified by the Future Resident at the time the Living Accommodation becomes available for occupancy at or near the Projected Date of Occupancy. The Future Resident may accept or reject The Pines' offer to take actual occupancy of the Living Accommodation. The Future Resident has three (3) days from the date of notification by the Community to accept the Living Accommodation. The Future Resident may reject any offer by the

Corporation to take occupancy without losing the Future Resident's priority on The Pines' waiting list. The Future Resident understands that Residents of The Pines who occupy a Living Accommodation and who request a change of Living Accommodation have priority over Future Residents on the waiting list.

D. **Priority As To Available Living Accommodations.** The right to reserve Living Accommodations becoming available for occupancy will be alternated between Residents occupying Living Accommodations at The Pines who wish to transfer to another Living Accommodation on one hand, and Future Residents who have executed a Future Residency Agreement with the Corporation on the other hand. Notwithstanding the plan to alternate the right to reserve Living Accommodations becoming available for occupancy between those Residents who wish to transfer to another Living Accommodation and Future Residents entering The Pines, Residents will have priority over all non-residents, including Future Residents, in transferring to another Living Accommodation becoming available in the following circumstances:

1. transfers due to medical necessity as determined by the Medical Director and the President/CEO of the Corporation;
2. transfers to a same size or smaller Living Accommodation; and
3. when two Living Accommodations (one of which is vacant) are combined, the Resident occupying one of the Living Accommodations will have priority in reserving the combined Living Accommodation.

Notwithstanding the above, the Corporation reserves the right to fill, in its sole discretion and without regard to the waiting list, up to five (5) vacancies in Living Accommodations each year. The Living Accommodations granted under this paragraph shall not be of the same unit type. It is expected that filling vacant Living Accommodations pursuant to this paragraph will be rare.

E. **Residence and Care Agreement.** Should the Future Resident accept the offer for occupancy of the Living Accommodation at The Pines, the Future Resident shall execute the form of Residence and Care Agreement in effect at the time of such acceptance and pay the required fees in effect at such time as outlined in such Residence and Care Agreement. Prior to occupancy by the Future Resident, the Future Resident shall have satisfied all of the admission requirements described in such Residence and Care Agreement, including but not limited to the following:

1. **Updated Application Forms, If Requested.** Future Resident agrees to provide, if requested by the Corporation, updated application forms for review by the Admissions Committee before taking occupancy,

including the Application for Admission, Personal Health History and Confidential Financial Statement.

2. **Physician's Examination Report.** Upon execution of the Residence and Care Agreement, the Future Resident agrees to submit a physician's examination report completed by the Future Resident's personal physician on the Medical Certificate form provided by the Corporation for review by The Pines' Admissions Committee before taking occupancy.

- F. **Final Review by Admissions Committee.** Within thirty (30) days upon receipt of the Residence and Care Agreement, the Physician's Examination Report, and any updated application forms, if requested, the Admissions Committee will make a final review of the application of the Future Resident, and in its sole discretion, approve or deny the application based on the admission criteria and policies as established by the Board of Directors of the Corporation at the time of occupancy, and notify Future Resident of such action.

IV. CONSIDERATION FROM FUTURE RESIDENT

- A. **Reservation Deposit.** In consideration for the rights and privileges as outlined in this Agreement, the Future Resident agrees to pay a Reservation Deposit of One Thousand Dollars (\$1,000.00). The Reservation Deposit is a non-interest bearing deposit associated with this Future Residency Agreement, and will be credited toward the entrance fees due by the Future Resident at the time of occupancy of the Living Accommodation at The Pines as outlined in the Residence and Care Agreement.

V. TERMINATION AND REFUND

- A. **Termination by the Future Resident.** The Future Resident may terminate this Agreement for any reason prior to occupancy by giving written notice to the Corporation.
- B. **Termination by the Corporation.** The Corporation may terminate this Agreement at any time if there has been a material misrepresentation or omission submitted by the Future Resident in the Future Resident's Application for Admission, Personal Health History, Confidential Financial Statement, or Physicians Examination Report. The Corporation may also terminate this Agreement if the Future Resident does not meet the admission criteria set by the Board of Directors.

- C. Upon any termination of this Agreement by either the Future Resident or the Corporation, the Corporation shall refund the Future Resident the full amount of the \$1,000.00 Reservation Deposit within sixty (60) days of such notification of termination.

VI. GENERAL PROVISIONS

- A. **Assignment.** The rights and privileges of the Future Resident under this Agreement to the facilities, services, and programs of The Pines are personal to the Future Resident and may not be transferred or assigned by the Future Resident or otherwise.
- B. **Entire Agreement.** This Agreement constitutes the entire contract between the Corporation and the Future Resident and is preliminary to the Residence and Care Agreement.
- C. **Successors and Assigns.** Except as set forth herein, this Agreement shall bind and inure to the benefit of the successors and assigns of the Corporation.
- D. **Governing Laws.** This Agreement shall be governed by the laws of the State of North Carolina.
- E. **Copy of the Agreement.** The Future Resident, by executing this Agreement, acknowledges that the Corporation presented a copy of this Agreement to Future Resident prior to the transfer of any consideration to the Corporation.
- F. **Notice Provisions.** Any notices, consents, or other communications to the Corporation hereunder shall be in writing and addressed as follows:

President/CEO
The Pines at Davidson, Inc.
400 Avinger Lane
Davidson, NC 28036

The address of the Future Resident for the purpose of giving such notice is the address appearing after the signature of the Future Resident below.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed this Future Residency Agreement as of the day and year first above written.

THE PINES AT DAVIDSON, INC.

By: _____

Title: _____

Future Resident

Printed Name

Current Address: Street

City, State, Zip Code

Telephone

APPENDIX F
EARLY RESERVATION AGREEMENT

THE PINES AT DAVIDSON

EARLY RESERVATION AGREEMENT

THIS AGREEMENT is made this ___ day of _____, 20___, between THE PINES AT DAVIDSON, INC., a North Carolina nonprofit corporation (the “Corporation”), and (the “Early Reserver”) (if husband and wife, or two other persons enter into this Agreement, the word “Early Reserver” shall apply to them collectively unless the context otherwise requires).

INTRODUCTION

WHEREAS, the Corporation owns and operates a continuing care retirement community on Avinger Lane in Davidson, North Carolina (“The Pines”); and

WHEREAS, the Early Reserver desires to be entered on the waiting list at The Pines; and

WHEREAS, the Early Reserver is below the age of seventy (70) years and the parties agree he or she is not required to complete a Future Residency Agreement (as hereinafter defined) and comply with its requirements until reaching the age of seventy (70) years.

AGREEMENT

1. **Priority Reservation.** The Corporation agrees to assign to the Early Reserver a priority position on The Pines’ waiting list based on the date of this Agreement and the chronological order in which all Early Reservers and Future Residents enter into such Early Reservation Agreements and Future Residency Agreements (as the case may be), regardless of the apartment type selected.

2. **Early Reservation Fee.** In consideration of being entered on the waiting list, the Early Reserver hereby pays to the Corporation a non-refundable fee in the amount of one hundred dollars (\$100) (the “Early Reservation Fee”). The Early Reserver understands that the Early Reservation Fee is in addition to any and all other fees, costs and deposits that the Early Reserver may be required to pay to the Corporation in connection with the execution of a Future Residency Agreement or a Residence and Care Agreement.

3. **Application for Admission.** In connection with the execution of this Agreement and the remittance of the Early Reservation Fee, the Early Reserver will submit a completed Application for Admission on a form supplied by the Corporation for each party who is an Early Reserver hereunder.

4. **Future Requirements.** To retain his or her position on The Pines’ waiting list, the Early Reserver shall, within twelve (12) months after reaching the age of seventy (70) (which in the case of multiple Early Reservers shall be determined based on the older party), (a) complete and sign the form of Future Residency Agreement in use at such time

(the “Future Residency Agreement”), (b) meet all of the admission procedures outlined therein, and (c) pay the reservation deposit required by the Future Residency Agreement.

5. **Compliance.** Failure to timely comply with Section 4 hereof shall result in the forfeiture of the Early Reserver’s position on The Pines’ waiting list.

6. **No Assignment.** The rights and privileges of the Early Reserver under this Agreement are personal to the Early Reserver and may not be transferred or assigned by the Early Reserver.

7. **Entire Agreement.** This Agreement constitutes the entire agreement between the Corporation and the Early Reserver. Without limiting the generality of the foregoing, the parties understand and agree that the Early Reserver has no rights hereunder to the present use of The Pines or any of its amenities.

8. **Governing Laws.** This Agreement shall be governed by the laws of the State of North Carolina.

9. **Notice Provisions.** Any notices, consents, or other communications to the Corporation hereunder shall be in writing and addressed as follows:

President/CEO
The Pines at Davidson, Inc.
400 Avinger Lane
Davidson, NC 28036

The address of the Early Reserver for the purpose of giving such notice is the address appearing after the signature of the Early Reserver below.

IN WITNESS WHEREOF, the parties have executed this Early Reservation Agreement as of the day and year first above written.

THE PINES AT DAVIDSON, INC.

By: _____

Title: _____

Early Reserver

Printed Name

Current Address: Street

City, State, Zip Code

Telephone

APPENDIX G
AUDITED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022

THE PINES AT DAVIDSON, INC.
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022



CPAs | CONSULTANTS | WEALTH ADVISORS

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**THE PINES AT DAVIDSON, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Pines at Davidson, Inc.
Davidson, North Carolina

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of The Pines at Davidson, Inc. (The Pines), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of revenue, expenses, and other changes in net assets without donor restrictions, changes in net assets, cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Pines as of December 31, 2023 and 2022, and the results of its operations, changes in net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of The Pines and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Pines' ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

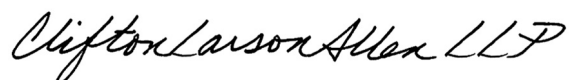
Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of The Pines' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Pines' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



CliftonLarsonAllen LLP

Charlotte, North Carolina
April 2, 2024

**THE PINES AT DAVIDSON, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022**

ASSETS	2023	2022
CURRENT ASSETS		
Cash and cash equivalents	\$ 7,014,257	\$ 6,588,524
Cash held under bond agreement for payment of:		
Interest	1,262,981	1,279,327
Principal	1,386,896	1,350,000
Accounts receivable	103,253	55,083
Interest receivable	158,521	174,503
Prepaid expenses and other current assets	655,454	625,597
Total Current Assets	10,581,362	10,073,034
PROPERTY AND EQUIPMENT		
Land and land improvements	19,518,416	19,816,880
Buildings and building improvements	122,747,225	120,562,769
Equipment, furniture and fixtures	20,232,484	18,434,924
Construction in progress	1,395,592	1,706,753
Total property and equipment	163,893,717	160,521,326
Less: accumulated depreciation	(60,571,065)	(54,859,821)
Property and equipment, Net	103,322,652	105,661,505
OTHER ASSETS		
Investments	30,803,913	27,131,000
Cash and investments whose use is limited		
Operating reserve as required by North Carolina General Statutes	7,540,000	6,869,000
Restricted Donor Funds:		
Restricted pledge receivable	990,362	972,062
Donor-restricted cash and investments	14,287,544	13,670,146
Total other assets	53,621,819	48,642,208
 Total Assets	 \$ 167,525,833	 \$ 164,376,747

See accompanying Notes to Consolidated Financial Statements.

(3)

**THE PINES AT DAVIDSON, INC.
CONSOLIDATED BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2023 AND 2022**

	2023	2022
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 2,700,175	\$ 3,866,044
Interest payable	1,259,241	1,278,486
Current portion of long-term debt	1,385,000	1,350,000
Total current liabilities	5,344,416	6,494,530
 LONG-TERM DEBT, NET	 59,530,742	 60,985,269
 OTHER LONG-TERM LIABILITIES		
Deferred entrance fee revenue	51,393,215	50,486,948
Refundable entrance fee	4,151,319	3,744,935
Entrance fee deposits	895,715	668,000
Total Other Long-Term Liabilities	56,440,249	54,899,883
Total liabilities	121,315,407	122,379,682
 NET ASSETS		
Without donor restrictions:		
Board-designated	-	19,554,900
Undesignated	30,932,520	7,799,957
Total without donor restrictions	30,932,520	27,354,857
With donor restrictions	15,277,906	14,642,208
Total net assets	46,210,426	41,997,065
Total Liabilities and Net Assets	\$ 167,525,833	\$ 164,376,747

See accompanying Notes to Consolidated Financial Statements.

THE PINES AT DAVIDSON, INC.
CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES, AND OTHER
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
OPERATING REVENUE AND SUPPORT		
Resident services	\$ 26,391,748	\$ 24,466,974
Amortization of deferred entrance fees	6,059,695	5,098,354
Interest income	925,516	638,024
Other operating revenue	898,124	894,774
Net assets released from donor restrictions for operations	1,034,600	819,001
Total operating revenue and support	35,309,683	31,917,127
OPERATING EXPENSES		
Salaries and benefits	16,839,833	16,054,276
Depreciation	5,711,243	5,492,585
Other operating expenses	8,219,642	8,302,692
Interest and amortization expense	2,448,960	2,488,567
Total operating expenses	33,219,678	32,338,120
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENSES FROM OPERATIONS AND BEFORE OTHER CHANGES	2,090,005	(420,993)
OTHER CHANGES		
Contributions without donor restrictions	107,538	1,000
Nonroutine expenses	(234,308)	-
Net increase (decrease) in fair value of investments	735,009	(3,552,819)
Total Other Changes	608,239	(3,551,819)
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENSES AND OTHER CHANGES	2,698,244	(3,972,812)
NET ASSETS RELEASED FROM DONOR RESTRICTIONS FOR BUILDING AND EQUIPMENT	879,419	119,438
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	3,577,663	(3,853,374)
Net Assets Without Donor Restrictions - Beginning of Year	27,354,857	31,208,231
NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF YEAR	\$ 30,932,520	\$ 27,354,857

See accompanying Notes to Consolidated Financial Statements.

THE PINES AT DAVIDSON, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Total unrestricted revenue and support	\$ 35,417,221	\$ 31,918,127
Total unrestricted expenses	(33,219,678)	(32,338,120)
Net assets released from donor restrictions for buildings and equipment	879,419	119,438
Nonroutine expenses	(234,308)	-
Net increase (decrease) in fair value of investments	735,009	(3,552,819)
Increase (Decrease) in net assets without donor restrictions	3,577,663	(3,853,374)
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	629,282	530,852
Interest income	444,127	357,765
Net assets released from donor restrictions	(1,914,019)	(938,439)
Net increase (decrease) in fair value of investments	1,443,008	(2,285,326)
Change in value of pledges with donor restrictions	33,300	(165,129)
Increase (Decrease) in net assets with donor restrictions	635,698	(2,500,277)
CHANGE IN NET ASSETS	4,213,361	(6,353,651)
Net Assets - Beginning of Year	41,997,065	48,350,716
NET ASSETS - END OF YEAR	\$ 46,210,426	\$ 41,997,065

See accompanying Notes to Consolidated Financial Statements.

THE PINES AT DAVIDSON, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,213,361	\$ (6,353,651)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	5,711,243	5,492,585
Amortization	48,744	49,853
Amortization of deferred entrance fees	(5,918,614)	(4,954,516)
Amortization of improvement deposits	(141,081)	(143,838)
Amortization of bond premium	(118,271)	(118,268)
Net change in fair value of investments	(2,178,017)	5,838,145
Change in value of long-term pledges	(33,300)	165,129
Restricted contributions	(629,282)	(530,852)
Restricted interest income	(444,127)	(357,765)
Changes in operating assets and liabilities - net	(1,246,303)	(1,276,015)
Net cash used by operating activities	(735,647)	(2,189,193)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(3,373,246)	(7,164,905)
Net change of investments	(2,768,294)	2,774,654
Net cash used by investing activities	(6,141,540)	(4,390,251)
CASH FLOWS FROM FINANCING ACTIVITIES		
Restricted contributions	629,282	530,852
Restricted interest income	444,127	357,765
Repayment of long-term debt	(1,350,000)	(1,310,000)
Net proceeds from entrance fees	7,284,959	6,362,565
Net proceeds from improvement deposits	87,387	405,997
Net entrance fee deposits	227,715	(1,835,374)
Net cash provided by financing activities	7,323,470	4,511,805
INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	446,283	(2,067,639)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	9,217,851	11,285,490
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	\$ 9,664,134	\$ 9,217,851

See accompanying Notes to Consolidated Financial Statements.

**THE PINES AT DAVIDSON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Mission Statement

The Pines at Davidson, Inc. (formerly known as Davidson Retirement Community, Inc.) (The Pines at Davidson) is a continuing care retirement community located on approximately 149 acres in Davidson, North Carolina, offering housing where residents aged 65 and older live independently in 292 residential apartments, cottages, and villas and are provided services that include meals, activities, and housekeeping. Residents use the Jetton Community Center, which features a central dining room, café, library, post office, private dining room, living room, game room, large meeting room, and chapel. There are also living accommodations and support services available in the Mariam Coltrane Schramm Health Center (Schramm Health Center) for residents who require assistance with the activities of daily living or who become ill and require long-term nursing care. The Schramm Health Center consists of the Workman Wellness Center, a 30-bed assisted living unit and a 75-bed nursing unit. The Workman Wellness Center includes a wellness clinic supervised by a registered nurse serving residents within The Pines at Davidson, a hot-water whirlpool, a warm-water therapy pool, exercise equipment room oriented towards strength and endurance training, and separate locker rooms for men and women.

The Pines at Davidson is a nonstock, nonprofit corporation organized under the laws of the state of North Carolina to own and operate the residential apartments, cottages, and villas and Schramm Health Center. As a nonstock corporation, The Pines at Davidson has no shareholders, and any surplus remains within the corporation to build reserves for unforeseen financial needs and repairs and renovations to benefit residents. As a nonprofit corporation, The Pines at Davidson is oriented toward fulfilling its mission while maintaining financial security for its residents rather than earning profits to benefit shareholders. The Davidson College Presbyterian Church and Davidson College, two founding organizations, continue to have involvement in The Pines at Davidson but have no responsibility for any of The Pines at Davidson's obligations.

The Pines at Davidson is the sole member of Mecklenburg Real Estate Holdings, LLC (MREH), a single member limited liability company, formed April 22, 2014 for the purpose of holding and managing real property for the benefit of The Pines at Davidson.

The Pines at Davidson is the sole member of SDK Enterprises (SDK), a single member limited liability company, formed June 21, 2019 for the purpose of holding and managing real property for the benefit of The Pines at Davidson.

The Pines at Davidson's mission statement is as follows:

The mission of The Pines at Davidson is to provide high quality housing, health care and other services that exceed residents' expectations.

Principles of Consolidation

The consolidated financial statements include the accounts of The Pines at Davidson, MREH, and SDK (collectively, The Pines). All significant intercompany accounts and transactions have been eliminated in consolidation.

THE PINES AT DAVIDSON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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

Financial Assistance and Resident Support Fund

All residents have a contractual agreement with The Pines providing that in return for payment of an entrance fee and monthly fees, residents will have access to living arrangements and nursing care. It is The Pines' policy that a resident's agreement will not be terminated solely because of the resident's financial inability to continue to pay the monthly fee or other charges due under the agreement by reason of circumstances beyond the resident's control, such as outliving one's financial resources. This policy, however, shall not be construed as qualifying the right of The Pines to terminate a resident's agreement in accordance with the terms of the agreement. If a resident presents facts, which in the opinion of The Pines justify special financial consideration, The Pines will give careful consideration to subsidizing, in whole or in part, the monthly charge and other charges payable by a resident under the agreement so long as such subsidy can be made without impairing the ability of The Pines to attain its objectives while operating on a sound financial basis. Any determination by The Pines with regard to the granting of financial assistance is within the sole discretion of The Pines. Each resident's agreement with The Pines provides that the resident will not make any gift or other transfer of property for less than adequate consideration for the purpose of evading the resident's obligation under the agreement or if such gifts or transfer would render the resident unable to meet such obligations.

The Pines has established the Resident Support Fund, which is used to assist residents who become unable to pay their monthly fees and other charges as described above.

Entrance Fees

Under the terms of the residence and care agreement, each resident member pays an entrance fee. The agreement requires a deposit of 10% of the entrance fee amount when a unit is reserved with the balance of the fee to be paid 10 days prior to occupancy. During the years ended December 31, 2023 and 2022, The Pines received net entrance fees of \$7,284,959 and \$6,362,565, respectively. Entrance fees received upon occupancy, along with monthly service fees, pay the cost of services provided to residents. Once a unit is occupied, entrance fees are recognized as income over the actuarially determined expected residency period of each of The Pines' residents. Entrance fees are partially refunded to residents vacating a unit in the first 12 months of occupancy, except as noted below. The refund is determined based on the number of months occupied, less an administrative fee, and is paid after occupancy of the unit by a new resident.

Deposits paid, less an administrative charge, are refundable to persons canceling their residency contract prior to occupying The Pines. No administrative charge is assessed for cancelation resulting from death or from physical or mental impairment.

**THE PINES AT DAVIDSON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

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

Entrance Fees (Continued)

Residents may elect to pay additional incremental entrance fees based on the resident's age at his or her nearest birthday on the date of occupancy. Under this option, 90% or 50% of the original entrance fees are refundable dependent on the contract option elected. The contract provides for payment of the refundable fees after the unit is vacated and a new resident occupies the unit and pays the entrance fee in effect at the time of occupancy. Prospective residents may reserve priority on The Pines' waiting list to occupy a unit to become available in the future by making a \$1,000 refundable deposit for a unit or paying a \$100 nonrefundable fee if under the age of 70. Total deposits, including the 10% and \$1,000 deposits held, were \$895,715 and \$668,000 at December 31, 2023 and 2022, respectively. The refundable portion of entrance fees paid under the refund option contracts and deposits paid to reserve priority for a future unit are classified on the accompanying consolidated balance sheets as refundable entrance fees.

The Pines also allows its tenants to pay improvement deposits to fund the construction of improvements to their independent living units. During the years ended December 31, 2023 and 2022, the Pines received approximately \$87,000 and \$406,000, respectively, of such improvement deposits.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Significant estimates include the useful lives of property and equipment and the expected residency period. Actual results could differ from these estimates.

Cash and Cash Equivalents

All liquid investments with a maturity of three months or less are considered to be cash equivalents, unless designated as a cash position within long-term investments or restricted as to use by the donor. These investments are recorded at cost in the accompanying consolidated balance sheets.

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

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 7,014,257	\$ 6,588,524
Cash held under bond agreement for payment of:		
Interest	1,262,981	1,279,327
Principal	1,386,896	1,350,000
Total	<u>\$ 9,664,134</u>	<u>\$ 9,217,851</u>

THE PINES AT DAVIDSON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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

Accounts Receivable

Resident accounts receivable consists of resident monthly service fees. The Pines provides an allowance for uncollectible accounts using management's estimate about the collectability of any past due accounts. Residents are not required to provide collateral for services rendered. Payment for services is required upon receipt of invoice or claim submitted. At both December 31, 2023 and 2022 the Pines did not have an allowance for credit losses.

Fair Value of Financial Instruments

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*, establishes a three-level valuation hierarchy based upon observable and unobservable inputs for fair value measurement of financial instruments that is discussed below in Note 3.

Property and Equipment

Purchased property and equipment are recorded at cost. Expenditures that materially increase values, change capacities, or extend estimated useful lives are capitalized. All fixed assets are depreciated using the straight-line method using the following estimated useful lives:

Land Improvements	5 to 40 Years
Buildings and Building Improvements	3 to 40 Years
Equipment, Furniture, and Fixtures	3 to 30 Years

Depreciation expense for 2023 and 2022 was \$5,711,243 and \$5,492,585, respectively. No interest was capitalized during the years ended December 31, 2023 and 2022.

Construction in progress at December 31, 2023 and 2022 is related to general renovations.

The Pines capitalizes all property and equipment expenditures which have a cost in excess of \$500 and an expected life greater than or equal to three years.

The Pines periodically assesses the realizability of its long-lived assets and evaluates such assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Impairment is determined to exist for asset to be held and used if estimated future cash flows, undiscounted and without interest charges, are less than the carrying amount. Impairment is determined to exist for assets to be disposed of if estimated net realizable value is less than the carrying amount. Management has determined that no such impairments exist as of December 31, 2023 and 2022.

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets is comprised primarily of amounts paid in advance for property and liability insurance.

THE PINES AT DAVIDSON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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

Board-Designated Funds

In 2022, board-designated funds included assets set aside by the board to be used for capital expenditures for the repair or replacement of The Pines' property and equipment. The board retains control over these funds and may, at its discretion, use the funds for other purposes. For the year ended December 31, 2023, the board approved a dissolution of the board designated funds.

Cash and Investments Whose Use is Limited

Cash and investments whose use is limited consist of funds held pursuant to the requirements of The Pines' revenue bond agreement (see Note 2), funds held to maintain an operating reserve as required by North Carolina General Statutes (see Note 11).

Debt Issuance Costs

During 2013, The Pines completed a bond offering of its Series 2013 North Carolina Medical Care Commission Health Care Facilities Revenue Bonds. The Pines deferred the bond issuance costs associated with the bond offering totaling approximately \$213,000. The Pines used the proceeds from the bond offering to expand The Pines' existing continuing care retirement community, including the construction of two new multi-story apartment buildings.

During 2015, The Pines completed a refinance of its Series 2006 Bonds with Series 2015 Bonds (both defined hereinafter). The Pines deferred the bond issuance costs associated with the bond offering totaling approximately \$154,000.

During 2018, The Pines began the process for a bond offering of two Series 2019 bonds. The Pines deferred the bond issuance costs associated with such bond offering totaling approximately \$46,000.

During 2019, The Pines completed a bond offering of two Series 2019 North Carolina Medical Care Commission Retirement Facilities First Mortgage Revenue Bonds (Series 2019A Bonds and Series 2019B Bonds). The Pines deferred the bond issuance costs associated with the bond offerings totaling approximately \$1,016,000, including the portion deferred in 2018. The Pines used the proceeds from the bond offering to expand The Pines' existing continuing care retirement community, including the construction of two new multi-story apartment buildings.

Deferred debt issuance costs are presented as a reduction of the carrying amount of the related debt and amortized using the effective interest method over the life of the debt as a component of interest expense.

THE PINES AT DAVIDSON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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

Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at 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 using discount rates, which are calculated annually. The Pines anticipates long-term pledges outstanding as of December 31, 2023, will be collected in entirety over a period of approximately 15 years. Conditional promises to give are not included as support until the conditions are substantially met. Pledges receivable with restrictions are included in net assets with donor restrictions in the accompanying consolidated balance sheets (see Note 7).

Revenue Recognition

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases to net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Advertising

Advertising costs are expensed as incurred. Advertising expenses were approximately \$24,000 and \$52,000 for the years ended December 31, 2023 and 2022.

Net Assets Without Donor Restrictions

Net assets without donor restrictions consist of all resources of The Pines that do not have donor-imposed restrictions. The Pines' board had designated \$19,554,900 at December 31, 2022, representing an amount that is directly attributable to gifts without donor restrictions and gifts released from donor restrictions for their intended purpose during the year ended December 31, 2023.

Net Assets With Donor Restrictions

The Pines reports gifts of cash and other assets as restricted support if they are received or pledged 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 with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying consolidated statements of revenue, expenses, and other changes in net assets without donor restrictions as other operating revenue.

**THE PINES AT DAVIDSON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

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

Net Assets With Donor Restrictions (Continued)

The Pines reports gifts of land, buildings, and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, The Pines reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Operating Revenue and Support and Expenses

All revenue, support, and expenses directly related to the operation of the continuing care community are included in operating revenue and support and expenses in the accompanying consolidated statements of revenue, expenses, and other changes in net assets without donor restrictions.

Excess (Deficit) of Revenue Over (Under) Expenses and Other Changes

The consolidated statements of revenue, expenses, and other changes in net assets without donor restrictions include deficit of revenues under expenses and other changes. Changes in net assets without donor restrictions that are excluded from excess (deficit) of revenue over (under) expenses and other changes, consistent with industry practice, include net assets released from restrictions used for the purpose of purchases of property and equipment.

Income Tax Status

The Pines is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Pines qualifies for the charitable contribution deduction under Section 170 and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Pines files as a tax-exempt organization. Management is not aware of any activities that would jeopardize tax-exempt status of the organization. Management is not aware of any significant activities that are subject to tax on unrelated business income or excise or other taxes for the organization.

The Pines follows guidance on the income tax standard regarding the recognition and measurement of uncertain tax positions. The implementation has had no impact on The Pines' consolidated financial statements.

**THE PINES AT DAVIDSON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

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

Obligation to Provide Future Services

The Pines calculates the present value of the estimated cost of future services and use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from entrance fees and the present value of estimated periodic service fees. If the present value of the cost of future services and use of facilities exceeds the deferred revenue from entrance fees and the present value of periodic fees, a liability is recorded (obligation to provide future services). No liability has been recorded for the years ended December 31, 2023 and 2022, because the estimated present value of the cost of future services and use of facilities is less than deferred revenue from entrance fees and the present value of estimated periodic service fees.

Adoption of New Accounting Standards

The Pines has adopted FASB ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses. The Pines adopted this new guidance utilizing the modified retrospective transition method. The adoption of this standard did not have a material impact on The Pines' consolidated financial statements and did not change how the allowance for credit loss is determined as The Pines did not have an allowance for credit losses for the years ended December 31, 2023 and 2022.

Reclassifications

Certain amounts in the 2022 consolidated financial statements were reclassified for comparison purposes with the 2023 consolidated financial statements. The reclassifications did not result in a change in net assets as previously reported.

Subsequent Events

In preparing these consolidated financial statements, The Pines has evaluated events and transactions for potential recognition or disclosure through April 2, 2024, the date the consolidated financial statements were available to be issued.

NOTE 2 CASH AND INVESTMENTS HELD UNDER BOND AGREEMENT

Cash and investments held under bond agreement are carried at fair value based on quoted market prices.

A summary of cash and investments held under bond agreement at December 31 is as follows:

	<u>2023</u>	<u>2022</u>
Investments held by trustee under bond agreement:		
Money market accounts	\$ 2,649,877	\$ 2,629,327
Less: current portion held under bond agreement for interest and principal	<u>(2,649,877)</u>	<u>(2,629,327)</u>
Total	<u>\$ -</u>	<u>\$ -</u>

THE PINES AT DAVIDSON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 3 INVESTMENTS

The Pines' investments include cash and investments held by bond trustee, long-term unrestricted investments, and restricted funds.

The Pines adheres to ASC Topic 958-320, *Not-For-Profit Entities - Investments - Debt and Equity Securities*, which requires all investments in debt securities (such as U.S. Treasury notes and corporate and municipal bonds) and investments in equity securities (stocks and stock/bond mutual funds) with readily determinable fair values to be reflected at fair value in the accompanying consolidated balance sheets. The Pines' investments are carried at fair value based on quoted market prices. The effect in 2023 and 2022 of applying ASC Topic 958-320, as it relates to the investments in the funds, was net unrealized gains of \$817,312 and unrealized losses of \$3,473,035, respectively. The Pines concurs with this treatment of the investments in the funds required by ASC Topic 958-320.

The net realized losses on The Pines unrestricted investment portfolio were \$7,730 and \$9,451 in 2023 and 2022, respectively.

Managed Investments

The Pines invests its unrestricted, noncurrent funds primarily in U.S. Treasury notes, which are held until maturity and then typically reinvested or in money market funds that are invested in U.S. Treasury Securities and repurchase agreements collateralized by such obligations and assigned the highest credit ratings by Moody's, Standard & Poor's, and Fitch. The Pines has adopted conservative investment goals for its unrestricted noncurrent investments, which can be summarized as follows: The Pines seeks to a) preserve principal and maximize the safety of its unrestricted investments and b) reduce interest rate risk, since its primary mission is to operate a continuing care retirement community as opposed to buying and selling debt or equity securities. The Pines has chosen to invest its internally managed investments mainly in U.S. Treasury notes in order to help achieve its goal of preserving principal.

- The investment goals for the Managed Investments are to a) preserve principal and maximize the safety of The Pines investments and b) to minimize interest rate risk.
- Eligible securities are limited to high-quality money market funds and debt securities, primarily obligations issued or guaranteed by the U.S. Treasury, federal agencies, or government-sponsored corporations or agencies, municipal obligations, corporate obligations, mortgage-backed securities (MBS), asset-backed securities (ABS), sovereign securities, and foreign quasi- and government-related securities.

The performance and characteristics of the Externally Managed Investments is measured against the Bloomberg Intermediate Government/Credit Total Risk Index, which is a high-quality moderate duration benchmark (Benchmark).

THE PINES AT DAVIDSON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 3 INVESTMENTS (CONTINUED)

Managed Investments (Continued)

- The maximum allocation to any single obligor, at time of purchase, is limited to the greater of 10% of the Managed Investments' market value or \$1 million par value, except there is no limit for obligations of the United States of America or any agency thereof. The percentage of assets in the separate account portfolios, which are obligations of the United States of America or agency thereof, or which is collateralized by obligations of the U.S. or any agency thereof, shall not be limited.

- All investments will have a minimum credit quality rating by at least two of the nationally recognized statistical rating organizations (NRSRO) of "A2" or equivalent by Moody's, "A" or equivalent by S&P or "A" or equivalent by Fitch Ratings at the time of purchase and thereafter. Such ratings are the sixth highest among the 10 investment grade rating categories used by such rating agencies. As of December 31, 2023 and 2022, all investments were in compliance with this aspect of the investment policy.

The cash used for long-term investment purposes comes primarily from up-front entrance fees paid by residents. Entrance fees are established with the assistance of an actuary who makes certain interest rate assumptions. This plays a role in establishing the entrance fee. Entrance fees are used to pay the cost of services to residents over their lifetime and are, therefore, recognized as revenue over the life expectancy of each resident.

Equity Securities

As referred to in Note 1, The Pines has established a Resident Support Fund, which will be used to assist residents who become unable to pay their monthly fees and other charges for reasons beyond their control. The Pines receives charitable contributions restricted for this purpose. Equity investments in the Resident Support Fund and the warm-water therapy pool fund are invested in the Vanguard Wellington Fund.

THE PINES AT DAVIDSON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 3 INVESTMENTS (CONTINUED)

Equity Securities (Continued)

Investments as of December 31, 2023 and 2022 are composed of the following:

	December 31,	2023		
		Fair Value Measurement at Reporting Date		
		Quoted Prices in	Significant	Significant
		Active Markets	Other	Significant
	for Identical	Observable	Unobservable	
	Assets	Inputs	Inputs	
	(Level 1)	(Level 2)	(Level 3)	
Money market funds	\$ 12,877,118	\$ 12,877,118	\$ -	\$ -
Externally managed funds:				
U.S. treasury notes	10,981,684	10,981,684	-	-
U.S. government obligations	492,874	492,874	-	-
Corporate bonds	9,289,928	9,289,928	-	-
U.S. municipal bonds	3,134,031	3,134,031	-	-
Mortgage backed securities	3,296,217	-	3,296,217	-
Asset backed securities	1,310,302	-	1,310,302	-
Equity securities - mutual funds	13,899,180	13,899,180	-	-
Total investments	<u>\$ 55,281,334</u>	<u>\$ 50,674,815</u>	<u>\$ 4,606,519</u>	<u>\$ -</u>
Cash and cash equivalents	<u>\$ 7,014,257</u>			
Total investments cash and cash equivalents	<u>\$ 62,295,591</u>			
	December 31,	2022		
	2022	Fair Value Measurement at Reporting Date		
		Quoted Prices in	Significant	Significant
		Active Markets	Other	Unobservable
		for Identical	Observable	Inputs
		Assets	Inputs	Inputs
		(Level 1)	(Level 2)	(Level 3)
Money market funds	\$ 6,046,786	\$ 6,046,786	\$ -	\$ -
Externally managed funds:				
U.S. treasury notes	12,490,087	12,490,087	-	-
U.S. government obligations	486,046	486,046	-	-
Corporate bonds	9,899,815	9,899,815	-	-
U.S. municipal bonds	3,558,185	3,558,185	-	-
Mortgage backed securities	4,123,998	-	4,123,998	-
Asset backed securities	1,546,133	-	1,546,133	-
Equity securities - mutual funds	12,148,423	12,148,423	-	-
Total investments	<u>\$ 50,299,473</u>	<u>\$ 44,629,342</u>	<u>\$ 5,670,131</u>	<u>\$ -</u>
Cash and cash equivalents	<u>\$ 6,588,524</u>			
Total investments cash and cash equivalents	<u>\$ 56,887,997</u>			

The Pines is required to use inputs for measuring fair value according to the three-level hierarchy established in ASC 820, using the lowest level possible (i.e., Level 1) if such inputs are available, and if not, going to the next highest level. The three levels for measuring fair value are listed below. The three-level hierarchy established in ASC 820 does not in and of itself reflect the credit quality or liquidity of any investment.

THE PINES AT DAVIDSON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 3 INVESTMENTS (CONTINUED)

Equity Securities (Continued)

Level 1 inputs are quoted prices unadjusted in active markets for identical assets or liabilities that the reporting entity has the ability to assess at the measurement date. The Pines accounted for its Level 1 investments through the use of quoted market prices for those identical investments in debt and equity securities with readily determinable market values in active markets.

Level 2 inputs are inputs other than quoted prices including within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 permits use of a variety of different inputs. The inputs used by The Pines in classifying its investments as Level 2 were quoted prices for similar assets in active markets.

As of December 31, 2023 and 2022, The Pines' Level 2 investments consist of mortgage-backed securities and asset backed securities.

The mortgage-backed securities (MBS) classified as Level 2 in The Pines' portfolio as of December 31, 2023 and 2022 contributed to sector diversification.

The value and income payments of the ABS classified as Level 2 in The Pines' portfolio as of December 31, 2023 and 2022, are derived from and collateralized by a specific pool of underlying assets for a finite time period, plus any rights or other assets designed to assure the servicing or timely distribution or proceeds to security holders.

All such Level 2 investments were classified as Level 2 because identical investments with the same Committee on Uniform Security Identification Procedures (CUSIP) numbers did not trade at or near December 31, 2023 and 2022. Therefore, The Pines had to value such investments based upon quoted prices for similar assets in active markets.

Level 3 inputs are unobservable inputs that are supported by little or no market activity and are significant to the fair value of the asset or liability. Unobservable inputs reflect management's own judgment about the assumptions that market participants would use in pricing the assets or liabilities. Level 3 assets and liabilities include financial instruments whose values are determined using pricing models, discounted cash flow methodologies or similar techniques, or for which the determination of fair value requires significant management judgment or estimation. None of The Pines' investments are classified as Level 3 as of December 31, 2023 and 2022.

Investment revenue is reported net of related investment expenses in the consolidated statements of revenue, expenses, and other changes in net assets without donor restrictions. The amounts of expenses netted with revenues were \$74,573 and \$70,333 for the years ended December 31, 2023 and 2022, respectively.

THE PINES AT DAVIDSON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 4 LIQUIDITY

The Pines' financial assets available within one year of the consolidated balance sheet date for general expenditures are as follows:

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 7,014,257	\$ 6,588,524
Money market funds	12,877,118	6,046,786
U.S. treasury notes	10,981,684	12,490,087
U.S. government obligations	492,874	486,046
Corporate bonds	9,289,928	9,899,815
U.S. municipal bonds	3,134,031	3,558,185
Mortgage-backed securities	3,296,217	4,123,998
Asset backed securities	1,310,302	1,546,133
Equity securities - mutual funds	13,899,180	12,148,423
Subtotal	<u>62,295,591</u>	<u>56,887,997</u>
Less: Donor-Restricted Assets	(14,287,544)	(13,670,146)
Less: Operating Reserve	(7,540,000)	(6,869,000)
Less: Funds Held Under Bond Agreement	<u>(2,649,877)</u>	<u>(2,629,327)</u>
Total Unrestricted Cash and Investments	37,818,170	33,719,524
Accounts Receivable	103,253	55,083
Interest Receivable	158,521	174,503
Total Assets Available to Meet Liquidity Needs	<u><u>\$ 38,079,944</u></u>	<u><u>\$ 33,949,110</u></u>

NOTE 5 LONG-TERM DEBT

In September 2013, The Pines issued \$14,645,000 Health Care Facilities Revenue Bonds (Series 2013 Bonds). The Series 2013 Bonds were issued through the North Carolina Medical Care Commission in order to fund construction of the 24 villa apartments that comprise the Hickory Crest Villas. The Series 2013 Bonds bear interest at fixed rate of 2.8% through January 1, 2029. Interest on Series 2013 Bonds was payable monthly through January 1, 2015 and then semiannually beginning July 1, 2015. The aggregate entrance fees derived from the Hickory Crest Villas totaled approximately \$6,895,300. Pursuant to the provisions of Supplemental Indenture No. 4 to the Master Indenture (Supplement #4), The Pines was required to use \$6,500,000 of those entrance fees to redeem either 2013 Bonds or 2006 Bonds, which were subject to redemption at par beginning on January 1, 2016.

During 2015, The Pines paid down \$6,500,000 (pursuant to Supplement #4 as described above) of the Series 2006 Bonds and subsequently refunded the Series 2006 Bonds through the issuance of \$11,125,000 of Health Care Facilities Refunding Revenue Bonds (Series 2015 Bonds). The proceeds from the Series 2015 Bonds along with \$6,500,000 of entrance fees associated with the 24 villa expansion pay down and \$1,495,000 of additional funds were used to legally defease the Series 2006 Bonds as of October 2015. The Series 2015 Bonds bear interest at a fixed rate of 2.87% through maturity with semi-annual interest payments. The Series 2015 Bonds have annual principal payments with a final maturity of January 2030.

THE PINES AT DAVIDSON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 5 LONG-TERM DEBT (CONTINUED)

In March 2019, The Pines issued \$42,725,000 Retirement Facilities First Mortgage Revenue Bonds Series 2019A (Series 2019A Bonds) and \$11,905,000 Retirement Facilities First Mortgage Revenue Bonds Series 2019B (Series 2019B Bonds) (collectively the Series 2019 Bonds). The Series 2019 Bonds were issued through the North Carolina Medical Care Commission in order to fund the expansion and renovation of the existing facility. The issuance of the Series 2019 Bonds involved an original issue premium of \$2,945,241 for total original par amount plus premium of \$57,575,241. The Series 2019A Bonds bear interest at a varying rate between 3.0% and 5.0% through maturity with semi-annual interest payments. The Series 2019A Bonds have annual principal payments beginning January 1, 2021 with a final maturity of January 2049. The Series 2019B Bonds were paid in full during the year ended December 31, 2021.

The future debt service requirements of The Pines' long-term debt as of December 31, 2023 are as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 1,385,000	\$ 2,510,072	\$ 3,895,072
2025	1,430,000	2,470,294	3,900,294
2026	1,470,000	2,429,003	3,899,003
2027	1,515,000	2,386,332	3,901,332
2028	1,560,000	2,342,347	3,902,347
Thereafter	52,165,000	29,506,342	81,671,342
Subtotal	59,525,000	41,644,390	101,169,390
Less: unamortized deferred financing costs	(991,737)	-	(991,737)
Plus: unamortized bond premium	2,382,479	-	2,382,479
Less: current portion of long-term debt	(1,385,000)	-	(1,385,000)
Total	<u>\$ 59,530,742</u>	<u>\$ 41,644,390</u>	<u>\$ 101,175,132</u>

The terms of the Series 2013 Bonds require, among other provisions, the maintenance of various trustee-held funds including: a) a Series 2013 Bond fund, in which there is established an interest account, a sinking fund account, and a credit facility account, b) a redemption fund, c) a bond purchase fund, and d) a construction fund. Under the terms of the Series 2013 Bonds' covenants, The Pines must set rates to maintain a minimum debt service coverage ratio as defined by the bond agreements and maintain certain other financial ratios at minimum levels as described in the bond agreements. Management is unaware of any instances of non-compliance with these covenants as of December 31, 2023.

The terms of the Series 2015 Bonds require, among other provisions, the maintenance of various trustee-held funds including: a) a Series 2015 Bond fund, in which there is established an interest account, a sinking fund account, and a credit facility account, b) a redemption fund, and c) a bond purchase fund. Under the terms of the Series 2015 Bonds' covenants, The Pines must set rates to maintain a minimum debt service coverage ratio as defined by the bond agreements and maintain certain other financial ratios at minimum levels as described in the bond agreements. Management is unaware of any instances of non-compliance with these covenants as of December 31, 2023.

THE PINES AT DAVIDSON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 5 LONG-TERM DEBT (CONTINUED)

The terms of the Series 2019 Bonds require, among other provisions, the maintenance of various trustee-held funds including: a) Series 2019 Bond funds, in which there is established an interest account, a sinking fund account, and a credit facility account, b) a redemption fund, c) a bond purchase fund, and d) construction funds. Under the terms of the Series 2019 Bonds' covenants, The Pines must set rates to maintain a minimum debt service coverage ratio as defined by the bond agreements and maintain certain other financial ratios at minimum levels as described in the bond agreements. Management is unaware of any instances of non-compliance with these covenants as of December 31, 2023.

All outstanding revenue bonds are secured by the real property owned by The Pines that is necessary for the operation of the existing facilities and the expansion project. The mortgaged property does not include unimproved land owned by The Pines that is contiguous or adjacent to the mortgaged property.

Interest payments relating to the Series 2013 Bonds totaling \$315,140 and \$328,930, were made during the years ended December 31, 2023 and 2022, respectively. Interest payments relating to the Series 2015 Bonds totaling \$184,110 and \$205,851 were made during the years ended December 31, 2023 and 2022, respectively. Interest payments relating to the Series 2019 Bonds totaling \$1,920,211 and \$1,922,613 were made during the years ended December 31, 2023 and 2022, respectively.

Interest and amortization expense, excluding amounts capitalized, in the amount of \$2,448,960 and \$2,488,567 for the years ended December 31, 2023 and 2022 included \$48,744 and \$49,853 of amortization expense, respectively.

NOTE 6 DEFINED CONTRIBUTION PLAN

The Pines maintains a defined contribution retirement savings plan governed by Section 403(b) of the Internal Revenue Code. The plan covers all employees and provides for discretionary employer contributions on behalf of eligible employees who meet certain service requirements. Employer contributions to the plan were \$229,076 and \$161,721 for the years ended December 31, 2023 and 2022, respectively.

THE PINES AT DAVIDSON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS AND BOARD-DESIGNATED NET ASSETS

Net assets with donor restrictions are contributions, which are designated for a specific use by the donor. Net assets with donor restrictions as of December 31, 2023 and 2022 consist of assets to be used to finance the Resident Support Fund, to fund the operation of a warm-water therapy pool and hot-water whirlpool, and to fund certain other needs, including those identified in The Pines' former strategic plan entitled *Preserve and Progress*. In 2011, The Pines revised and renamed its strategic plan *Exceeding Expectations*. Equity investments held in the Resident Support Fund and the warm water therapy pool fund are invested in the Vanguard Wellington Fund. The Resident Support Fund will be used to assist residents who become unable to pay their monthly charges after admission to The Pines for reasons beyond their control (see Note 1). Contributions of investment securities for restricted purposes are recorded at fair market value at the date of the gift.

Board-designated net assets in 2022 represented an amount that is directly attributable to gifts without donor restrictions and gifts released from donor restrictions for capital expenditures.

Net assets with donor restrictions and net assets without donor restrictions at December 31, 2023 were composed of the following:

	Total Net Assets
Resident Support Fund	\$ 7,955,420
Warm Water Therapy Pool Fund	3,956,803
Preserve and Progress strategic plan objectives	3,043,570
Beyond Expectations strategic plan objectives	(13,541)
Other net assets with donor restrictions	335,654
Total Net Assets With Donor Restrictions	15,277,906
Undesignated Net Assets without Donor Restrictions	30,932,520
Total Net Assets	\$ 46,210,426

Activity within the board-designated net assets and net assets with donor restrictions balances during the year ended December 31, 2023 was composed of the following:

	Total Net Assets
Balance — beginning of year	\$ 14,642,208
Investment return — investment income	1,887,135
Contributions	629,282
Other changes:	
Net asset released	(1,914,019)
Change in pledge receivable	33,300
Total Net Assets With Donor Restrictions	15,277,906
Balance — beginning of year	19,554,900
Dissolution of board-designated net assets	(19,554,900)
Total Board-Designated Net Assets	-
Undesignated Net Assets without Donor Restrictions	30,932,520
Total net assets — end of year	\$ 46,210,426

THE PINES AT DAVIDSON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS AND BOARD-DESIGNATED NET ASSETS (CONTINUED)

Board-designated net assets and net assets with donor restrictions balances at December 31, 2022 were composed of the following:

	Total Net Assets
Resident Support Fund	\$ 7,180,924
Warm Water Therapy Pool Fund	3,976,698
Preserve and Progress strategic plan objectives	2,965,778
Beyond Expectations strategic plan objectives	140,962
Other net assets with donor restrictions	377,846
Total Net Assets With Donor Restrictions	<u>14,642,208</u>
Board-Designated Net Assets	19,554,900
Undesignated Net Assets without Donor Restrictions	7,799,957
Total Net Assets	<u><u>\$ 41,997,065</u></u>

Activity within the board-designated net assets and net assets with donor restrictions balances during the year ended December 31, 2022 was composed of the following:

	Total Net Assets
Balance — beginning of year	\$ 17,142,485
Investment return — investment income	(1,927,561)
Contributions	530,852
Other changes:	
Net asset released	(938,439)
Change in pledge receivable	(165,129)
Total Net Assets With Donor Restrictions	<u>14,642,208</u>
Balance — beginning of year	19,509,900
Increase in board-designated net assets	45,000
Total Board-Designated Net Assets	<u>19,554,900</u>
Undesignated Net Assets without Donor Restrictions	7,799,957
Total net assets — end of year	<u><u>\$ 41,997,065</u></u>

The Pines has been designated as the beneficiary of certain charitable gifts upon the death of individual donors and these amounts have been recorded as irrevocable gifts receivable in accordance with ASC Topic 958-605, *Not-For-Profit Entities — Revenue Recognition — Recognition*.

NOTE 8 NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets, which were released from donor restrictions upon satisfaction of the donors' restricted purpose or upon occurrence of other events specified by donors at December 31 are as follows:

	2023	2022
Released for operations	\$ 1,034,600	\$ 819,001
Released for building and equipment	879,419	119,438
Purpose restrictions accomplished	<u><u>\$ 1,914,019</u></u>	<u><u>\$ 938,439</u></u>

THE PINES AT DAVIDSON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 9 FUNCTIONAL EXPENSES

The Pines provides services to the residents of its facility that include independent living, assisted living, and healthcare nursing services. Certain categories are attributable to more than one program or supporting function, therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits and other operating expenses, which are allocated on a time and effort basis, and depreciation and interest, which are allocated on a square footage basis.

Program and management expenses for the years ended December 31 are summarized in the tables below:

	2023		
	Total Program Services	Management and General	Total
Salaries and benefits	\$ 14,987,451	\$ 1,852,382	\$ 16,839,833
Depreciation	5,679,187	32,056	5,711,243
Other operating expenses	7,524,016	695,626	8,219,642
Interest and amortization	2,435,214	13,746	2,448,960
Total	\$ 30,625,868	\$ 2,593,810	\$ 33,219,678
	2022		
	Total Program Services	Management and General	Total
Salaries and benefits	\$ 14,288,306	\$ 1,765,970	\$ 16,054,276
Depreciation	5,461,756	30,829	5,492,585
Other operating expenses	7,389,396	913,296	8,302,692
Interest and amortization	2,474,599	13,968	2,488,567
Total	\$ 29,614,057	\$ 2,724,063	\$ 32,338,120

NOTE 10 RESIDENT SERVICE REVENUE

Resident revenue is reported at the amount that reflects the consideration to which The Pines expects to be entitled in exchange for providing resident care. These amounts are due from residents. Monthly service fees paid by residents for maintenance, meals, and other services are assessed monthly and are recognized as revenue in the period services are rendered. Revenue is recognized as performance obligations are satisfied.

THE PINES AT DAVIDSON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 10 RESIDENT SERVICE REVENUE (CONTINUED)

Performance obligations are determined based on the nature of the services provided by The Pines. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Pines believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents living at The Pines receiving independent living or healthcare services. The Pines considers daily services provided to residents of the health center, and monthly rent charged to residents living in independent living, as a separate performance obligation measured on a monthly basis or upon move-out within the month, whichever is shorter. Nonrefundable entrance fees are considered to contain a material right associated with access to future services, which is the related performance obligation. Revenue from nonrefundable entrance fees is recognized ratably in future periods covering a resident's life expectancy using a time-based measurement similar to the output method.

Other operating revenue includes revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to residents in a retail setting (for example guest rooms) and The Pines does not believe it is required to provide additional goods or services related to that sale.

The Pines determines the transaction price based on standard charges for goods and services provided, assistance provided to residents in accordance with The Pines' practice, and/or implicit price concessions provided to residents. The Pines determines its estimate of implicit price concessions based on its historical collection experience.

The Pines has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: service line, method of payment, and timing of when revenue is recognized.

All resident revenue is private pay for the years ended December 31, 2023 and 2022.

THE PINES AT DAVIDSON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 10 RESIDENT SERVICE REVENUE (CONTINUED)

The composition of resident revenue based on the organization's lines of business, method of reimbursement, and timing of revenue recognition for the years ended December 31 are as follows:

	<u>2023</u>	<u>2022</u>
Service Lines:		
Independent Living	\$ 16,480,553	\$ 15,493,181
Healthcare	9,911,195	8,973,793
Amortization of Deferred Entrance Fees	6,059,695	5,098,354
Total	<u>\$ 32,451,443</u>	<u>\$ 29,565,328</u>
Method of Reimbursement:		
Monthly Fees and Other Services	\$ 26,391,748	\$ 24,466,974
Amortization of Deferred Entrance Fees	6,059,695	5,098,354
Total	<u>\$ 32,451,443</u>	<u>\$ 29,565,328</u>
Timing of Revenue and Recognition:		
Services Transferred Over Time	<u>\$ 32,451,443</u>	<u>\$ 29,565,328</u>

The opening and closing contract balances were as follows:

	<u>Accounts Receivable</u>	<u>Deferred Entrance Fee Revenue</u>
Account Balance as of January 1, 2022	\$ 87,716	\$ 49,090,747
Account Balance as of December 31, 2022	55,083	50,486,948
Account Balance as of December 31, 2023	103,253	51,393,215

NOTE 11 STATUTORY OPERATING RESERVE

Under Section 58-64-33 of the North Carolina General Statutes, which is administered by the North Carolina Department of Insurance, continuing care retirement communities are required to maintain an operating reserve equal to 25% of the total operating costs, as defined, projected for the 12-month period following the period covered by the most recent annual statement filed with the North Carolina Department of Insurance, if occupancy levels are in excess of 90%. If occupancy levels are less than 90%, the operating reserve requirement is 50% of total operating costs, as defined. The Pines has historically maintained an occupancy level in excess of 90%. The statutory operating reserve for 2023 and 2022 was \$7,540,000 and \$6,869,000, respectively. Use of the operating reserve by The Pines is restricted under Section 58-64-33 of the North Carolina General Statutes. The North Carolina General Statutes do not require The Pines to maintain such operating reserve in a separate escrow account.

THE PINES AT DAVIDSON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 12 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Pines' financial instruments consist primarily of cash and cash equivalents, receivables, investments, accounts payable, accrued expenses, and short-term and long-term debt. The carrying value of these items, excluding investments and long-term debt, approximates fair value due to their short maturity. Investments are recorded at fair value, determined using fair market value in accordance with guidance regarding accounting for certain investments held by not-for-profit organizations.

NOTE 13 COMMITMENTS AND CONTINGENCIES

The Pines continually evaluates contingencies based upon the best available evidence and provides loss allowance where necessary. Principal contingencies include professional liability risks and compliance with applicable federal, state, and local government laws and regulations. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, property and sales taxation, and The Pines' not-for-profit tax status. Management believes that allowances for loss have been provided to the extent necessary and that The Pines is in compliance with applicable government laws and regulations. Management believes that resolution of contingencies will not materially affect The Pines' consolidated financial position, results of operations, and cash flows. The Pines had no outstanding construction commitments as of the year ended December 31, 2023 and 2022.

In 2020, The Pines received approximately \$1,493,000 through the Paycheck Protection Program (PPP Loan) administered by the Small Business Administration (SBA). In 2021, The Pines was formally forgiven from obligations of the PPP Loan, however, the SBA may review funding eligibility and usage of funds in compliance with the program based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty, however, management is of the opinion that any review will not have a material adverse impact on The Pines' financial position.

NOTE 14 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Supplemental disclosures of cash flow information as of December 31 are as follows:

	2023	2022
Cash paid for interest during the year	<u>\$ 2,419,461</u>	<u>\$ 2,356,744</u>
Supplemental disclosures of noncash investing and finance information are as follows - accrued capital expenditures	<u>\$ 142,484</u>	<u>\$ 143,340</u>

**THE PINES AT DAVIDSON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 15 RELATED PARTY TRANSACTIONS

In the ordinary course of business, The Pines has an ongoing business relationship with two firms in which three members of the board of trustees were related parties in 2023 and 2022.

APPENDIX H
THE PINES AT DAVIDSON, INC.
UNAUDITED INTERIM FINANCIAL STATEMENTS
March 31, 2024

The Pines at Davidson, Inc.
BALANCE SHEETS
As of March 31, 2024 (unaudited) and December 31, 2023

	3/31/24	12/31/23	2024 vs 2023 \$ Change
CURRENT ASSETS			
Cash & Cash Equivalents	9,081,225	\$ 7,014,257	\$ 2,066,968
Cash held under bond agreement for payment of:			
Interest	5,200	1,262,981	(1,257,781)
Principal	4,053	1,386,896	(1,382,843)
Accounts receivable	129,460	103,253	26,207
Interest receivable	157,692	158,521	(829)
Prepaid expenses & other current assets	789,425	655,454	133,971
TOTAL CURRENT ASSETS	10,167,055	10,581,362	(414,307)
PROPERTY PLANT & EQUIPMENT			
Land & land improvements	20,376,061	19,518,416	857,645
Building and building improvements	122,768,312	122,747,225	21,087
Equip, furn and fixtures	20,505,867	20,232,484	273,383
Construction in progress	1,062,847	1,395,592	(332,745)
TOTAL PROPERTY AND EQUIPMENT	164,713,087	163,893,717	819,370
Less accumulated depreciation	(62,017,791)	(60,571,065)	(1,446,726)
PROPERTY AND EQUIPMENT - NET	102,695,296	103,322,652	(627,356)
OTHER ASSETS			
Board designated funds			
Willis J Hidell and Peggy Hidell operating fund	-	-	-
Operating Reserve as required by North Carolina General Statute	7,540,000	7,540,000	-
Other	-	-	-
Cash and investments whose use is limited -			
Held under bond agreement	-	-	-
Villas at Poplar Hill entrance deposits	-	-	-
Other investments	30,935,047	30,803,913	131,134
Temporarily restricted donor assets			
Restricted pledges receivable	990,362	990,362	0
Donor restricted cash and investments	14,860,878	14,287,544	573,334
Debt issuance costs	-	-	-
Pledges receivable - long term portion	-	-	-
	<u>54,326,287</u>	<u>53,621,819</u>	<u>704,468</u>
	<u>\$ 167,188,638</u>	<u>\$ 167,525,833</u>	<u>\$ (337,195)</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES:			
Accounts payable and accrued expenses	\$ 3,144,370	\$ 2,700,175	444,195
Interest payable	619,749	1,259,241	(639,492)
Refundable Advance-Paycheck Protection Program	-	-	-
Current portion of long term debt	1,430,000	1,385,000	45,000
Total current liabilities	<u>5,194,119</u>	<u>5,344,416</u>	<u>(150,297)</u>
LONG-TERM DEBT, NET	58,083,072	59,530,742	(1,447,670)
OTHER LONG TERM LIABILITIES:			
Deferred entrance fee revenue	50,620,440	51,393,215	(772,775)
Refundable entrance fees	5,042,934	4,151,319	891,615
Entrance fee deposits	947,685	895,715	51,970
Total liabilities	<u>119,888,250</u>	<u>121,315,407</u>	<u>(1,427,157)</u>
NET ASSETS:			
Without donor restrictions			
Board designated	-	-	-
Undesignated	31,449,149	30,932,520	516,629
Total net assets without donor restrictions	<u>31,449,149</u>	<u>30,932,520</u>	<u>516,629</u>
With donor restrictions:			
Temporary donor restrictions	15,851,239	15,277,906	573,333
Total net assets	<u>47,300,388</u>	<u>46,210,426</u>	<u>1,089,962</u>
TOTAL	<u>\$ 167,188,638</u>	<u>\$ 167,525,833</u>	<u>\$ (337,195)</u>

The Pines at Davidson, Inc.
Statements of Unrestricted Revenues, Expenses
and Other Changes in Net Assets without Donor Restrictions
As of March 31, 2024 (unaudited) and December 31, 2023

	2024	2023	\$ Fav (Unfav)	
	(3 months)	(12 months)	2024 VS 2023	% Change
OPERATING REVENUE AND SUPPORT:				
Resident service fees	\$6,669,237	\$26,391,748	(\$19,722,511)	-135.4%
Amortization of deferred entrance fees	1,847,582	6,059,695	(4,212,113)	-98.0%
Interest income	249,396	925,516	(676,120)	-122.1%
Other operating revenue	238,961	898,124	(659,163)	-50.2%
Net assets released from donor restrictions for operations	242,131	1,034,600	(792,469)	
Total operating revenue and support	<u>9,247,307</u>	<u>35,309,683</u>	<u>(26,062,376)</u>	-125.7%
OPERATING EXPENSES:				
Salaries and benefits	4,441,866	16,839,833	12,397,967	146.6%
Depreciation	1,458,275	5,711,243	4,252,968	110.7%
Other operating expenses	2,145,463	8,219,642	6,074,179	101.9%
Interest and amortization expense	602,079	2,448,960	1,846,881	133.2%
Total operating expenses	<u>8,647,683</u>	<u>33,219,678</u>	<u>24,571,995</u>	125.1%
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS FROM OPERATIONS				
	599,624	2,090,005	(1,490,381)	-136.2%
OTHER CHANGES:				
Contributions without donor restrictions	20,350	107,538	(87,188)	-12455.4%
Non-routine Service Expense	0	(234,308)		
PPP Loan grant revenue	0	0	0	
Net increase/(decrease)in fair value of investments	<u>(141,784)</u>	<u>735,009</u>	<u>(876,793)</u>	335.4%
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENSES AND OTHER CHANGES				
	478,190	2,698,244	(2,220,054)	
Net assets released from donor restrictions for building and equipment				
	38,439	879,419	(840,980)	-4343.0%
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS				
	516,629	3,577,663	(3,061,034)	-367.1%
NET ASSETS WITHOUT DONOR RESTRICTIONS:				
BEGINNING OF YEAR	30,932,520	27,354,857		
END OF YEAR	<u>\$31,449,149</u>	<u>\$30,932,520</u>		

The Pines at Davidson, Inc.
Statements of Changes in Net Assets
As of March 31, 2024 (unaudited) and December 31, 2023

	2024 (3 months)	Audited 2023 (12 months)
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Total unrestricted revenue and support	\$ 9,267,657	\$ 35,417,221
Total unrestricted expenses	(8,647,683)	(33,219,678)
Net assets released from donor restrictions for buildings and equipment	38,439	879,419
Net increase/(decrease) in fair value of investments	(141,784)	735,009
COVID-19 grant revenue (Provider Relief Funding)	0	0
Non-routine Service Expense	0	(234,308)
Change in value of unrestricted pledges	0	0
	<hr/>	<hr/>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	516,629	3,577,663
 NET ASSETS WITH TEMPORARY DONOR RESTRICTIONS:		
Contributions	49,983	629,282
Interest income	111,336	444,127
Net assets released from donor restrictions	(280,570)	(1,914,019)
Net increase/(decrease) in fair value of investments	692,584	1,443,008
Change in value of temporarily restricted pledges and other assets	0	33,300
	<hr/>	<hr/>
CHANGE IN NET ASSETS WITH TEMPORARY DONOR RESTRICTIONS	573,333	635,698
CHANGE IN NET ASSETS	1,089,962	4,213,361
 NET ASSETS:		
Beginning of period	46,210,426	41,997,065
	<hr/>	<hr/>
End of period	\$ 47,300,388	\$ 46,210,426
	<hr/> <hr/>	<hr/> <hr/>

The Pines at Davidson, Inc.
Statements of Cash Flows
As of March 31, 2024 (unaudited) and December 31, 2023

	2024 (3 months)	Audited 2023 (12 months)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,089,962	\$ 4,213,361
Adjustments to reconcile change in net assets to net cash used in operations:		
Depreciation	1,446,726	5,711,243
Amortization	11,898	48,744
Amortization of deferred entrance fees	(1,807,694)	(5,918,614)
Amortization of improvement deposits	(39,888)	(141,081)
Amortization of bond premium	(29,568)	(118,271)
Change in net unrealized gains on investments	(550,800)	(2,178,017)
Change in value of long-term pledges	0	(33,300)
Restricted contributions	(49,983)	(629,282)
Restricted interest income	(111,336)	(444,127)
Refundable advance-Paycheck Protection Program	0	0
Changes in operating assets and liabilities-net	(354,653)	(1,246,303)
	<u>(395,336)</u>	<u>(735,647)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property & equipment	(819,370)	(3,373,246)
Sale (purchase) of long-term investments and board-designated funds - net	(153,668)	(2,768,294)
Sale (purchase) of cash and investments held under bond agreement - net	0	0
Purchases of assets limited as to use, net	0	0
	<u>(973,038)</u>	<u>(6,141,540)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Restricted contributions	49,983	629,282
Restricted interest income	111,336	444,127
Change in pledges receivable, net	0	0
Net proceeds from issuance of long-term debt	0	0
Cash paid for deferred financing costs	0	0
Repayment of long term debt	(1,385,000)	(1,350,000)
Issuance of bond premium	0	0
Net proceeds from entrance fees	1,885,738	7,284,959
Net proceeds from improvement deposits	80,684	87,387
Net entrance fee deposits received	51,970	227,715
	<u>794,711</u>	<u>7,323,470</u>
Net cash provided by financing activities	794,711	7,323,470
Increase (decrease) in cash, cash equivalents and restricted cash	(573,663)	446,283
Cash, cash equivalents, and cash held for bond purposes Beginning of period	9,664,141	9,217,851
End of period	<u>\$ 9,090,478</u>	<u>\$ 9,664,134</u>

APPENDIX I
**EXPLANATION OF MATERIAL DIFFERENCES BETWEEN PREVIOUS
PROJECTED BALANCE SHEET; STATEMENT OF UNRESTRICTED REVENUE,
EXPENSES AND OTHER CHANGES IN NET ASSETS WITHOUT DONOR
RESTRICTIONS; AND STATEMENT OF CASH FLOWS FOR 2023 AND 2022
ACTUAL RESULTS.**

APPENDIX I
EXPLANATION OF MATERIAL DIFFERENCES BETWEEN PREVIOUS
PROJECTED BALANCE SHEET; STATEMENT OF UNRESTRICTED REVENUE,
EXPENSES AND OTHER CHANGES IN NET ASSETS WITHOUT DONOR
RESTRICTIONS; AND STATEMENT OF CASH FLOWS FOR 2022 AND 2021
ACTUAL RESULTS.

The following explanation is furnished pursuant to Section 58-64-30 of the North Carolina General Statutes. The explanation pertains to material differences between (i) the projected Balance Sheet, projected Statement of Unrestricted Revenues, Expenses, and Other Changes in Net Assets Without Donor Restrictions, and projected Statement of Cash Flows of The Pines for 2022 (herein referred to as the “Previous Projected Balance Sheet, Statement of Unrestricted Revenue and Expenses and Statement of Cash Flows”) contained as part of the Disclosure Statement dated 2023, filed with the North Carolina Department of Insurance, and (ii) the actual results of operations of The Pines for 2023 as shown in the audited financial statements of The Pines contained as a part of Appendix G attached hereto.

An explanation of material differences between the 2023 Projected Financial Statements and the 2023 actual results follows. For this purpose, line-item variances (excluding subtotals and totals) greater than \$1,750,000 which represents approximately 1% of total assets and 4% of total net assets were considered material.

BALANCE SHEET

- 1) 2023 Investments were \$4,344,000 more than projected due mainly to better-than-expected market performance and interest earnings.
- 2) 2023 assets without restrictions were \$5,669,000 more than projected for the same market performance and interest earnings.

STATEMENTS OF CASH FLOWS

No material line-item variances.

STATEMENT OF UNRESTRICTED REVENUE AND EXPENSE

No material line-item variances.

Appendix I

BALANCE SHEET
(In Thousands)

	2023	2023		
	Actual	Projected	Variance	
	Results	Results		
ASSETS				
Current Assets	\$ 10,581	\$ 10,353	\$ 228	
Property Plant & Equipment, net	103,323	104,498	(1,175)	
Other Assets				
Investments	30,804	26,460	4,344	(1)
Cash and investments whose use is limited	7,540	7,540	-	
Investments with donor restrictions	14,288	13,670	618	
Other	990	972	18	
Total Assets	<u>\$ 167,526</u>	<u>\$ 163,493</u>	<u>\$ 4,033</u>	
LIABILITIES AND NET ASSETS				
Current Liabilities	\$ 5,344	\$ 6,985	\$ (1,641)	
Long-term Debt, net	59,531	59,532	(1)	
Other Long Term Liabilities	56,440	57,070	(630)	
Total Liabilities	<u>121,315</u>	<u>123,587</u>	<u>(2,272)</u>	
NET ASSETS				
Without donor restrictions	30,933	25,264	5,669	(2)
With temporary donor restrictions	15,278	14,642	636	
Total Net Assets	<u>46,211</u>	<u>39,906</u>	<u>6,305</u>	
TOTAL LIABILITIES & NET ASSETS				
	<u>\$ 167,526</u>	<u>\$ 163,493</u>	<u>\$ 4,033</u>	

STATEMENTS OF CASH FLOWS
(In Thousands)

	2023 Actual Results	2023 Projected Results	Variance
Net Cash Provided by/(Used for) Operating Activities	\$ (736)	\$ (704)	\$ (32)
Net Cash Provided by/(Used for) Investing Activities	(6,141)	(5,512)	(629)
Net Cash Provided by/(Used for) Financing Activities	7,323	6,232	1,091
Increase/(Decrease) in Cash & Cash Equivalents	<u>446</u>	<u>16</u>	<u>430</u>
Cash, Cash Equivalents and Restricted Cash:			
Beginning of Period	9,218	9,218	-
End of Period	<u>\$ 9,664</u>	<u>\$ 9,234</u>	<u>\$ 430</u>

**STATEMENT OF REVENUE, EXPENSES AND OTHER
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS
(In Thousands)**

	2023 Actual Results	2023 Projected Results	Variance
Resident Service Fees	\$ 26,392	\$ 26,026	\$ 366
Entrance Fee Amortization	6,060	5,412	648
Other Revenue	1,933	1,237	696
Interest Income	925	649	276
Total Revenue	<u>35,310</u>	<u>33,324</u>	<u>1,986</u>
Depreciation and Amortization	5,642	5,890	(248)
Interest Expense	2,518	2,519	(1)
Other Expenses	25,060	26,021	(961)
Total Expenses	<u>33,220</u>	<u>34,430</u>	<u>(1,210)</u>
Increase in Net Assets Without Donor Restrictions From Operations	2,090	(1,106)	3,196
Other Changes			
Contributions without donor restrictions	108	-	108
Net Assets Released from Donor Restrictions			
for Buildings and Equipment	879	-	879
Change in Net Unrealized Gains & Losses on Investments	735	-	735
Loss on disposal of property	-	(985)	985
Nonroutine expenses	(234)	-	(234)
Change in value of unrestricted pledges	-	-	-
Change in Net Assets Without Donor Restrictions	<u>3,578</u>	<u>(2,091)</u>	<u>5,669</u>
Net Assets Without Donor Restrictions at Beginning of Year	27,355	27,355	
Net Assets Without Donor Restrictions at End of Year	<u>\$ 30,933</u>	<u>\$ 25,264</u>	<u>\$ 5,669</u>

APPENDIX J
STATEMENT OF ACTUARIAL OPINION



415 Main Street
Reisterstown, MD 21136-1905
410-833-4220
410-833-4229 (fax)
www.continuingcareactuaries.com

April 3, 2024

David A. Gentry
Vice President/CFO
The Pines at Davidson
400 Avinger Ln
Davidson, NC 28036

Dear David:

Continuing Care Actuaries was retained by the management of The Pines at Davidson to conduct a comprehensive actuarial study for the community located in Davidson, North Carolina.

The Pines at Davidson is a retirement community that consists of 292 independent living units (ILU), 30 assisted living (ALU) and 75 licensed beds in skilled nursing facility (SNF).

Residents of the independent living units pay a stated entrance fee and enter into a contract under which they have the right to occupy an independent living unit for the remainder of their life, or until such time as they need to be transferred to assisted living or to the skilled nursing facility. The assisted living and skilled nursing units may be occupied by individuals who are direct admission residents and pay on a per-diem basis. However, independent living residents have priority access to assisted living and the skilled nursing facility over any such direct admissions.

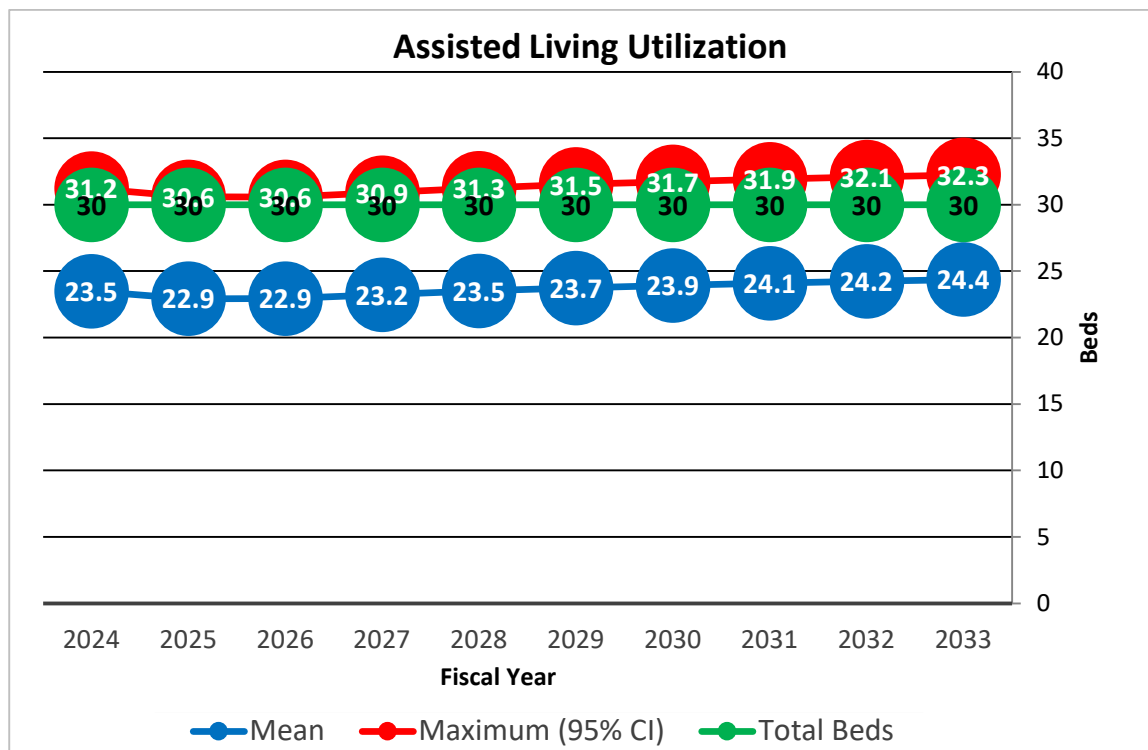
Residents will pay monthly fees related to their occupancy of an independent living unit, assisted living unit, or skilled nursing unit. Residents requiring permanent or temporary health care are able to transfer to the needed level of care as determined appropriate by The Pines at Davidson's medical and management staff and in conjunction with residents and their physicians and family. Collectively, monthly service fees and entrance fees are intended to cover the cost of constructing and operating the community and providing health care and other services to contract residents, as well as a portion of all other costs related to the operation of the community. Entrance fees held by The Pines at Davidson are subject to refund requirements.

The scope of our study consisted of: (1) development of updated population projections based on the current demographic characteristics of the resident population and the assumptions used in the financial model for The Pines at Davidson; (2) development of projected statements of cash flows and actuarial balance sheet; and (3) preparation of an actuarial pricing analysis. This comprehensive actuarial study and review was performed under the guidelines contained in the American Academy of Actuaries' Actuarial Practice Number 3, "Issues Relating to Life Plan Retirement Communities."

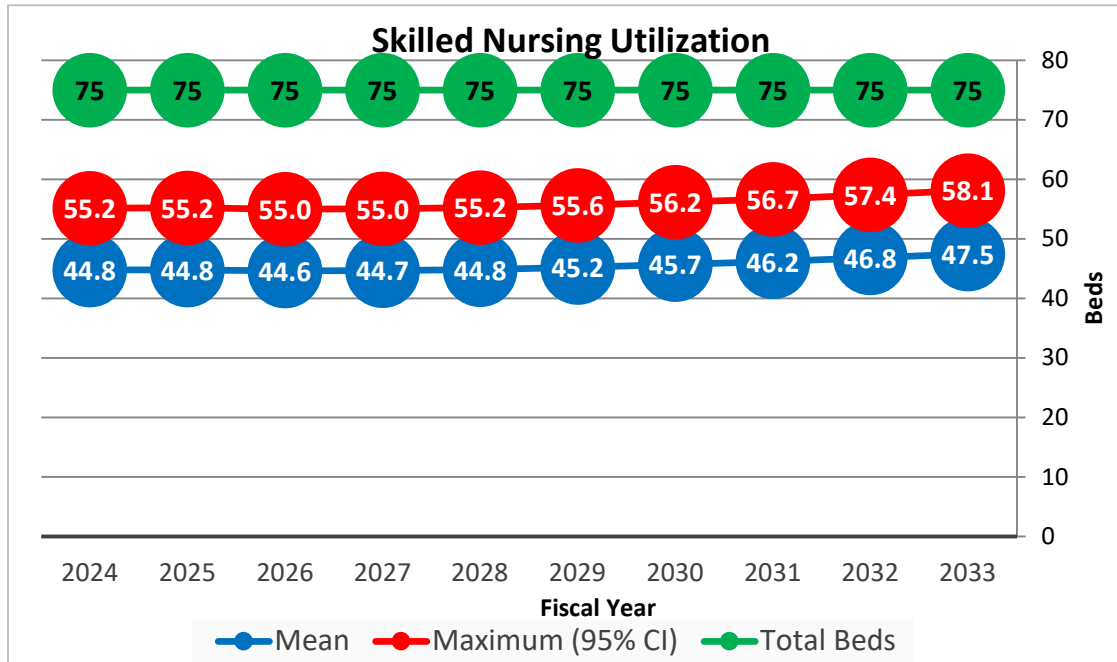
In order to perform the actuarial analysis, we projected first generation residents and subsequent residents through various levels of care until move-out or death. The rates using permanent and temporary nursing transfers, deaths and withdrawals were developed Continuing Care Actuaries' demographic database for Continuing Care Retirement Community (CCRC) residents. This database comprises over 800,000 CCRC residential life-years of demographic experience. The database assumptions used in this analysis reflect experience of communities similar to The Pines at Davidson. The population projections were combined with expense and revenue assumptions to develop projected cash flows and contingent assets and liabilities. A by-product of these cash flow projections is the actuarial pricing analysis that examines the financial adequacy of the fiscal year 2024 residential fee structures and the actuarial balance sheet which is used as an indicator of the adequacy of historical residential fee structures as of December 31, 2023.

Summary of Findings and Notes

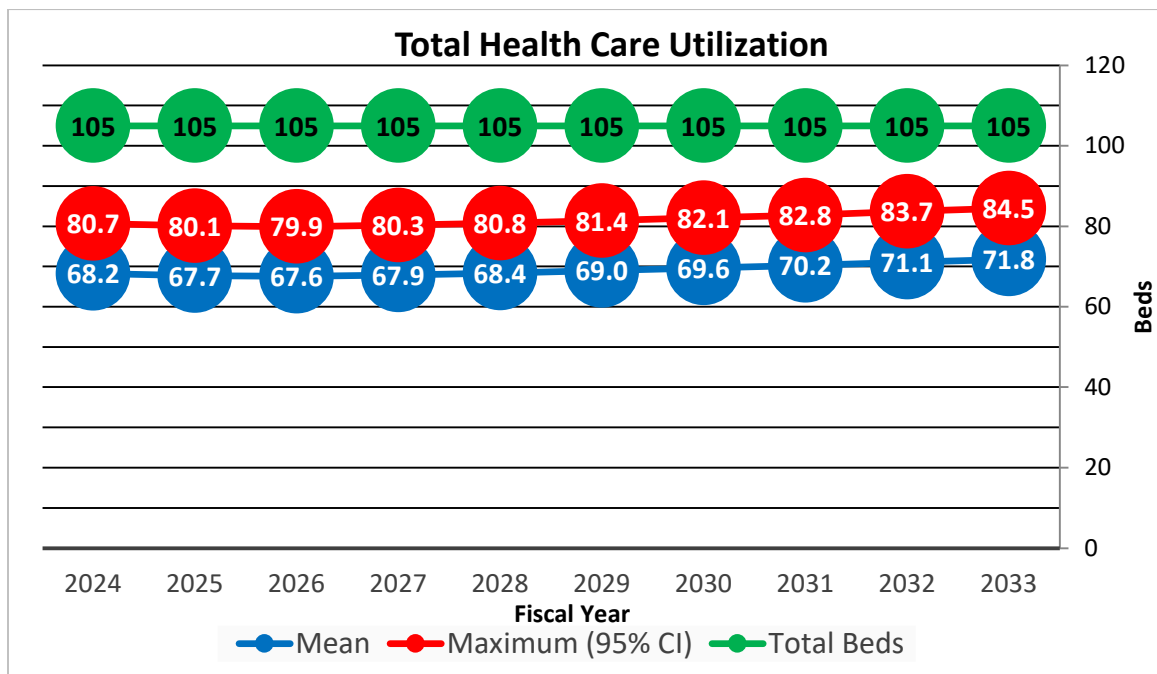
- 1) The data and assumptions used for the population and financial projections in this report form a reasonable basis for the projections. The methods used to produce the projections are consistent with sound actuarial principles and practices as prescribed by the Society of Actuaries and the American Academy of Actuaries.
- 2) The projected occupancy of assisted living units by residents who originated in independent living units with the 95% confidence interval is displayed below.



- 3) The projected occupancy of the skilled nursing facility by residents who originated in independent living units with 95% confidence interval is displayed below.



- 4) The projected occupancy of the combined assisted living units and skilled nursing facility by residents who originated in independent living units with 95% confidence interval is detailed below.



- 5) The financial projection indicates that The Pines at Davidson will generate positive annual cash flow throughout the projection period.
- 6) The actuarial pricing analysis for the 0% Refundable Contract indicated that this contract is expected to produce an average surplus of \$187,355 at entry for new residents, which represents a margin of 20.6% of the present value of contractual liabilities.

The actuarial pricing analysis for the 50% Refundable Contract indicated that this contract is expected to produce an average surplus of \$205,702 at entry for new residents, which represents a margin of 20.2% of the present value of contractual liabilities.

The actuarial pricing analysis for the 90% Refundable Contract indicated that this contract is expected to produce an average surplus of \$132,951 at entry for new residents, which represents a margin of 11.7% of the present value of contractual liabilities.

Generally, it is our recommendation for a mature community to target a margin of approximately 10% in order to cover possible adverse fluctuations that may occur in the future. These adverse fluctuations can include both changes in economic assumptions, such as expected inflation, and changes in demographic assumptions, such as nursing care utilization.

- 7) Based on the result of the actuarial balance sheet as of December 31, 2023, our analysis concluded that The Pines at Davidson will have current and future assets of \$375,627,000 with current and future liabilities of \$225,032,000. Based on these projected assets and liabilities, The Pines at Davidson's funded status is 166.9%, which is above our recommended target of 110% for a mature community. We expect this number to increase as contracts with positive pricing margins are sold.

The actuarial ratio determines the percent of future expenses that are expected to be covered by future revenues for the expected group of residents as of December 31, 2023. This measure is important in that it represents The Pines at Davidson's ability to deal with adverse experience. This ratio was calculated at 92.7%.

- 8) In conclusion, The Pines at Davidson is in an *adequate financial condition* to meet its obligations as defined by Actuarial Standard of Practice No. 3 (ASOP 3). ASOP 3 defines adequacy based on the meeting of three required actuarial standards which consist of the actuarial cash flow, the actuarial balance sheet, and the actuarial pricing analysis. The Pines at Davidson meets the actuarial cash flow, actuarial balance sheet and actuarial pricing requirements.

The results of our study are based on estimates of the demographic and economic assumptions of the most likely outcome. Considerable uncertainty and variability are inherent in such estimates. Accordingly, the subsequent emergence of actual residential movements and of actual revenues and expenses may not conform to the assumptions used in our analysis. Consequently, the subsequent development of these items may vary considerably from expected results.

Management should scrutinize future developments that may have a negative impact on these projections. These developments include lower independent living occupancy than assumed, higher apartment vacancy rates, higher expense inflation, higher health care utilization and longer life expectancies than assumed in the current projection.

Respectfully,



Dave Bond, F.S.A., M.A.A.A.
Managing Partner
dbond@continuingcareactuaries.com

APPENDIX K
COMPILATION OF FINANCIAL FORECAST

THE PINES AT DAVIDSON, INC.
COMPILATION OF FINANCIAL FORECAST
FOR THE YEARS ENDING
DECEMBER 31, 2024 THROUGH DECEMBER 31, 2028



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INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Board of Directors
The Pines at Davidson, Inc.
Davidson, North Carolina

Management is responsible for the accompanying forecasted consolidated financial statements of The Pines at Davidson, Inc. ("The Pines" or the "Corporation"), which comprise the forecasted consolidated balance sheets as of December 31, 2024, 2025, 2026, 2027 and 2028, and the related forecasted consolidated statements of revenue, expenses and other changes in net assets without donor restrictions, consolidated changes in net assets, and consolidated cash flows for the years then ending, and the related summaries of significant assumptions and accounting policies in accordance with the guidelines for presentation of a financial forecast established by the American Institute of Certified Public Accountants ("AICPA"). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the forecasted consolidated 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 forecasted consolidated financial statements or the assumptions. Furthermore, the forecasted results may not be achieved, as there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Charlotte, North Carolina
May 21, 2024

THE PINES AT DAVIDSON, INC.
FORECASTED CONSOLIDATED STATEMENTS OF REVENUE, EXPENSES, AND OTHER
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS
FOR THE YEARS ENDING DECEMBER 31,
(IN THOUSANDS OF DOLLARS)

	2024	2025	2026	2027	2028
OPERATING REVENUE AND SUPPORT:					
Resident service fees	\$ 17,361	\$ 17,130	\$ 17,723	\$ 18,368	\$ 19,061
Health center revenue	10,825	10,918	11,239	11,696	12,201
Amortization of deferred entrance fees	5,619	5,803	6,040	6,286	6,542
Interest income	873	1,443	1,708	1,817	1,825
Other operating revenue	1,526	1,587	1,650	1,716	1,785
Total operating revenue and support	36,204	36,881	38,360	39,883	41,414
OPERATING EXPENSES:					
Administrative	4,177	4,272	4,446	4,627	4,815
Marketing and development	685	716	749	782	818
Dining	6,729	7,017	7,319	7,634	7,963
Laundry	196	202	208	214	221
Housekeeping	1,783	1,868	1,958	2,052	2,151
Maintenance	4,345	4,508	4,677	4,853	5,036
Social services, wellness, activities and transportation	1,778	1,863	1,952	2,045	2,143
Health care	7,756	8,125	8,513	8,920	9,346
Depreciation	5,846	5,993	6,035	6,143	6,028
Interest expense, amortization of debt issuance costs and amortization of bond premium	2,409	2,387	2,344	2,300	2,255
Loss on Disposal of Property	-	985	-	-	-
Total operating expenses	35,704	37,936	38,201	39,570	40,776
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENSES FROM OPERATIONS AND BEFORE OTHER CHANGES	500	(1,055)	159	313	638
OTHER CHANGES:					
Contributions without donor restrictions	-	-	-	-	-
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENSES AND OTHER CHANGES	500	(1,055)	159	313	638
NET ASSETS RELEASED FROM DONOR RESTRICTIONS FOR BUILDING AND EQUIPMENT	-	-	-	-	-
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	500	(1,055)	159	313	638
NET ASSETS WITHOUT DONOR RESTRICTIONS:					
Beginning of Year	30,933	31,433	30,378	30,537	30,850
End of Year	\$ 31,433	\$ 30,378	\$ 30,537	\$ 30,850	\$ 31,488

See Accompanying Summary of Significant Forecast Assumptions and Accounting Policies and Independent Accountants' Compilation Report

THE PINES AT DAVIDSON, INC.
FORECASTED CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDING DECEMBER 31,
(IN THOUSANDS OF DOLLARS)

	2024	2025	2026	2027	2028
NET ASSETS WITHOUT DONOR RESTRICTIONS					
Total operating revenues	\$ 36,204	\$ 36,881	\$ 38,360	\$ 39,883	\$ 41,414
Total operating expenses	(35,704)	(37,936)	(38,201)	(39,570)	(40,776)
Contributions without donor restrictions	-	-	-	-	-
Increase (decrease) in net assets without donor restrictions	\$ 500	\$ (1,055)	\$ 159	\$ 313	\$ 638
NET ASSETS WITH DONOR RESTRICTIONS					
Investment income	638	626	614	601	588
Contributions	300	312	324	337	350
Release from restrictions	(938)	(938)	(938)	(938)	(938)
Increase (decrease) in net assets with donor restrictions	\$ -	\$ -	\$ -	\$ -	\$ -
CHANGE IN NET ASSETS	\$ 500	\$ (1,055)	\$ 159	\$ 313	\$ 638
NET ASSETS:					
Beginning of year	46,211	46,711	45,656	45,815	46,128
End of year	\$ 46,711	\$ 45,656	\$ 45,815	\$ 46,128	\$ 46,766

See Accompanying Summary of Significant Forecast Assumptions and Accounting Policies and Independent Accountants' Compilation Report

THE PINES AT DAVIDSON, INC.
FORECASTED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDING DECEMBER 31,
(IN THOUSANDS OF DOLLARS)

	2024	2025	2026	2027	2028
CASH FLOWS FROM OPERATING ACTIVITIES:					
Change in net assets	\$ 500	\$ (1,055)	\$ 159	\$ 313	\$ 638
Adjustments to reconcile change in net assets to net cash provided by operating activities:					
Depreciation	5,846	5,993	6,035	6,143	6,028
Amortization of debt issuance costs	48	46	45	44	43
Amortization of bond premium	(118)	(118)	(118)	(118)	(118)
Loss on Disposal of Property	-	985	-	-	-
Increase in prepaids and receivables	(41)	(27)	(35)	(38)	(38)
Increase (Decrease) in current liabilities	(69)	108	120	125	131
Amortization of deferred entrance fees	(5,619)	(5,803)	(6,040)	(6,286)	(6,542)
Net cash provided by operating activities	547	129	166	183	142
CASH FLOWS FROM INVESTING ACTIVITIES:					
Decrease (increase) in investments	(246)	1,163	505	21	61
Purchase and construction of property and equipment	(4,722)	(5,486)	(5,706)	(5,934)	(6,171)
Increase in assets whose use is limited	(288)	(533)	(66)	(327)	(342)
Net cash used by investing activities	(5,256)	(4,856)	(5,267)	(6,240)	(6,452)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Entrance fees and deposits received, net of refunds	5,857	6,454	6,902	7,917	8,229
Principal payments on indebtedness	(1,385)	(1,430)	(1,470)	(1,515)	(1,560)
Net cash provided by financing activities	4,472	5,024	5,432	6,402	6,669
INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(237)	297	331	345	359
BEGINNING BALANCE OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	9,664	9,427	9,724	10,055	10,400
ENDING BALANCE OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	\$ 9,427	\$ 9,724	\$10,055	\$10,400	\$ 10,759
RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH					
Cash and cash equivalents	\$ 6,768	\$ 7,045	\$ 7,353	\$ 7,675	\$ 8,012
Restricted cash in assets limited as to use	2,659	2,679	2,702	2,725	2,747
Total cash, cash equivalents and restricted cash	\$ 9,427	\$ 9,724	\$10,055	\$10,400	\$ 10,759
Supplementary Disclosure: Forecasted interest to be paid during the year	\$ 2,479	\$ 2,459	\$ 2,417	\$ 2,374	\$ 2,330

See Accompanying Summary of Significant Forecast Assumptions and Accounting Policies and Independent Accountants' Compilation Report

THE PINES AT DAVIDSON, INC.
FORECASTED CONSOLIDATED BALANCE SHEETS
AT DECEMBER 31,
(IN THOUSANDS OF DOLLARS)

	2024	2025	2026	2027	2028
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	\$ 6,768	\$ 7,045	\$ 7,353	\$ 7,675	\$ 8,012
Assets limited as to use - held for payment of principal and interest	2,659	2,679	2,702	2,725	2,747
Accounts receivable	122	122	126	131	136
Interest receivable	159	159	159	159	159
Prepaid expenses and other current assets	677	704	735	768	801
Total current assets	10,385	10,709	11,075	11,458	11,855
PROPERTY AND EQUIPMENT	168,616	173,117	178,823	184,757	190,928
less accumulated depreciation	(66,417)	(72,410)	(78,445)	(84,588)	(90,616)
Property and equipment, net	102,199	100,707	100,378	100,169	100,312
OTHER ASSETS:					
Investments	31,050	29,887	29,382	29,361	29,300
Cash and investments whose use is limited:					
Bond funds held under bond agreement (principal and interest)	2,659	2,679	2,702	2,725	2,747
Operating reserve as required by North Carolina General Statutes	7,828	8,361	8,427	8,754	9,096
Subtotal - Cash and investments whose use it limited	10,487	11,040	11,129	11,479	11,843
Less current portion	(2,659)	(2,679)	(2,702)	(2,725)	(2,747)
Cash and investments whose use is limited, net of current portion	7,828	8,361	8,427	8,754	9,096
Donor restricted cash and investments	14,288	14,288	14,288	14,288	14,288
Restricted pledges receivable	990	990	990	990	990
TOTAL ASSETS	\$ 166,740	\$ 164,942	\$ 164,540	\$ 165,020	\$ 165,841
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES:					
Accounts payable and accrued expenses	\$ 2,632	\$ 2,740	\$ 2,860	\$ 2,985	\$ 3,116
Interest payable	1,259	1,259	1,259	1,259	1,259
Current portion of long-term debt	1,430	1,470	1,515	1,560	1,605
Total current liabilities	5,321	5,469	5,634	5,804	5,980
LONG-TERM DEBT, NET OF CURRENT PORTION	56,710	55,240	53,725	52,165	50,560
Less: debt issuance costs	(944)	(898)	(853)	(809)	(766)
Plus: bond premium	2,264	2,146	2,028	1,910	1,792
Long-term debt, net of current portion	58,030	56,488	54,900	53,266	51,586
OTHER LONG-TERM LIABILITIES:					
Applicant deposit liability	896	896	896	896	896
Deferred entrance fee revenue - nonrefundable	51,631	52,282	53,144	54,775	56,462
Refundable entrance fees	4,151	4,151	4,151	4,151	4,151
Total liabilities	120,029	119,286	118,725	118,892	119,075
NET ASSETS:					
Without donor restrictions	31,433	30,378	30,537	30,850	31,488
With donor restrictions	15,278	15,278	15,278	15,278	15,278
Total net assets	46,711	45,656	45,815	46,128	46,766
TOTAL LIABILITIES AND NET ASSETS	\$ 166,740	\$ 164,942	\$ 164,540	\$ 165,020	\$ 165,841

See Accompanying Summary of Significant Forecast Assumptions and Accounting Policies and Independent Accountants' Compilation Report

Summary of Significant Forecast Assumptions and Accounting Policies

Introduction and Background Information (continued)

Basis of Presentation

The accompanying financial forecast presents, to the best of the knowledge and belief of management ("Management") of The Pines at Davidson, Inc., which includes Mecklenburg Real Estate Holdings, LLC ("MREH") and SDK Enterprises ("SDK") ("The Pines" or the "Corporation"), the Corporation's expected consolidated financial position, consolidated results of operations and changes in net assets and consolidated cash flows (the "Forecast") as of and for each of the years in the five years ending December 31, 2028 (the "Forecast Period").

Accordingly, the financial forecast reflects Management's judgment as of May 21, 2024 the date of this forecast, of the expected conditions and its expected course of action. The assumptions disclosed herein are the assumptions which Management believes are significant to the financial forecast. However, there will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

This financial forecast is intended solely for the information and use of Management, the Board of Directors, and the North Carolina Department of Insurance (pursuant to the requirements of North Carolina General Statutes, Chapter 58, Article 64 and included in the Corporation's disclosure statement filing), and is not intended to be and should not be used by anyone other than these specified parties.

Background of the Corporation

The Pines at Davidson, Inc. owns and operates a continuing care retirement center (also referred to herein as a "life plan community") and is the sole member of MREH, a single member limited liability company, formed April 22, 2014 for the purpose of holding and managing real property for the benefit of the Corporation, and SDK Enterprises, formed June 21, 2019, also for the purpose of holding and managing real property for the benefit of the Corporation. The Pines is licensed by the North Carolina Department of Insurance. The Pines is located in Davidson, North Carolina (the "Community"). Within this compilation, continuing care retirement community and life plan community are used interchangeably.

The Corporation is a nonprofit, non-stock corporation organized under the laws of the State of North Carolina in February 1983, to construct and operate a continuing care retirement community. The name of the Corporation was changed from Davidson Retirement Community, Inc. to The Pines at Davidson, Inc., in June 2001.

The Corporation has received a determination that it is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. As a nonprofit, non-stock corporation, the Corporation pays no dividends and all of its earnings, if any, are used to further the purposes of the Corporation.

The Pines is not a legal entity separate from the Corporation. The Pines is the name under which the Corporation manages and operates the Community. The management staff, under the direction of the "Board of Directors" of the Corporation, manages and operates The Pines.

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Forecast Assumptions and Accounting Policies

Introduction and Background Information (continued)

Under the Articles of Incorporation of the Corporation, the members of the Board of Directors are elected by the Board of Directors. In addition, there are two non-voting ex-officio members. The Corporation is not affiliated with any religious, charitable, or other nonprofit organization. However, members and friends of Davidson College Presbyterian Church, in Davidson, North Carolina provided substantial leadership and support in the establishment of The Pines, as did the Trustees of Davidson College.

The Pines is an entrance fee, modified lifecare community designed for senior citizens, making available to them housing, residential services, an integrated wellness program, and long-term care. The Pines is designed to provide housing and services, including health care, to people of retirement age and consists of independent living units, common areas and health care facilities.

In 2014, the Corporation purchased 31 additional acres which contains a two-story residence known as the "Chartwell Residence." The Chartwell Residence is located on approximately 4 acres, including the driveway and tennis courts (the remaining approximately 27 acres is undeveloped). The Chartwell Residence was placed into service effective July 1, 2015.

Today, The Pines is located on approximately 147 contiguous largely wooded acres. The Facilities, as defined hereinafter, (excluding the Chartwell Residence) are located on approximately 41 acres that serve as collateral for the deed of trust. In addition to such 41 acres, the Corporation owns 106 acres consisting of (i) 91 acres of undeveloped, wooded land, (ii) 4 acres on which is located the Chartwell Residence, (iii) 2 acres on which is located the Shaw Property, and (iv) 9 acres that contain 6 residential single-family rental properties, for total land ownership of approximately 147 acres.

Management of the Corporation opened the first of two new independent living villa buildings in December 2020, opened the second new villa building in February 2021, opened the new replacement nursing beds in November 2020, which resulted in a net increase of 24 nursing beds, and has completed the renovation of its assisted living dining area and enhancements to its common areas through improved dining and other programs. The Pines also added three cottages with garages in 2022.

The "Facilities" include (1) a central building complex, containing 157 residential units and common areas and facilities known as the Jetton Community Center and the Schramm Health Center, (2) 47 detached cottages and (3) four detached apartment buildings each with 12 villa apartments, (4) two detached apartment buildings each with 19 villa apartments, the Chartwell Residence, and the Shaw Property. The Pines' Facilities include 292 independent living units, 30 assisted living units, and 75 nursing beds in the Schramm Health Center.

The Schramm Health Center is currently licensed by the North Carolina Department of Health and Human Services, Division of Health Service Regulation, to operate 75 beds offering intermediate and nursing care for residents who are temporarily ill or who require long term nursing care (the "Nursing Facility Beds" or "Nursing Units") and 30 beds to provide support services for residents who require assistance with the activities of daily living (the "Assisted Living Units") (collectively, the Nursing Units and Assisted Living Units are referred to as the "Health Center Units"). The area of the Schramm Health Center containing the Nursing Facility Beds is referred to herein as the Nursing Unit or the Hidell Nursing Unit. None of the Nursing Facility Beds or Assisted Living Units are certified or licensed as Medicaid or Medicare beds. The Workman Wellness Center is located in the Schramm Health Center and includes fitness facilities. In June 1999, the Corporation completed construction and began operating its Warm Water Therapy Facility. The facility includes a 24 ft. x 50 ft. warm water therapy pool, a hot water whirlpool,

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Forecast Assumptions and Accounting Policies

Introduction and Background Information (continued)

outdoor courtyards, locker rooms, and an exercise therapy room containing exercise therapy equipment. Under North Carolina statutes, The Pines can exceed its licensed nursing bed capacity by the lesser of 10 beds or 10 percent of its licensed nursing beds (up to 7 beds for The Pines) provided the space meets licensure requirements for a licensed nursing bed.

The following common areas and amenities are provided in the Jetton Community Center: a central dining room, a private dining room, a marketplace style café, a pub, a coffee and gelato kiosk, a central kitchen, a central living room, a library, a chapel, a beauty parlor/barber shop, multi-purpose rooms, lobbies, lounges, terraces, porches, administration areas, craft and activity areas, laundry facilities, a post office, resident storage areas, wellness clinic, health club and an outdoor garden.

The Facilities

Independent Living Units

The 292 independent living units of The Pines' (the "Independent Living Units") consist of 157 apartment units, 86 villa apartment units, 47 cottages, the Chartwell Residence, and the Shaw Property. One studio unit was taken out of service and is currently used as guest lodging. The 157 independent living apartments are contained in a central building connected to common areas and health care services by enclosed walkways and serviced by elevators. Floor plans of the original 157 apartments are standard in design and include studio, one-bedroom and two-bedroom configurations. The 86 villa apartment units include one-bedroom villa apartments with 1.5 baths and two-bedroom villa apartments with two baths featuring open floor plans, 9 foot ceilings, large windows, walk-in closets and porches or balconies. All villas have individually controlled heating and air conditioning, cable television and telephone hook-ups, washer and dryers and 24-hour fire, safety, and medical emergency call system.

The cottage floor plans vary in design and size but include two-bedroom and two-bedroom with den configurations. Each living unit includes a fully equipped kitchen (refrigerator/freezer, disposal, microwave, and oven/range), overhead lighting, storage areas, bathrooms and bedrooms connected to a central system monitored for 24-hour emergency call system, smoke detector, central heating and air conditioning with individual thermostatic controls, soundproofing, insulated windows, pre-wired television and telephone outlets.

Assisted Living Units

The Schramm Health Center includes 30 private Assisted Living Units. Each Assisted Living Unit is equipped with individually controlled heating and air-conditioning, cable hook-ups, a phone jack, and an emergency call system.

Assisted living residents receive nursing staff attention daily, assistance with medication, bathing, dressing and grooming, linen and housekeeping service, diverse activity, social service programs, and three meals daily. Residents may be directly admitted into this level of care from the outside community.

Nursing Facility Beds

In addition to the 30 Assisted Living Units, the Schramm Health Center nursing consists of four neighborhoods: (1) the Purcell Memory Support neighborhood with its 16 private rooms; (2) the Brown neighborhood comprised of 19 private rooms; and (3) the Wilson and Maulden nursing neighborhoods,

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Forecast Assumptions and Accounting Policies

Introduction and Background Information (continued)

each with 20 private rooms. Each of the four nursing neighborhoods include private rooms clustered near a common kitchen, dining, and community space for resident activities and socializing. The neighborhood design enables residents to benefit from a smaller, more intimate sense of community, enhancing their quality of life by encouraging more activity and greater engagement. Additionally, the 40 private rooms in the Wilson and Maulden nursing neighborhoods offer more square footage, larger windows providing more natural light, private showers, built-in cabinets, and personal-sized refrigerators so that each room becomes a comfortable residence. The Pines has a total of 75 nursing beds offering intermediate and skilled nursing care (the "Nursing Units").

The Schramm Health Center is a fully licensed nursing facility that includes 24-hour supervision and assistance in activities of daily living and health related care. Twenty-four-hour nursing stations, bathing rooms, a dining room, activity rooms, and lounge rooms are included in this area. The Purcell Wing is dedicated to those residents with dementia related illnesses requiring special care. Residents can transfer into nursing from both independent and assisted living, as well as from the community at large.

It should be noted that 40 of The Pines' nursing beds are open to direct admission, and 35 of the nursing beds require entrants to reside in independent living or assisted living for at least 30 days prior to admission to such nursing beds.

In its Jetton Community Center, The Pines offers four dining venues: (1) waited table service (Heritage); (2) a market-place styled café where fresh food is ordered and prepared to residents' specifications from a variety of popular stations, such as an open hearth oven, Asian wok, Chef's Exhibition station, Char Grille, Rotisserie oven, hand-crafted salad bar, in-house bakery and dessert café (Marketplace); (3) a pub offering light meals and adult beverages (Pub); and (4) a coffee and gelato kiosk for snacks and prepared items that can be purchased to "grab and go" (Davis Café). The Davidson Room is a large gathering room that is equipped with partitions enabling concurrent events to be held when demand is high. The Davidson Room includes a multi-purpose space on the lower level (Williams Room). By creating flexible space, The Pines will be able to meet the diverse preferences of active residents while maintaining the intimate feel of the community.

A fitness area, attached to the current Wellness Wing, provides an attractive setting for additional strength and cardio fitness equipment. The Williams Room provides space for exercise classes.

The Pines has a second entrance at the front of the campus (by extending Avinger Lane by approximately 750 feet) and additional parking near the Schramm Health Center and Jetton Community Center.

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Summary of Significant Forecast Assumptions and Accounting Policies

Introduction and Background Information (continued)

The following table shows the unit configuration of The Pines:

Unit Type	Number of Units	Weighted Average Square Footage
<i>Independent Living Units:</i>		
Studio	7	418
Deluxe Studio	30	527
1 Bedroom	79	722
2 Bedroom/2 Bath	28	975
2 Bedroom Suite	10	1,140
2 Bedroom Deluxe	3	1,249
2 Bedroom Villa (Plan A)	24	1,429
2 Bedroom Deluxe Villa (Plan B)	8	1,619
2 Bedroom with Den Villa (Plan C)	8	1,809
2 Bedroom with Den Deluxe Villa (Plan D)	8	1,870
1 Bedroom/1 and 1/2 Bath Villa (Green)	6	1,164
2 Bedroom Villa with Porch or Balcony (Blue)	2	1,515
2 Bedroom Villa with Sunroom/Study (Red)	14	1,667
2 Bedroom Villa with Sunroom/Study and Balcony (Yellow)	16	1,681
Cottage	4	1,200
Large Cottage	2	1,440
Large Cottage/Sunroom	38	1,565
Large Cottage/Sunroom and Two-Car Garage	3	1,656
Chartwell ⁽¹⁾	1	N/A
Shaw ⁽¹⁾	1	N/A
Total Independent Living Units	292	1,129
<i>Assisted Living Units:</i>		
Private	30	
Total Assisted Living Units	30	274
<i>Nursing Facility Beds:</i>		
Private	75	203 - 402
Total Nursing Facility Beds	75	
Total Units/Beds	397	

Source: Management

Notes: (1) Square footage for the Chartwell Residence and the Shaw Property, both stand-alone homes are excluded.

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Forecast Assumptions and Accounting Policies

Introduction and Background Information (continued)

Management has included its admission policies, as well as full copies of its Residence and Care Agreements, in its Disclosure Statement.

Residence and Care Agreement

For entrance fees, The Pines offers a standard refundable plan (the “Standard Entrance Fee Option Plan”), a 50 percent refundable plan (the “50% Refund Entrance Fee Option”) and a 90 percent refundable plan (the “90% Refund Entrance Fee Option”).

Standard Entrance Fee Option Plan—This plan offers a prorated refund of the entrance fee over the first 12 months of residency, after which point no further refund is to be paid. If during this 12-month period, a resident leaves the community for any reason, including death, the resident or his estate will receive a declining refund amount based upon a five percent non-refundable fee (of the total entrance fee amount) and five percent per month occupancy charge for each full or partial month of residency thereafter.

50% Refund Entrance Fee Option—This plan refunds to the resident or his or her estate an amount equal to no less than 50 percent of the entrance fee paid; the remaining 50 percent is amortized consistent with the amortization provisions of the Standard Entrance Fee Option Plan. Entrance fees paid under the 50% Refund Entrance Fee Option are based on a pricing schedule that is determined by actuarial life expectancies (the greater the age of a prospective resident, the higher the entrance fee pricing).

90% Refund Entrance Fee Option—This plan refunds to the resident or his or her estate an amount equal to no less than 90 percent of the entrance fee paid; the remaining 10 percent is amortized consistent with the amortization provisions of the Standard Entrance Fee Option Plan. Entrance fees payable under the 90% Refund Entrance Fee Option are based on a pricing schedule that is determined by actuarial life expectancies (the greater the age of a prospective resident, the higher the entrance fee pricing).

Based on The Pines’ historical experience, most of its residents have chosen the Standard Entrance Fee Option.

Health Care Services

The Pines 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 Director of Nursing (“DON”) in consultation with the Medical Director (“MD”), who is a licensed physician providing consulting services pursuant to a contract with The Pines, and a licensed nursing home administrator. 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 DON 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, the nursing home

See Accompanying Independent Accountants’ Compilation Report

Summary of Significant Forecast Assumptions and Accounting Policies

Introduction and Background Information (continued)

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.

In addition to services similar to those received when in the independent living units, 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 The Pines. Also, additional professional services (medical or otherwise) contracted by the resident or on the resident's behalf will be charged to the resident.

For independent living residents, The Pines contracts with Atrium Health to provide onsite primary care services. Such care is provided by a nurse practitioner and a supervising physician. The nurse practitioner will see residents in the wellness clinic and will make home visits, as necessary. On Call Services are also available 24-7 providing independent living residents access to a geriatric healthcare specialist outside of normal clinical hours.

The Pines also contracts with Atrium Health to provide attending physician services, physical therapy, occupational therapy, and speech therapy for residents in assisted living and nursing.

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Forecast Assumptions and Accounting Policies

Summary of Significant Accounting Policies

Basis of Accounting

The Corporation maintains its accounting and financial records according to the accrual basis of accounting. Management's consolidated financial forecast has been presented in conformity with guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants.

Principles of Consolidation

The consolidated financial statements include the accounts of The Pines at Davidson, MREH, and SDK. All significant intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

All liquid investments with a maturity of three months or less are considered to be cash equivalents unless held under bond agreement, designated by the Board of Directors or restricted as to use by the donor.

Restricted cash is included with cash and cash equivalents and assets limited as to use and is reflected in the forecasted consolidated statements of cash flows.

Bond Issuance Costs/Original Issue Premium

Issuance premiums and acquisition expense of indebtedness incurred are deferred and amortized based on the effective yield method over the terms of the related bond issue. Debt issuance costs consist of costs incurred from the issuance of revenue bonds benefiting the Corporation and include underwriter's fees, legal and accounting fees, and printing costs. These costs are being amortized over the term of the related bonds using the effective interest method.

Debt issuance costs are presented on the consolidated balance sheets as a deduction from the carrying amount of the related liability. In addition, amortization expense associated with the debt issuance costs is shown as a component of interest expense. The bond premium is presented on the consolidated balance sheets as an addition to the carrying amount of the related liability. Amortization expense associated with the bond premium is shown as a component of interest expense.

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Forecast Assumptions and Accounting Policies

Summary of Significant Accounting Policies

Property and Equipment

Property and equipment is stated at cost. Assets contributed to the Corporation are recorded at their fair market value at the date of receipt. Routine maintenance and repairs are charged to expense. Expenditures which materially increase the value, change the capacities, or extend the useful lives of existing assets are capitalized. Interest costs incurred during the construction period of significant construction projects are capitalized as a cost of the constructed asset and amortized over the useful life of the asset.

All fixed assets are depreciated on the straight-line method using the following estimated useful lives:

Land improvements	5 – 40 years
Buildings and building improvements	3 – 40 years
Equipment, furniture, and fixtures	3 – 30 years

Net Assets

Net assets with donor restrictions are those whose use by the Corporation has been limited by donors to a specific time period or purpose. The Corporation reports contributions of cash and other assets 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 with donor restrictions are reclassified to net assets without donor restrictions and reported in the forecasted consolidated statements of unrestricted revenue, expenses, and other changes in net assets without donor restrictions and the forecasted consolidated statements of net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period as received are reflected as unrestricted contributions in the accompanying forecasted consolidated financial statements. The Corporation reports contributions of property and equipment (or other long-lived assets) as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and contributions of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long these assets must be maintained, the Corporation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Forecast Assumptions and Accounting Policies

Summary of Significant Accounting Policies (continued)

The Corporation's net assets with donor restrictions are comprised of net assets that are restricted in nature either due to a time or purpose restriction. The Corporation does not forecast any donor restricted net assets that are permanent in nature. Donor restricted investments are related to contributions, which are designated for a specific use by the donor. These restricted assets and investments consist of amounts to be used to finance the "Resident Support Fund," to fund the operation of a warm water therapy pool and a hot-water whirlpool, and to fund certain other needs, including those identified in the Corporation's strategic plan entitled Exceeding Expectations.

Cash and Investments Whose Use is Limited

Cash and investments whose use is limited consists of operating reserves pursuant to the requirements of the North Carolina Department of Insurance, funds held pursuant to the requirements of the Corporation's revenue bond agreements, and refundable deposits. The operating reserves are based upon certain expected operating costs maintained under regulations that became effective in 1997. Amounts held under the bond agreements are forecasted at the levels needed to continue to meet the requirements of the Corporation's bond agreements. Operating reserves and funds held under the Corporation's bond agreements are forecasted to be invested primarily in U.S. Treasury notes and money market accounts collateralized by U.S. government securities. Any portion of cash and investments whose use is limited that is estimated to be utilized in the following period is shown as current on the forecasted balance sheets.

Accounts Receivable

Resident accounts receivable consists of resident monthly service fees. The Pines provides an allowance for uncollectible accounts using management's estimate about the collectability of any past due accounts. Residents are not required to provide collateral for services rendered. Payment for services is required upon receipt of invoice or claim submitted. Management does not forecast Pines an allowance for credit losses.

Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at 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 using discount rates, which are calculated annually. Conditional promises to give are not included as support until the conditions are substantially met. Pledges receivable with restrictions are included in net assets with donor restrictions in the accompanying forecasted consolidated balance sheets.

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Forecast Assumptions and Accounting Policies

Summary of Significant Accounting Policies (continued)

Long-Term Investments

Investments in equity and debt securities are measured at fair value in the accompanying forecasted financial statements. Investment income (including realized gains and losses on investments, interest, and dividends) is included in operating income unless the income is restricted by donor or law. Unrealized gains and losses on investments, if any, are excluded from operating income.

Unrealized Gains or Losses on Investments

Management does not assume any changes in the underlying values of investments during the Forecast Period that would result in unrealized gains or losses.

Deferred Revenue from Entrance Fees

Entrance fees paid by a resident upon entering a Residence and Care Agreement are recorded as deferred revenue from entrance fees. Deferred revenue from entrance fees, net of the portion thereof that is refundable to the resident are amortized to income using the straight-line method over the estimated remaining life expectancy of the resident. All continuing care contracts provide that the refundable portion of advance fees may be refunded only if the resident's unit is reoccupied. The refundable portion of entrances fees are presented as refundable entrance fees and are not amortized into income.

Obligation to Provide Future Services

The Pines calculates the present value of estimated net cost of future services and use of facilities to be provided to current residents and compares that amount with the amount of deferred revenue from advance fees. If the present value of the net cost of future services and use of facilities amount exceeds the deferred revenue amount from advance fees, a liability is recorded (obligation to provide future services and use of facilities) and a corresponding charge to operations. Management does not project a liability during the Forecast Period.

Revenue Recognition

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases to net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Resident Revenues

Resident service revenues and health center revenues are recorded at the estimated net realizable amount from residents and others for services rendered.

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Forecast Assumptions and Accounting Policies

Summary of Significant Accounting Policies (continued)

Excess (Deficit) of Revenue Over (Under) Expenses and Other Changes

The forecasted consolidated statements of revenue, expenses, and other changes in net assets without donor restrictions include excess (deficit) of revenues over (under) expenses. Changes in net assets without donor restrictions that are excluded from excess (deficit) of revenue over (under) expenses and other changes, consistent with industry practice, include net assets released from restrictions used for the purpose of purchases of property and equipment.

Income Taxes

The Corporation is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Corporation is also exempt from state income taxes and files for, and receives, reimbursement for paid sales taxes. The Corporation is also currently exempt from property taxes. Management has forecasted that they will continue to be exempt from property taxes during the Forecast Period.

The Corporation adopted guidance in the income tax standard regarding recognition and measurement of uncertain tax positions. The implementation has had no impact on the Corporation's forecasted consolidated financial statements.

Marketing and Other Costs

Marketing costs are forecasted to be expensed when incurred.

Use of Estimates

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

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Forecast Assumptions and Accounting Policies

Management's Basis for Forecast of Revenue

Resident revenue is reported at the amount that reflects the consideration to which The Pines expects to be entitled in exchange for providing resident care. These amounts are due from residents. Monthly service fees paid by residents for maintenance, meals, and other services are assessed monthly and are recognized as revenue in the period services are rendered. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by The Pines. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Pines believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents living at The Pines receiving independent living or healthcare services. The Pines considers daily services provided to residents of the health center, and monthly rent charged to residents living in independent living, as a separate performance obligation measured on a monthly basis or upon move-out within the month, whichever is shorter. Nonrefundable entrance fees are considered to contain a material right associated with access to future services, which is the related performance obligation. Revenue from nonrefundable entrance fees is recognized ratably in future periods covering a resident's life expectancy using a time-based measurement similar to the output method.

Other operating revenue includes revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to residents in a retail setting (for example guest rooms) and The Pines does not believe it is required to provide additional goods or services related to that sale.

The Pines determines the transaction price based on standard charges for goods and services provided, assistance provided to residents in accordance with The Pines' practice, and/or implicit price concessions provided to residents. The Pines determines its estimate of implicit price concessions based on its historical collection experience.

The Pines has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: service line, method of payment, and timing of when revenue is recognized.

All resident revenue is forecasted to be private pay.

Revenue for The Pines is primarily generated from monthly service fees for the Independent Living Units, amortization of entrance fees and monthly service fees and per diem charges from the assisted living and nursing residents.

Revenue for the Independent Living Units is based on the monthly service fees assumed by Management to be charged to the residents and the assumed utilization of the Independent Living Units. Health care revenues consist of funds generated from services provided to residents transferring from the Independent Living Units and those entering directly from the community at large.

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Forecast Assumptions and Accounting Policies

Management's Basis for Forecast of Revenue (continued)

Upon permanent transfer from their Independent Living Unit to a Nursing or Assisted Living Unit, or after temporarily residing in Nursing or Assisted Living Unit for 14 days in a calendar year before permanently transferring to a Nursing or Assisted Living Unit, residents who executed a Residence and Care Agreement on or after July 1, 2018 and those entering directly from the community at large will pay the published assisted living or nursing rate, plus supplies and services not covered by the monthly service fee or per diem rate. Residents who executed a Residence and Care Agreement prior to June 30, 2018, will pay a discounted daily rate for assisted living or nursing, plus supplies and services not covered by the monthly service fee or per diem rate.

Forecasted Occupancy Levels

Forecasted occupancy for The Pines' Independent Living Units is based upon the historical experience of The Pines.

Occupancy of the Assisted Living Units is forecasted to be primarily from transfers from Independent Living Units. Nursing bed occupancy is based primarily on internal transfers from both Independent Living Units and Assisted Living Units and those entering directly from the community at large. Forecasted resident transfers from independent living to assisted living or nursing have been provided by Management and is based on historical experience of The Pines.

For residents under a Residence and Care Agreement, transfers to the Assisted Living Units or Nursing Units are classified as either temporary or permanent. Residents under the Residence and Care Agreement who transfer to Assisted Living Units or Nursing Units pay the following depending on the transfer classification and the date the residents executed the Residence and Care Agreement:

Temporary Transfer – Residents continue to pay the regular monthly fee in effect for their Independent Living Unit, plus a charge for three meals per day (with credit for meals included in the resident's monthly service fee) for the first 14 days annually. Subsequently those classified as temporary and who executed a Residence and Care Agreement on or after July 1, 2018, will pay the published assisted living or nursing per diem, whereas temporary residents who executed a Residence and Care Agreement prior to June 30, 2018, will pay a discounted daily rate for assisted living or nursing. In addition, the resident will be responsible for any costs associated with care, drugs, and supplies, as defined in their Residence and Care Agreement. If the resident shall occupy a Nursing Unit more than 30 days within a 90-day period following the use of the last of such 14 days, the resident has the option of surrendering the Independent Living Unit or continuing to pay the monthly independent living service fee in addition to the per diem charge for the nursing unit in accordance with their Residence and Care Agreement.

Permanent Transfer – Upon permanent transfer, the resident must give up his/her Independent Living Unit and if he or she executed a Residence and Care Agreement on or after July 1, 2018, the resident must pay the published per diem rate, or if he or she executed a Resident and Care Agreement prior to July 1, 2018, the resident will pay a discounted rate for assisted living or nursing, plus supplies and services not covered by the monthly service fee or per diem rate. If the Independent Living Unit is jointly occupied and one resident transfers to assisted living or nursing, the transferring resident will pay the per diem rate for either assisted living or nursing in accordance with their Residence and Care Agreement, while the resident remaining in the Independent Living Unit will pay the single occupancy Independent Living Unit rate.

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Forecast Assumptions and Accounting Policies

Management's Basis for Forecast of Revenue (continued)

The following tables reflect forecasted occupancies for the Community, as forecasted by Management.

Table 2
The Pines at Davidson
Forecasted Utilization of the Independent Living Units

For the Years Ending December 31,	Average number of available Independent Living Units	Average number of occupied Independent Living Units	Average occupancy percent
2024	292.0	280.0	95.9%
2025	292.0	271.9	93.1%
2026	292.0	271.9	93.1%
2027	292.0	271.9	93.1%
2028	292.0	271.9	93.1%

Source: Management

The forecasted double occupancy percentages in the Independent Living Units are based upon assumptions provided by Management, and are as follows for the existing Independent Living Units:

Table 3
Forecasted Second Person Occupancy of the Independent Living Units

Fiscal Year	Independent Living Unit Double Occupancy Percent
2024	31%
2025	28%
2026	27%
2027	26%
2028	25%

Source: Management

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Forecast Assumptions and Accounting Policies

Management's Basis for Forecast of Revenue (continued)

The forecasted Health Center Units' occupancy is as follows:

Table 4
Forecasted Health Center Units - Occupancy Levels

For the Years Ending December 31,	Average Number of Available Health Center Units	Average Number of Health Center Units Occupied	Average Percent Occupancy
2024	105	101	96.2%
2025	105	98	93.3%
2026	105	97	92.4%
2027	105	97	92.4%
2028	105	97	92.4%

Source: Management

Forecasted Entrance and Monthly Service Fees

The following tables summarize the entrance fees for the Standard Plan, monthly service fees and daily rates for The Pines, and provide the basis for formulation of revenue assumptions by Management.

Note that the facility fees in the table that follows were effective through June 30, 2024. The following table summarizes the current rates in effect at The Pines for new entrants to the Existing Facilities.

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Forecast Assumptions and Accounting Policies

Management's Basis for Forecast of Revenue (continued)

Table 5
Forecasted Pricing
Monthly Service Fees, Daily Assisted Living and Nursing Fees, and Entrance Fees
(Effective through June 30, 2024)

Unit Type	Monthly Service Fee (Single)	Monthly Service Fee (Couples)	Standard Entrance Fee
<i>Independent Living:</i>			
Apartments			
Studio	\$ 3,100	\$ 4,750	\$ 50,620
Deluxe Studio	3,250	4,898	68,320
1 Bedroom	3,863	5,672	145,700
2 Bedroom	4,241	6,229	253,700
2 Bedroom Suite	4,354	6,340	260,700
2 Bedroom Deluxe	4,571	6,560	277,600
Cottages			
Cottage	4,599	6,770	288,200
Large Cottage	4,964	7,139	305,200
Large Cottage/Sunroom	4,964	7,139	323,000
Large Cottage/Sunroom and Two-Car Garage	5,305	7,493	617,400
Villas			
Villa A	4,990	7,181	456,100
Villa B	5,082	7,270	488,800
Villa C	5,221	7,410	545,100
Villa D	5,290	7,457	556,700
Villas at Poplar Hill ⁽¹⁾			
Villa Green	4,353	6,340	362,900
Villa Blue	4,978	7,169	455,900
Villa Red	5,069	7,257	515,300
Villa Yellow	5,082	7,270	531,800
Other			
Chartwell Residence	7,493	7,493	600,000
Shaw Property	7,493	7,493	1,000,000
Second Person Fees (Entrance Fees)			28,500
<i>Assisted Living:</i>			
Private Room Daily Fee	\$225.40	N/A	\$23,000
<i>Existing Nursing Facility Beds:</i>			
Brown and Purcell Neighborhoods (Private Room Daily Fee)	\$336.30	N/A	\$10,000
Maulden and Wilson Neighborhoods (Private Room Daily Fee)	\$349.00	N/A	\$10,000

Source: Management

Notes:

- (1) Entrance fees for residents of Poplar Hill will be \$15,000 less if the resident utilizes detached covered parking rather than basement parking.

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Forecast Assumptions and Accounting Policies

Management's Basis for Forecast of Revenue (continued)

The following table reflects forecasted rate increases. Increases in fees are generally anticipated to approximate increases in operating expenses during the Forecast Period, and are subject to modification on an annual basis.

Table 6
Forecasted Rate Increases ⁽¹⁾
For the Years Ending December 31,

Unit Type	2024	2025	2026	2027	2028
Independent Living Entrance Fee Increases	5.0%	4.0%	4.0%	4.0%	4.0%
Independent Living Monthly Fee Increases	5.0%	4.0%	4.0%	4.0%	4.0%
Assisted Living Fee Increases	5.0%	4.5%	4.0%	4.0%	4.0%
Nursing Rate Increases	5.0%	4.5%	4.0%	4.0%	4.0%

Source: Management

Notes:

- (1) Pricing increases are generally effective on July 1 of each fiscal year. Table 5 reflects the rates in effect through June 30, 2024. Increases noted above are forecasted to occur July 1 of each year.

Legislation and regulations at all levels of government have affected and may continue to affect the operations of life plan communities, including revenues and expenses of facilities such as The Pines. The financial forecast is based upon legislation and regulations currently in effect. If future legislation or regulations related to The Pines' operations are subsequently enacted, such legislation or regulations could have a material effect on future operations.

Entrance Fee Receipts

Entrance fee receipts and refunds are based on information provided by Management based on historical experience, as well as Management's assumptions relating to occupancy during the Forecast Period. The following table reflects entrance fees received and refunds paid during the Forecast Period, as forecasted by Management.

Table 7
Forecasted Entrance Fee and Deposit Receipts, Net of Refunds (in \$000s)
Independent Living Units
For the Years Ending December 31,

	2024	2025	2026	2027	2028
Forecasted Unit Turnover	25	25	25	26	27
Entrance fees- deferred capital	90	93	95	98	101
Entrance fee receipts - turnover	5,767	6,361	6,807	7,819	8,128
Net Entrance Fee Receipts	\$ 5,857	\$ 6,454	\$ 6,902	\$ 7,917	\$ 8,229

Source: Management

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Forecast Assumptions and Accounting Policies

Management's Basis for Forecast of Revenue (continued)

Investment Income

As it relates to unrestricted assets and assets whose use is limited, as well as board designated funds, the investment goals of The Pines are to a) preserve principal and maximize the safety of The Pines investments and b) to minimize interest rate risk, which limits investments to high quality bond portfolios and accounts collateralized by treasury and government agency debt securities, but not equity securities.

Donor restricted funds have slightly different investment goals that emphasize a balance between preserving principal and achieving a higher interest rate and permit investment in equity securities.

Investment income consists of interest earned on available cash, board designated funds, investments, and assets limited as to use. Management has estimated that its annual investment income yield on all investment producing assets would increase from 1.81 percent in 2024 to 3.74 percent by 2028.

Other Revenue Items

Other revenue items include food service income from additional meals, guest meals, etc., and have been forecasted based on historical experience.

Contributions- Net Assets With Donor Restrictions

Management has forecasted annual contributions with donor restrictions of approximately \$300,000 to \$350,000 throughout the Forecast Period based on historical experience.

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Forecast Assumptions and Accounting Policies

Management's Basis for Forecast of Expenses

Operating Expenses

Operating expenses have been forecasted to be recognized during the month incurred. Management has forecasted operating expenses based upon Management's operating plans for The Pines, as well as historical operations. In general, operating expenses are forecasted to increase approximately 4.4 percent in 2025 and annually thereafter.

The specific basis for major expense items were formulated by Management and are discussed below.

Salaries and Benefits

Management has forecasted its salaries and benefits based on its historical experience, and based on its anticipated staffing plan and assumptions relating to benefit levels and wages, which have also been based on historical experience. Salaries and benefits are included in the departments that follow.

Benefit costs include payroll taxes and employee benefits including FICA, unemployment taxes, workers' compensation, health insurance, 403(b) employer contribution expense, incentives and other miscellaneous benefits for the entire facility. These benefit costs are assumed to approximate 25.0% of wages during the Forecast Period based on Management's historical experience.

Management has forecasted that it will operate with approximately 253.9 full time equivalents during the Forecast Period.

Administrative

Non-salary related costs of general and administrative include costs for supplies, professional fees, insurance, property taxes, and other miscellaneous costs. The Corporation has forecasted that it is exempt from property taxes for the land and building used in operating its retirement community, while it does forecast property taxes on undeveloped land that is not used in operating its retirement community. Management has also forecasted various voluntary contributions to governmental entities. These costs are included in administrative costs.

Marketing and Development

Non-salary related costs of marketing and development include costs for supplies, marketing collateral, advertising, and other miscellaneous costs.

Dining

Non-salary related costs of dining include costs for raw food and dietary supplies and other such costs and are based on the historical operating experience of Management.

Housekeeping

Non-salary related costs of housekeeping services include costs for supplies, chemicals and other miscellaneous costs associated with providing housekeeping services to residents. Housekeeping costs are based on Management's historical operating experience.

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Forecast Assumptions and Accounting Policies

Management's Basis for Forecasted of Other Items

Maintenance

Non-salary related costs in this department include electricity, water and sewer, gas, sanitation, and cable television. Management assumes that these costs would vary with changes in occupancy levels. In addition, these costs include the costs of maintaining the campus and grounds keeping as well as security costs. Costs are based on Management's historical operating experience.

Laundry

Non-salary related costs of laundry services include costs for supplies, chemicals and other miscellaneous costs associated with providing laundry services to residents. Laundry costs are based on Management's historical operating experience.

Social Services, Wellness, Activities and Transportation

Non-salary related costs include costs for items such as resident entertainment, functions, transportation, and other such costs and are based on the historical operating experience of Management.

Healthcare

Non-salary healthcare costs include the costs of operating the assisted living and nursing units. These non-salary costs include costs for supplies, stock drugs, supplements, medical director and other required contract fees, and other miscellaneous costs incurred in the provision of healthcare services. The healthcare costs are based upon Management's historical operating experience.

Depreciation

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

Interest Expense

Interest expense is assumed to be related to the debt service requirements of the existing long-term indebtedness and the amortization of original issue premium and deferred financing costs.

Loss on Disposal of Property

As part of its goal to contribute to the local community, the Corporation paid for an extension of Avinger Lane ("Roadway") that would create more connectivity in the Town of Davidson and disperse traffic thereby reducing congestion at such future time when the Roadway will connect to neighboring streets. The Corporation plans to convey this Roadway and the land under it to the Town of Davidson. As a result, it is incurring a loss on the disposal equal to its net book value for the road work. Management has Forecasted this loss would total \$985,000 in 2025.

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Forecast Assumptions and Accounting Policies

Management's Basis for Forecasted of Other Items (continued)

Cash and Cash Equivalents

Cash and cash equivalent balances for the Forecast Period are based on the results of the forecasted consolidated statements of cash flows.

Accounts Receivable

Accounts receivable, net of allowance for non-collectible accounts, are forecasted based on historical levels at 3 days of total resident revenue.

Interest Receivable

Interest receivable is forecasted to remain at historical levels throughout the Forecast Period.

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets are forecasted to approximate historical levels throughout the Forecast Period. For purposes of presentation, prepaid expenses and other current assets are forecasted at 10 days of operating expenses excluding depreciation, amortization, and interest expense.

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses are forecasted based on historical levels and have been forecasted based on 65 days of operating expenses less depreciation, amortization, and interest expense.

Interest Payable

Interest payable has been calculated based on interest requirements of outstanding debt.

Cash and Investments Whose Use is Limited

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

Held by Trustee pursuant to the trust agreements:

Bond Funds — The Bond Funds represent amounts held by the trustee reflecting payments of bond principal and interest made by the Corporation to the trustee relating to the Series 2013 Bonds, Series 2015 Bonds, and Series 2019 Bonds, each further defined hereinafter. The funds held in the Bond Funds will be used by the trustee to make the annual principal payments and the semi-annual or monthly, as applicable, interest payments to the owners of the outstanding bonds when due.

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Forecast Assumptions and Accounting Policies

Management's Basis for Forecasted of Other Items (continued)

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

The following table summarizes Management's forecast of the North Carolina statutory operating reserve:

Table 8
Forecasted Operating Reserve Calculation
Occupancy at December 31, Financial Information For the Years Ending December 31,
(Dollars in Thousands)

	2024	2025	2026	2027	2028
Statutory Operating Reserve Calculation:					
Available Units:					
Independent living units, less guest unit	292	292	292	292	292
Assisted living units	30	30	30	30	30
Total Available Units	322	322	322	322	322
Occupied Units:					
Independent living units, less guest unit	280	272	272	272	272
Assisted living units	29	28	27	27	27
Total Occupied Units	309	300	299	299	299
Occupancy at Year End	96.0%	93.2%	92.9%	92.9%	92.9%
	2024	2025	2026	2027	2028
Operating Expenses	\$ 35,704	\$ 37,936	\$ 38,201	\$ 39,570	\$ 40,776
Add: Principal Payments	1,385	1,430	1,470	1,515	1,560
Total Operating Expenses	37,089	39,366	39,671	41,085	42,336
Less:					
Depreciation & Amortization Expense ⁽¹⁾	(5,776)	(5,921)	(5,962)	(6,069)	(5,953)
Debt Service Reserve Fund					
Total Adjusted Expenses	\$ 31,313	\$ 33,445	\$ 33,709	\$ 35,016	\$ 36,383
Required Reserve	25%	25%	25%	25%	25%
Required Operating Reserve at December 31	\$ 7,828	\$ 8,361	\$ 8,427	\$ 8,754	\$ 9,096

Source: Management

Notes:

- (1) As included in the "Interest expense, amortization of debt issuance costs and amortization of bond premium" on the Forecasted Consolidated Statements of Unrestricted Revenue, Expenses and Other Changes in Net Assets Without Donor Restrictions" and presented separately as "Amortization of debt issuance costs" and "Amortization of bond premium" on the Forecasted Consolidated Statements of Cash Flows.

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Forecast Assumptions and Accounting Policies

Management's Basis for Forecasted of Other Items (continued)

Property and Equipment

Property and equipment balances, net of accumulated depreciation, are forecasted based on costs of routine property and equipment during the Forecast Period, reduced by estimated annual depreciation.

The following table presents capital expenditures during the Forecast Period:

Table 9
Capital Expenditures (in \$000s)
For the Years Ending December 31,

	2024	2025	2026	2027	2028
Property and Equipment, Beginning	\$ 163,894	\$ 168,616	\$ 173,117	\$ 178,823	\$ 184,757
Donation of Property	-	(985)	-	-	-
Routine Additions	4,722	5,486	5,706	5,934	6,171
Accumulated Depreciation	(66,417)	(72,410)	(78,445)	(84,588)	(90,616)
Forecasted Property and Equipment, Net	\$ 102,199	\$ 100,707	\$ 100,378	\$ 100,169	\$ 100,312

Source: Management

The following table presents the major categories of property and equipment throughout the Forecast Period:

Table 10
Property and Equipment (in \$000s)
For the Years Ending December 31,

	2024	2025	2026	2027	2028
Land and Land Improvements	\$ 19,518	\$ 18,533	\$ 18,533	\$ 18,533	\$ 18,533
Buildings and Building Improvements	124,143	124,143	124,143	124,143	124,143
Equipment, Furniture and Fixtures	24,955	30,441	36,147	42,081	48,252
Net Property and Equipment	\$ 168,616	\$ 173,117	\$ 178,823	\$ 184,757	\$ 190,928
Accumulated Depreciation	(66,417)	(72,410)	(78,445)	(84,588)	(90,616)
Forecasted Property and Equipment, Net	\$ 102,199	\$ 100,707	\$ 100,378	\$ 100,169	\$ 100,312

Source: Management

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Forecast Assumptions and Accounting Policies

Management's Basis for Forecasted of Other Items (continued)

Long-Term Debt and Interest Expense

On September 1, 2013, the North Carolina Medical Care Commission issued \$14,645,000 Health Care Facilities Revenue Bonds ("Series 2013 Bonds") for the benefit of the Corporation. The Series 2013 Bonds were issued in order to fund construction of the 24 villa apartments that comprise the Hickory Crest Villas. The Series 2013 Bonds bear interest at a fixed rate of 2.8% through January 1, 2029 and mature on January 1, 2040. Interest on the Series 2013 Bonds is payable semiannually.

During 2015, the Corporation refinanced the previously issued Series 2006 Bonds through the issuance of \$11,125,000 of North Carolina Medical Care Commission Health Care Facilities Refunding Revenue Bonds ("Series 2015 Bonds"). The Series 2015 Bonds bear interest at a fixed rate of 2.87% through maturity with semi-annual interest payments. The Series 2015 Bonds have annual principal payments with a final maturity of January 1, 2030.

During 2019, the Corporation issued par value bond proceeds of \$54,630,000 with a net bond premium of \$2,945,241, which were generated from the issuance of the Series 2019 Bonds ("Series 2019 Bonds"). The Series 2019 Bonds were issued in order to fund construction of a capital expansion.

The Series 2019 Bonds consists of:

Series 2019A Bonds ("Series 2019A Bonds"):

- \$900,000 of tax-exempt fixed rate serial bonds (the "2021-2030 Serial Bonds") issued with varying fixed rates ranging from 3.00% to 3.50%, maturing annually beginning January 1, 2021 and ending January 1, 2030. Interest on the 2021-2030 Serial Bonds is payable January 1 and July 1 beginning July 1, 2019.
- \$4,700,000 of tax-exempt fixed rate term bonds (the "2034 Term Bonds") issued with a fixed interest rate of 5.00%, maturing January 1, 2034. Interest on the 2034 Term Bonds is payable January 1 and July 1 beginning July 1, 2019 and principal is payable pursuant to mandatory annual sinking fund requirements beginning January 1, 2031.
- \$1,325,000 of tax-exempt fixed rate serial bond (the "2035 Serial Bond") issued with a fixed interest rate of 3.625%, maturing January 1, 2035. Interest on the 2035 Serial Bond is payable January 1 and July 1 beginning July 1, 2019.
- \$4,370,000 of tax-exempt fixed rate term bonds (the "2038 Term Bonds") issued with a fixed interest rate of 5.00%, maturing January 1, 2038. Interest on the 2038 Term Bonds is payable January 1 and July 1 beginning July 1, 2019, and principal is payable pursuant to mandatory annual sinking fund requirements beginning January 1, 2036.
- \$5,820,000 of tax-exempt fixed rate term bonds (the "2041 Term Bonds") issued with a fixed interest rate of 4.00%, maturing January 1, 2041. Interest on the 2041 Term Bonds is payable January 1 and July 1 beginning July 1, 2019, and principal is payable pursuant to mandatory annual sinking fund requirements beginning January 1, 2039.
- \$25,610,000 of tax-exempt fixed rate term bonds (the "2049 Term Bonds") issued with a fixed interest rate of 5.00%, maturing January 1, 2049. Interest on the 2049 Term Bonds is payable January 1 and July 1 beginning July 1, 2019, and principal is payable pursuant to mandatory annual sinking fund requirements beginning January 1, 2042.

See Accompanying Independent Accountants' Compilation Report

Summary of Significant Forecast Assumptions and Accounting Policies

Management's Basis for Forecasted of Other Items (continued)

Forecasted principal payments on the Corporation's debt are as follows.

Table 11
Forecasted Principal Payments (in \$000s) ⁽¹⁾

Fiscal Year	Series 2013 Bonds	Series 2015 Bonds	Series 2019A Bonds	Total
2024	\$ 515	\$ 790	\$ 80	\$ 1,385
2025	530	815	85	1,430
2026	545	835	90	1,470
2027	560	860	95	1,515
2028	575	885	100	1,560
2029	590	910	105	1,605
2030	605	935	110	1,650
2031	625	-	1,085	1,710
2032	640	-	1,145	1,785
2033	660	-	1,205	1,865
Thereafter	5,160	-	1,205	6,365
Totals	\$ 11,005	\$ 6,030	\$ 42,490	\$ 59,525

Source: Management

Note: (1) This schedule does not include any bond premiums, discounts or issuance costs that have been netted with debt in Management's forecasted consolidated balance sheets.

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