



Disclosure Statement

**Arbor Acres United Methodist Retirement
Community, Inc.**

Provider: Arbor Acres

Date of Disclosure Statement: 12/31/2025

Last Date for Delivery: 05/30/2027

- **This Disclosure Statement must be delivered to a contracting party before the execution of a binding reservation agreement, continuing care contract, or continuing care at home contract.**
- **This Disclosure Statement has not been reviewed or approved by any government agency or representative to ensure the accuracy of the information provided.**
- **This Disclosure Statement has been filed with, and recorded by, the North Carolina Department of Insurance in accordance with Article 64A of Chapter 58 of the North Carolina General Statutes (“Article 64A”).**
- **This Disclosure Statement contains all information required by Article 64A and is correct in all material respects. Knowingly delivering a disclosure statement that contains an untrue statement or omits a material fact may subject Arbor Acres, Inc. to penalties under Article 64A.**

Financial Snapshot: Key Ratios for Arbor Acres

Table FS-1. Financial Snapshot – Key Statutory Financial Ratios

Fiscal Year Ended December 31, 2025 (FY), with comparative historical and prospective periods

Ratio	2023	2024	2025	2026	2027	2028	NC 25 th % ¹	NC 50 th % ¹	NC 75 th % ¹
DCOH	538	532	596	598	595	609	—	—	—
CUSH	13.30x	12.90x	13.62x	14.19x	12.70x	13.94x	—	—	—
OR	92.0%	89.9%	88.7%	95.8%	95.3%	93.9%	—	—	—
NOM	4.4%	6.6%	8.9%	4.1%	4.3%	4.8%	—	—	—
NOM-A	17.2%	18.4%	21.8%	20.1%	21.0%	21.3%	—	—	—
DSCR	2.93x	2.83x	3.03x	2.42x	2.40x	2.67x	—	—	—
CD	.83x	.92x	1.14x	1.13x	1.14x	1.27x	—	—	—
CED	2.16x	.74x	.59x	1.93x	1.37x	.67x	—	—	—

Liquidity Ratios:

- **Days Cash on Hand (DCOH).** Number of days the provider could pay its normal cash operating expenses using unrestricted cash and investments. More days generally means stronger liquidity.
- **Cushion Ratio (CUSH).** Number of times the provider’s unrestricted cash and investments could cover one year of debt service. Higher values mean more resources to pay debt service.

Profitability Ratios:

- **Operating Ratio (OR).** Compares current operating expenses (excluding depreciation and amortization) to current operating revenues (excluding entrance fee amortization). Lower percentages mean operating revenues are more easily covering cash operating expenses.
- **Net Operating Margin (NOM).** Shows the result from core resident services. Higher values mean a stronger operating result from resident services.
- **Adjusted Net Operating Margin (NOM-A).** Shows the operating result after also counting net entrance fee cash received during the year. Higher values mean the result is improved when net entrance fee cash is included.

Capital Structure Ratios:

- **Debt Service Coverage (DSCR).** Measures the provider’s ability to pay annual debt service from operations and net entrance fee cash. Higher values indicate greater ability to pay debt service.
- **Unrestricted Cash & Investments to Long-Term Debt (CD).** Compares unrestricted cash and investments to long-term debt. Higher values indicate more unrestricted cash and investments relative to debt.
- **Capital Expenditures to Depreciation (CED).** Compares what the provider is spending on capital improvements to the amount its assets are wearing out. Values at or above 1.0x usually mean the provider is reinvesting enough to keep up.

See Appendix F for full statutory definitions of how ratios are derived.

¹ **NC Provider Quartiles.** Values will be compiled annually by the North Carolina Department of Insurance, stratified by community model (Entrance Fee, Rental, Equity), and are expected to be available in late 2026.

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1. Provider Identification

Legal Responsibility for Continuing Care

Arbor Acres United Methodist Retirement Community, Inc. is the entity that enters into continuing care contracts and continuing care at home contracts with residents and is legally responsible for providing continuing care and performing all obligations under those contracts. No other person or entity is responsible for providing continuing care to residents except as expressly disclosed in this Disclosure Statement.

Doing Business As (DBA)

Arbor Acres United Methodist Retirement Community, Inc. conducts business under the name Arbor Acres. The name Arbor Acres is a trade name only and does not represent a separate legal entity. Arbor Acres United Methodist Retirement Community, Inc. remains legally responsible for providing continuing care and performing all obligations under continuing care contracts and continuing care at home contracts.

Item	Information
Legal Provider Name:	Arbor Acres United Methodist Retirement Community, Inc.
Doing Business As (DBA):	Arbor Acres
Business Address:	1240 Arbor Road, Winston-Salem, NC, 27104
Telephone Number:	336-724-7921
Legal Entity Type:	Nonprofit corporation organized under the laws of North Carolina
For-Profit / Nonprofit Status:	Nonprofit
Federal Tax Status:	Tax-exempt under Section 501(c)(3) of the Internal Revenue Code
Ownership Type:	Privately owned and controlled nonprofit organization. The provider is not part of any publicly held or publicly traded corporate system.
Tax Filing Status:	Current on all required federal and state tax filings
Ownership / Control:	Arbor Acres is a North Carolina non-profit corporation

2. Organizational Structure

2.1 Multi-Entity Organization Status

Arbor Acres is a single site organization.

2.2 Consolidation of Financial Statements

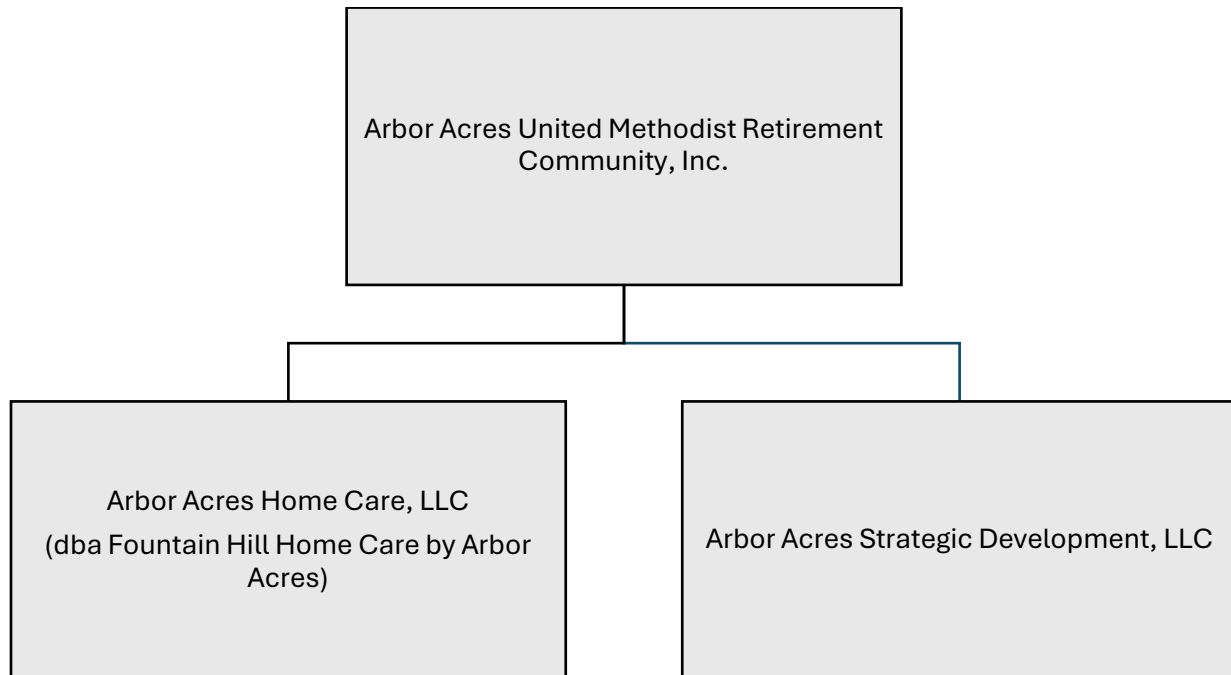
Audited financial statements are prepared on a consolidated basis with Arbor Acres, and its subsidiaries, which include both the continuing care provider and related supporting organizations. Consolidating schedules within the audit present the financial position and results of operations of each subsidiary, including Arbor Acres, individually.

2.3 Controlling Person

Item	Information
Name:	Arbor Acres
Business Address:	1240 Arbor Road, Winston-Salem, NC 27104
Telephone Number:	336-724-7921

2.4 Company Structure Chart

The organizational structure of Arbor Acres and its related entities, is as follows:



Accessible Text Equivalent:

- **Arbor Acres** (parent and controlling person; nonprofit corporation)
 - **Arbor Acres United Methodist Retirement Community, Inc.** - provider of continuing care contracts; operator of Arbor Acres Continuing Care Retirement Community (Winston-Salem, NC); nonprofit corporation
 - **Arbor Acres Home Care, LLC** - subsidiary providing home care services, dba Fountain Hill Home Care, LLC; Arbor Acres United Methodist Retirement Community, Inc. is the parent and sole member, a nonprofit corporation
 - **Arbor Acres Strategic Development, LLC** - - organized to support the operations of the parent; Arbor Acres United Methodist Retirement Community, Inc. is the parent and sole member, a nonprofit corporation

3. Key Persons and Management Personnel

Definitions (for purposes of this Section):

- **Outside Interests:** Any professional service firm, association, trust, partnership, or corporation in which the individual has, or which has in the individual, a ten percent (10%) or greater interest and that currently provides, or is expected to provide, goods, leases, or services to the provider of an aggregate value of \$5,000 or more. If none, the provider discloses “None.”
- **Adverse Disclosures:** Any conviction of or plea of nolo contendere to a felony charge; any final judgment in a civil action for fraud, embezzlement, fraudulent conversion, or misappropriation of property; any currently effective injunctive or restrictive court order; or any suspension or revocation within the past five years of a state or federal license or permit as a result of governmental action. If none, the provider discloses “None.”

3.1 Senior Officers of Arbor Acres

Name / Role	Education	Experience	Length of Service
Andrew Applegate – President & Chief Executive Officer	B.A. Education, University of NE; M.A. Organizational Management, University of Phoenix	35 + years in senior-living operations	9 years 2 months (since 10/01/2016); serves as President & Chief Executive Officer of Arbor Acres
David Matthews – Chief Financial Officer	B.S. Accounting, The University of North Carolina at Charlotte	17 years public accounting; 11 years in nonprofit healthcare finance	11 years 8 months (since 9/1/2014); serves as Chief Financial Officer of Arbor Acres
Elizabeth Byrd – Chief Health and Wellness Officer	B.A. Parks & Recreation Management, UNC	24 years in nonprofit senior living	1 year 6 months (since July, 2024); serves as Chief Health and Wellness Officer at Arbor Acres

Business Address: 1240 Arbor Road, Winston-Salem, NC 27104

Disclosure: No officer has reported any Outside Interests or Adverse Disclosures.

3.2 Community Management – Arbor Acres Continuing Care Retirement Community

Name / Role	Education	Experience	Length of Service
Andrew Applegate See above	See above	See above	See above

Business Address: 1240 Arbor Road, Winston-Salem, NC 27101

Disclosure: The Executive Director has reported no Outside Interests or Adverse Disclosures.

3.3 Board of Directors — Arbor Acres, Inc.

Name / Role	Education	Experience	Length of Service
Bill Hollan – Chair	B.A. History & Economics, UNC Chapel Hill	Commercial banking and investment management	3 years and 9 months (since 04/01/2022)
Clare Jordan – Chair-elect	B.A. English, NC State; Cert. in Non-Profit Management, Duke	Marketing Director at 3 CCRCs; VP of non-profit consulting firm	1 year and 9 months (since 04/01/2024)
Jack Lauer - Treasurer	B.S. Accounting, Fairleigh Dickinson University	CPA, CFO managing finance, accounting HR, IT	5 years and 9 months (since 04/01/2020)
LaTanya Afolayan	B.S. Indiana State; M.S. Univ. of MO; E.D. East Carolina	Philanthropy	4 years and 9 months (since 04/01/2020)
Andrew Applegate (Ex Officio non-voting)	See above	See above	See above
Montrale Boykin	B.A. Political Science, NC Central Univ. ; J.D. NC Central Univ.	Faculty WSSU	2 years and 9 months (since 04/01/2023)
Ken Carter (Ex Officio)	B.S. Columbus College; M.Div. Duke; M.A. UVA; D. Min. Princeton	Bishop	3 years and 9 months (since 04/01/2022)
Mark Conforti (Ex Officio)	B.S. Univ. of FL; M.Div. Wesley Theological Seminary	District Superintendent (Western Conference, UMC)	5 months (since 08/01/2025)
Bill Davis (Ex Officio President of Resident Council)	A.B. Economics UNC; J.D. Duke; LL.M., NYU; MLA NC State; M.A. Liberal	Resident; Retired Attorney	9 months (since 04/01/2025)

Name / Role	Education	Experience	Length of Service
	Studies, Wake Forest		
Don Eppert	B.A. History, Univ. of FL; MA International Affairs, FSU	Human Resources	4 years and 9 months (since 04/01/2025)
Lisa Gfeller	B.A. Journalism, Univ. of OK; M.A. Education, Wake Forest	Advertising/Marketing Community Volunteer	9 months (since 04/01/2025)
Stewart Holmes	B.S. Finance WV Wesleyan College; M.B.A. Emory	Banking	9 months (since 04/01/2025)
Carroll McCullough	B.A. Speech/Language, Wake Forest	Retired computer programmer/systems analyst, 5 years; Nonprofit fundraising & board leadership, 58 years	5 years and 9 months (since 04/01/2020)
John Ruffin	B.A. History NC State	EVP Commercial Real Estate	2 years and 9 months (since 04/01/2020)
Ricky Shore	B.A. Economics, NC State	Business Owner/President	3 years and 9 months (since 04/01/2022)
Bryan Thompson	B.S. Political Science, Appalachian State; J.C. Campbell Univ.; M.S. Wake Forest	Attorney	9 months (since 04/01/2025)
Burton Vance	B.A. History Davidson College; J.D. UNC	Banking/Investments	1 year and 9 months (since 04/01/2024)

Business Address: 1240 Arbor Road, NC 27104

Disclosure: Clare Jordan is employed by CapDev which was selected as the consultant for an upcoming capital campaign; she will recuse herself from all related discussions. None of the other directors of Arbor Acres have reported any Outside Interests or Adverse Disclosures.

3.4 Management Entity — N/A – No Management Entity

3.5 10% + Ownership Interests

(Individuals holding ten percent (10%) or more equity or beneficial interest in the provider or any controlling person)

Arbor Acres is organized as a nonprofit corporation and therefore has no equity ownership interests. No individual holds a ten percent (10%) or greater beneficial interest in either entity.

4. Governing Body and Oversight

4.1 Provider Governing Body

Arbor Acres is governed by a Board of Directors consisting of seventeen members. The Board is responsible for the overall direction and oversight of Arbor Acres's operations, financial condition, and resident welfare. Its duties include:

- Reviewing and approving budgets and financial reports.
- Ensuring compliance with applicable laws, regulations, and contractual obligations.
- Overseeing the quality of resident care and services, including safety and satisfaction.
- Monitoring risks to Arbor Acres's solvency and operations.

4.1.1 Selection of Members

Directors are nominated by the Executive Committee and approved by the Arbor Acres Board of Directors. Directors serve three-year staggered terms and may be reappointed for up to two consecutive terms. Officers of the Board (Chair, Vice Chair, Treasurer, and Secretary) are elected annually by the Board from among its members.

4.1.2 Oversight of Management and Operations

The Board delegates day-to-day operations of Arbor Acres Continuing Care Retirement Community to the Executive Director and senior management employed by Arbor Acres. The Board maintains oversight through:

- Regular review of financial and operating reports.
- Approval of major contracts, capital projects, and debt issuances.

- Quarterly board meetings and periodic committee reports.
- Evaluation of management performance and compliance with the management agreement.

4.1.3 Committees

The Arbor Acres Board maintains standing committees for:

- **Finance:** budget review, financial performance monitoring.
- **Executive:** system board recruitment, evaluation, succession, long-term planning, and risk management.
- **Investment:** oversees management of organization’s investment portfolio

4.2 Controlling Person Governing Body

Arbor Acres is governed by its Board of Directors. That board is responsible for system-level strategy and oversight, including:

- Appointing the directors of Arbor Acres.
- Approving system-wide budgets and consolidated audits.
- Coordinating policies across subsidiaries.
- Ensuring accountability for the management company and obligated group.

4.2.1 Selection of Members

The Board of Directors of Arbor Acres is self-perpetuating. Directors are elected by the sitting board and serve three-year terms, with eligibility for reappointment for up to two consecutive terms. Officers (Chair, Vice Chair, Treasurer, and Secretary) are elected annually by the Board from among its members.

4.2.2 Oversight of Management and Operations

The Board oversees management and system operations by:

- Reviewing and approving consolidated financial reports and audits.
- Monitoring debt covenant compliance and overall system liquidity.
- Evaluating system-level risks, including financing strategies and affiliate performance.

4.2.3 Committees

The Arbor Acres Board maintains standing committees for:

- **Finance:** budgeting, financial reporting, independent auditor oversight, and debt covenant compliance.
- **Executive:** system board recruitment, evaluation, succession, long-term planning, and risk management.

- **Investment:** oversees management of organization’s investment portfolio

4.3 Division of Responsibilities

To ensure effective oversight:

- The Arbor Acres Board focuses on consolidated financial oversight, debt covenant compliance, and long-term strategic planning.

5. Related Parties

Arbor Acres has relationships with related parties under common control. Each arrangement exceeded \$5,000 in FY2025 and is therefore disclosed below. For purposes of this section, Actual/Probable Cost refers to the cost incurred by Arbor Acres, Inc.

5.1 Arbor Acres Home Care, LLC

- **Nature of Relationship:** Nonprofit subsidiary organization, controlled by Arbor Acres
- **Goods/Leases/Services Provided:** Arbor Acres provides executive leadership, business office functions, human resources, and information technology services to the subsidiary under an agreement.
- **Actual/Probable Cost:** The cost was \$60,000 in FY2025, allocated based on services provided.

6. Relationships with Religious, Charitable, or Other Organizations

The disclosures in this section address organizational relationships and are distinct from the related-party transactions reported in Section 5.

Arbor Acres United Methodist Retirement Community, Inc., a nonprofit corporation, appoints Arbor Acres’ directors and exercises overall governance and financial oversight.

Arbor Acres is organized under the sponsorship of the Western North Carolina Annual Conference of the United Methodist Church. The extent of the affiliation between Arbor Acres and the Conference is set out in a Statement of Relationship, a copy of which follows. The Conference is not responsible for the financial and contract obligations of Arbor Acres. Memberships in industry organizations such as LeadingAge North Carolina are limited to networking and professional development and carry no governance authority or financial support.

7. Other Persons Responsible for Obligations

Except as described in Section 8 regarding Arbor Acres' participation in the obligated group and the joint and several liability for bonds, no other person or entity is responsible for the financial or contractual obligations of Arbor Acres.

8. Obligated Groups

Arbor Acres United Methodist Retirement Community, Inc. is the sole member of an obligated group created under the terms of bond indentures and related financing agreements. Membership in the obligated group creates joint and several liability among the members solely for repayment of bonded indebtedness and for compliance with related bond covenants.

As of December 31, 2025, the obligated group consisted of:

- Arbor Acres United Methodist Retirement Community, Inc.

Participation in the obligated group allows the member to access financing. Arbor Acres Home Care, LLC and Arbor Acres Strategic Development, LLC are not part of the obligated group.

The audited consolidated financial statements of Arbor Acres and its subsidiaries include consolidating schedules that present the financial position and results of operations of the obligated group. These schedules also show Arbor Acres United Methodist Retirement Community, Inc.'s stand-alone financial information, allowing residents and prospective residents to evaluate the provider separately from the consolidated entity. The audited consolidated financial statements are located in Appendix A.

9. Debt Covenants and Compliance

The obligated group is subject to covenants contained in bond indentures and related debt agreements, including requirements for minimum debt service coverage, liquidity, and restrictions on additional borrowing.

As of December 31, 2025, the obligated group was in full compliance with all covenants contained in debt agreements.

10. Third-Party Management Arrangements

Arbor Acres does not employ an unrelated third-party manager to operate Arbor Acres Continuing Care Retirement Community. Day-to-day operations are carried out by the President and senior management employed by Arbor Acres.

11. Real Property Leases

Arbor Acres does not lease any of the real property that makes up any part of the retirement community. Arbor Acres Home Care, LLC, utilizes a lease for approximately 5,000 square feet of office space separate from Arbor Acres' retirement community.

12. Endowment Funds

Arbor Acres maintains endowment funds and an Annual Fund which support benevolent care at Arbor Acres. Residents have access to benevolent care assistance. The endowment maintains donor-restricted and board-designated endowment funds, the income from which is used to provide financial aid to residents who are unable to meet their monthly service fees.

Distributions from these funds are applied directly to resident accounts. The funds are restricted by donor intent and board policy to benevolent care and may not be used for general operating purposes of Arbor Acres. Availability of distributions is not guaranteed and remains subject to the discretion of Arbor Acres' Board of Directors.

13. Description and Location of the Community

Arbor Acres operates Arbor Acres United Methodist Retirement Community, located at 1240 Arbor Road, Winston-Salem, NC 27104.

The community opened in 1980 on approximately 72 acres. Houses, apartment buildings and a licensed care facility were added over the years with memory care opening in 2011, a new assisted living building in 2012, and a fitness center in 2013. The Advantage Program was introduced in 2018 and Arbor Acres Home Care, LLC (dba Fountain Hill Home Care by Arbor Acres) was launched in 2019. In 2023, Arbor Acres Strategic Development, LLC was formed to identify business expansion opportunities.

Today, the 86-acre campus includes apartment-style residences, cottages, a central community building, an assisted living facility, and a healthcare center. Shared amenities include dining rooms, fitness facilities, a library, auditorium, meeting rooms, landscaped courtyards, walking trails, outdoor recreation areas, and gardens.

14. Living Units by Level of Care

As of December 31, 2025, Arbor Acres Continuing Care Retirement Community included:

- 278 independent living units (146 apartments and 132 cottages)
- 95 assisted living units, of which 30 are memory care
- 83 skilled nursing beds

15. Continuing Care at Home Program

Arbor Acres is licensed to operate a Continuing Care at Home (CCaH) program under the name The Advantage Program. This program allows individuals access to activities and services while continuing to reside in their own homes rather than relocating immediately to Arbor Acres.

15.1 Program Description

Participants in the Advantage program receive a package of services that include care coordination, home health and supportive services, access to community-based wellness programs, and access to Arbor Acres' skilled nursing temporary care. See also Section 20—Services Provided Under the Contract.

15.2 Geographic Areas Served

The Advantage Program is currently available to residents of Forsyth County, NC and surrounding counties in convenient proximity to Arbor Acres.

15.3 Enrollment

As of December 31, 2025, the Advantage Program had 68 enrolled participants.

15.4 Staffing and Resources

The program is staffed by a dedicated care coordination team consisting of resident services staff. Administrative oversight is provided by Arbor Acres' senior leadership. Participants also have access to a contracted network of home care professionals, which includes services delivered by Fountain Hill Home Care.

16. Resident Population Served

As of December 31, 2025, the resident population served by Arbor Acres Continuing Care Retirement Community under continuing care contracts was as follows:

- 354 residents in independent living
- 96 residents in assisted living
- 71 residents in skilled nursing

In addition, as disclosed in Section 15, 68 participants were enrolled in the Advantage program as of December 31, 2025.

As of December 31, 2025, the community maintained a waitlist for admission to independent living. Individuals on the waitlist are prospective residents and are not residents of the community unless and until they have executed a continuing care contract and commenced residency.

To be placed on the independent living waitlist, applicants are required to submit a \$1,000 application fee. The application fee is non-refundable and is not considered an entrance fee. If the applicant later enters into a continuing care contract, the application fee is applied toward the required entrance fee at that time.

Placement on the waitlist does not guarantee admission to the community or priority for a specific unit and does not create contractual rights unless expressly provided in a continuing care contract.

In 2025, a Ready List was introduced, available to prospective residents who have qualified for residency at Arbor Acres. A \$25,000 deposit, applied toward the entrance fee if participants move in, provides prospective residents up to three opportunities to move to campus when selected unit types are offered over a three-year period.

17. Occupancy Rates

The 12-month daily average occupancy rates for Arbor Acres Continuing Care Retirement Community for the past five fiscal years were as follows:

Table 17.1 – Historical Occupancy Rates (12-Month Daily Average)

Fiscal Year-End	Independent Living (%)	Assisted Living (%)	Skilled Nursing (%)
12/31/2025	97.2%	96.8%	96.7%
12/31/2024	93.3%	94.9%	93.7%
12/31/2023	95.2%	94.3%	94.4%
12/31/2022	95.1%	92.2%	77.1%
12/31/2021	94.5%	93.0%	79.9%

18. Semiannual Resident Meetings

Arbor Acres management holds meetings with residents of Arbor Acres Retirement Community at least twice each year, as required by law.

Fiscal Year 2025 Meeting Dates

- March 4, 2025
- September 12, 2025

19. Resident Property Rights

Residents do not hold ownership or property rights in the real estate of Arbor Acres Retirement Community. Residency and access to services are governed solely by the continuing care contract.

20. Services Provided Under the Contract

Arbor Acres offers services under both continuing care contracts at Arbor Acres and under the Advantage program. The following disclosures describe the services included in each contract type, as well as those available for additional charge.

20.1 Health Care Services

Residents of Arbor Acres Continuing Care Retirement Community have access to assisted living, skilled nursing, and memory support care on campus. Health services include 24-hour nursing, medication management, rehabilitative therapies, and coordination with residents' personal physicians.

20.2 Continuing Care Retirement Community (CCRC) Contracts

Residents living on the Arbor Acres Retirement Community campus receive the following services as part of their daily or monthly fees, with additional services available at an extra charge.

20.2.1 Services Included in Monthly Fees

- Dining service with meals or a meal allowance (independent living); three daily meals (assisted living and skilled nursing)
- Weekly housekeeping and linen service (independent living); daily housekeeping (assisted living and skilled nursing)
- Scheduled local transportation
- Transportation to routine non-emergency medical appointments within Forsyth County
- Basic utilities, including electricity, water, sewer, heating, air conditioning, and basic cable; residents of cottages have separately metered water, electricity and gas that they are responsible for.
- Use of community amenities (wellness center, library, auditorium, gardens, walking trails)
- Social, educational, cultural, and recreational programming
- Care coordination for transitions between levels of care
- Standard maintenance of buildings and grounds including residents' units

- Emergency call system (independent living)
- Laundering of bed and bath linens furnished by Arbor Acres
- Laundering of personal clothing (assisted living and skilled nursing)
- Security personnel on duty in the Welcome Center and across campus
- Routine nursing assessment, consultation and services
- Access to Medicare Certified skilled nursing beds based on qualifications for Medicare coverage after 30 days of residence at Arbor Acres
- Limited in-patient temporary care

20.2.2 Services Available at Additional Charge

- Guest meals and accommodations
- Meal delivery (Independent Living)
- Additional housekeeping or laundry services beyond standard schedule
- Expanded television, internet, and telephone packages
- Salon and barber services
- Special transportation outside scheduled routes
- Concierge services and private duty care
- Assistance with activities of daily living (Independent Living)
- Supplies utilized by the clinic nurse

20.3 Continuing Care at Home (CCaH) Contracts

Participants in The Advantage Program receive the following services while continuing to reside in their own homes, with additional services available at an extra charge.

20.3.1 Services Included in Monthly Fees

- Care coordination
- Initial and annual health assessments
- Access to wellness programming (fitness, nutrition, preventive screenings)
- Participation in social and recreational activities at the Arbor Acres campus

20.3.2 Services Available to Advantage Program Participants at Additional Charge Through Fountain Hill Home Care by Arbor Acres

- Personal care assistance (bathing, grooming, dressing, medication reminders)
- Homemaker services (meal preparation, housekeeping, laundry)
- Expanded transportation outside the service area
- Temporary care stays at Arbor Acres' skilled nursing facility

20.4 Delivery of Services

Core residential, assisted living, and skilled nursing services are provided directly by Arbor Acres. Certain therapies (physical, occupational, and speech) are furnished under contract with independent third parties. Some home care and nursing services are available to be delivered through Fountain Hill Home Care by Arbor Acres, a related party disclosed in Section 5.

21. Resident Fees

Nonancillary fees at Arbor Acres consist of required, ongoing fees such as entrance fees and monthly service fees. The following tables show Arbor Acres, Inc.'s current fee schedules, along with historical information on entrance fee and monthly fee increases over the past five fiscal years. Narrative explanations of household composition changes and transfer fees are also included.

21.1 CCRC Contracts

CCRC contracts represent continuing care contracts for residents who live at the Arbor Acres Retirement Community campus.

Table 0.1: Current Monthly Fees (CCRC Contracts)

Unit Type	Single Occupant	Double Occupant
Mid-Rise (Womble & McPherson)		
Studio	\$ 2,273	\$ 3,504
Studio w/study	2,355	3,586
One bedroom apartment	3,316	4,547
Studio (All Inclusive Meal Plan)	3,261	5,480
Studio w/study (All Inclusive Meal Plan)	3,346	5,568
One bedroom apartment (All Inclusive Meal Plan)	4,310	6,535
Corpening - One Bedroom Apt	3,412	4,643
Second person - Corpening	1,231	
Stockton Apartments		
1BR, 1 Bath - 991 sf (Type A)	4,093	5,324
1BR, Den, 1.5 Baths - 1,160sf (Type B)	4,380	5,611
2BR, 2 Bath - 1,217 sf(Type C-1)	4,523	5,754
2BR, 2 Bath - 1,397 sf(Type C-2)	4,616	5,847
2BR, 2 Bath - 1,500 sf(Type C-3)	4,867	6,098
2BR, Den, 2 Bath - 1,592sf (Type D-1)	4,893	6,124
2BR, Den, 2 Bath - 1,602sf (Type D-2)	4,948	6,179

2BR, Den, 2 Bath - 1,728sf (Type D-3)	5,265	6,496
2BR, Den, 2 Bath - 1,982sf (Type E-1)	5,465	
Second Person	1,231	
Aldersgate Square Apartments		
Duo	5,289	6,520
Custom	5,431	6,662
Deluxe	5,514	6,745
Alcove	5,564	6,795
Den Deluxe	6,199	7,430
Second Person	1,231	
Patio Homes		
2BR, 2 Bath (1,326)	4,146	5,377
Courtyard Homes		
1 Bedroom	3,647	4,878
2 Bedroom	3,873	5,104
Cottages		
House - 1 Bedroom	3,868	5,099
House - 2BR less than 1,400sf	4,218	5,449
House -2BR 1,400sf - 1,599sf	4,690	5,921
House -2BR 1,600sf - 1,799f	5,115	6,346
House -2BR 1,800sf - 1,999sf	5,260	6,491
House -2BR 2,000sf - 2,199sf	5,510	6,741
House -2BR 2,200sf - 2,399sf	5,990	7,221
House -2BR over 2,400 sf	6,605	7,836
ASSISTED LIVING (per day, includes all inclusive meal plan)		
Studio (Asbury Place Bldg)	281	n/a
One Bedroom Apt (Asbury Place Bldg)	326	552
Two Bedroom Apt (Asbury Place Bldg)	387	613
Second Person - Assisted Living in Asbury Place	226	
Second Person - Independent resident in Asbury Place	171	
Arborview (Memory Care)	415	n/a
SKILLED (rate per day, rate includes all inclusive meal plan)		
Fitzgerald Place - Private	491	n/a
* All Independent Living rates include a \$439/mo declining balance meal plan unless otherwise indicated.		

Monthly fees are reviewed annually and may be adjusted to reflect changes in operating costs, staffing, health care expenses, and capital needs. Adjustments are subject to board approval, with no contractual cap on increases.

Table 21.2: Historical Increases in Monthly Fees (CCRC contracts)

Fiscal Year-End	Average % Increase	Average \$ Increase	Frequency
12/31/2025	6.0%	\$255	Annual
12/31/2024	6.0%	\$235	Annual
12/31/2023	5.4%	\$173	Annual
12/31/2022	3.2%	\$111	Annual
12/31/2021	2.3%	\$77	Annual

Table 21.3: Current Entrance Fees (CCRC Contracts)

Unit Type	Single	Double
Mid-Rise (Womble & McPherson)		
Studio	\$ 54,000	n/a
Studio w/study	54,000	n/a
One bedroom apartment	140,000	\$ 152,000
Corpening - One Bedroom Apt	166,000	178,000
Second person - Corpening	1,293	
Stockton Apartments		
1BR, 1 Bath - 991 sf (Type A)	284,000	296,000
1BR, Den, 1.5 Baths - 1,160sf (Type B)	333,000	345,000
2BR, 2 Bath - 1,217 sf(Type C-1)	349,000	361,000
2BR, 2 Bath - 1,397 sf(Type C-2)	401,000	413,000
2BR, 2 Bath - 1,500 sf(Type C-3)	431,000	443,000
2BR, Den, 2 Bath - 1,592sf (Type D-1)	457,000	469,000
2BR, Den, 2 Bath - 1,602sf (Type D-2)	460,000	472,000
2BR, Den, 2 Bath - 1,728sf (Type D-3)	496,000	508,000
2BR, Den, 2 Bath - 1,982sf (Type E-1)	5,738	
Second Person	1,293	
Aldersgate Square Apartments		
Duo	489,000	501,000
Custom	510,000	522,000

Deluxe	558,000	570,000
Alcove	569,000	581,000
Den Deluxe	684,000	696,000
Second Person	1,293	
Patio Homes		
2BR, 2 Bath (1,326)	381,000	393,000
Courtyard Homes		
1 Bedroom	304,000	316,000
2 Bedroom	341,000	353,000
Cottages		
House - 1 Bedroom <1,200 sf	Up to \$344,000	+ \$12,000
House - 2BR 1,200sf - 1,399sf	\$344,000 - \$402,000	+ \$12,000
House -2BR 1,400sf - 1,599sf	\$402,000 - \$459,000	+ \$12,000
House -2BR 1,600sf - 1,799f	\$459,000 - \$517,000	+ \$12,000
House -2BR 1,800sf - 1,999sf	\$517,000 - \$574,000	+ \$12,000
House -2BR 2,000sf - 2,199sf	\$574,000 - \$631,000	+ \$12,000
House -2BR 2,200sf - 2,399sf	\$631,000 - \$689,000	+ \$12,000
House -2BR over 2,400 sf	\$689,000 +	+ \$12,000

Unit Type	Entrance Fee (Single)	Entrance Fee (Double)
Independent Living – Apartment	\$275,000	\$325,000
Independent Living – Cottage	\$350,000	\$400,000

Refundability terms vary by contract and are disclosed in Section 22.

Table 21.4: Historical Increases in Entrance Fees (CCRC contracts)

Fiscal Year-End	Average % Increase	Average \$ Increase	Frequency
12/31/2025	10.5%	\$32,384	Annual
12/31/2024	7.6%	\$24,672	Annual
12/31/2023	4.0%	\$10,193	Annual
12/31/2022	6.6%	\$17,884	Annual

Fiscal Year-End	Average % Increase	Average \$ Increase	Frequency
12/31/2021	2.9%	\$6,630	Annual

21.2 CCaH Contracts

CCaH contracts represent continuing care at home contracts for participants who reside in their own homes and receive services through the Advantage program.

Table 21.5: Current Monthly Fees (CCaH Contracts)

CCaH Plan	Monthly Fee (Single)
Standard	\$400

Monthly fees are subject to annual adjustment to reflect health care costs and service delivery expenses.

Table 21.6: Historical increases in Monthly Fees (CCaH contracts)

Fiscal Year-End	Average % Increase	Average \$ Increase	Frequency
12/31/2025	0%	\$0	Annual
12/31/2024	0%	\$0	Annual
12/31/2023	0%	\$0	Annual
12/31/2022	0%	\$0	Annual
12/31/2021	0%	\$0	Annual

Table 21.7: Current Entrance Fees (CCaH Contracts)

CCaH Plan	Entrance Fee (Single)
Standard	\$12,500

Table 21.8 - Historical Increases in Entrance Fees (CCaH contracts)

Fiscal Year-End	Average % Increase	Average \$ Increase	Frequency
12/31/2025	0%	\$0	Annual

Fiscal Year-End	Average % Increase	Average \$ Increase	Frequency
12/31/2024	0%	\$0	Annual
12/31/2023	0%	\$0	Annual
12/31/2022	0%	\$0	Annual
12/31/2021	0%	\$0	Annual

21.3 Household Composition Changes

If a resident marries or otherwise increases the number of persons residing in a living unit, an additional entrance fee is required for the new resident, based on the applicable fee schedule at the time of entry. The second person monthly fee is charged. If the additional resident does not meet admission requirements, they may not be admitted under a continuing care contract.

21.4 Transfer Fees and Resale Fees

If a resident transfers to a different independent living unit, they may be assessed an additional entrance fee based on the difference in the entrance fee between the new unit to be occupied and the original unit occupied.

22. Refundable Entrance Fee Obligations

22.1 Conditions for Refunds

Arbor Acres offers declining-balance contracts under which the refundable portion of the entrance fee decreases on a monthly basis and amortizes to 0% after a 50-month period. Once the amortization period has elapsed, no refund is payable upon termination of the contract or the death of the resident. These contracts therefore do not create refundable entrance fee obligations beyond the initial amortization period.

22.2 Refund Obligations as of December 31, 2025

Category	Number of Contracts	Aggregate Amount
Refunds due once all contractual conditions are met	1	\$21,900
Refunds currently due (including amounts 30+ days past due)	0	\$0

As of December 31, 2025, Arbor Acres had \$21,900 in total refundable entrance fee obligations. No refunds were contractually due or past due at year-end. Obligations will be satisfied in accordance with contract terms as independent living units are resold and replacement entrance fees are received; however, the timing of refund payments depends on the pace of independent living unit turnover and resale activity.

23. Financial Hardship Policies

23.1 Policies for Residents Unable to Pay

It is the policy of Arbor Acres to permit residents to remain in the community if they become unable to pay monthly fees through no fault of their own, provided they have first fully applied their available assets and income. Residents are not discharged or relocated solely due to financial hardship once admitted under a continuing care contract.

23.2 Sources of Financial Support

- **Resident Assistance:** An endowment, funded by donor contributions and endowment earnings is maintained for the purpose of offering assistance to residents. Distributions are applied directly to resident accounts at Arbor Acres. Residents also give annually to support the Annual Fund which supports current resident assistance needs. Arbor Acres is also the beneficiary of an unrelated private foundation which is a significant source of support for resident assistance.

23.3 Conditions or Limitations

- Eligibility for benevolent care is determined through a confidential financial review conducted by Arbor Acres.
- Assistance is subject to the availability of funds and is not guaranteed.
- Residents must annually recertify financial need to continue receiving assistance.

23.4 Narrative

In 2025, Arbor Acres distributed \$2,075,219 in benevolent care support to Arbor Acres Retirement Community residents. As of December 31, 2025, the endowment fund maintained net assets of \$22.9 million designated for benevolent care, subject to donor restrictions and the discretion of the board.

24. Contract Cancellation and Refund Policies

24.1 Provider-Initiated Cancellation

Arbor Acres may terminate a continuing care or continuing care at home contract:

- Before occupancy or commencement of services, if:

- The applicant fails to meet health or financial eligibility requirements at the time of application;
- The applicant provided materially false or misleading information during the application process; or
- Admission would pose a direct threat to the health and safety of others.
- After occupancy or commencement of services, if:
 - Persistent nonpayment of monthly fees and/or other charges occurs;
 - The resident commits a material breach of contract terms; or
 - The resident engages in disruptive or harmful conduct that materially impairs the rights of other residents or the orderly operation of the community.

24.2 Resident-Initiated Cancellation

A resident may cancel a contract under the following circumstances:

- **Before occupancy or commencement of services:**

A resident may cancel at any time. The entrance fee and any prepaid monthly fees are refunded, less a nonrefundable 4% administrative fee retained by Arbor Acres to cover administrative costs.

- **After occupancy or commencement of services:**

A resident may voluntarily cancel by providing 30 days' written notice. Refundable entrance fees, if any, are returned in accordance with Section 22 once all contractual conditions are satisfied, including resale and re-occupancy of the living unit when applicable.

24.3 Refunds Upon Cancellation

- Refundable entrance fees are returned in accordance with Section 22 – Refundable Entrance Fee Obligations.
- Nonrefundable portions of entrance fees are retained by Arbor Acres.
- Prepaid monthly fees are prorated to the date the living unit is vacated or services cease, and any remaining balance is refunded.

24.4 Refunds Upon Death

- **Before occupancy or commencement of services:**

If a resident dies before moving into the community or beginning continuing care at Arbor Acres, the entrance fee is refunded in full, less the nonrefundable \$1,000 application or processing fee and a 4% administrative fee.

- **After occupancy or commencement of services:**

Refunds are made according to the standard refundable entrance fee provisions described in Section 22, including resale and replacement entrance fee conditions. Prepaid monthly fees are prorated to the date of death and refunded.

25. Re-occupancy of Units

A living unit at Arbor Acres Retirement Community may be reassigned to a new resident under the following circumstances:

25.1 Resident-Initiated Vacating

- **Voluntary termination:** When a resident cancels their continuing care contract and permanently vacates the living unit.
- **Transfer to a higher level of care:** When a resident moves from independent living to assisted living or skilled nursing, and the contract permits the original living unit to be reassigned.

25.2 Provider-Initiated Vacating

- **Contract termination by provider:** When a contract is terminated by the provider under the circumstances described in Section 24 – Contract Cancellation and Refund Policies.
- **Persistent nonpayment:** When a resident fails to meet contractual payment obligations and the provider declares the contract terminated.

25.3 Temporary Absences

Generally, hospitalizations, rehabilitative stays, or other temporary absences do not constitute a vacating of the living unit and do not permit re-occupancy by a new resident.

25.4 Refunds

Refunds associated with the vacating of a living unit are handled in accordance with Section 22 – Refundable Entrance Fee Obligations. Refunds are contingent upon re-occupancy by a new resident, and the timing of repayment may vary depending on market demand and the pace of living unit turnover.

26. Resident Relocation

Residents of Arbor Acres Retirement Community may be required to relocate from their current living unit to another living unit within the community under the following circumstances:

26.1 Resident Needs

- **Health-Related Transfer:** When a resident's medical condition requires a move to a more supportive level of care, such as assisted living, memory care, or skilled nursing.
- **Safety and Accessibility:** When the current living unit no longer meets the resident's safety or accessibility needs (for example, due to mobility limitations or inability to safely navigate stairs).

26.2 Provider Needs

- **Renovation or Construction:** When construction, renovation, or repair work requires temporary or permanent relocation.
- **Operational Necessity:** When the continued occupancy of a living unit materially interferes with the orderly operation of the community and no reasonable alternative exists. This provision is applied only in limited circumstances.

26.3 Process

- Relocation decisions are made in consultation with the resident, the resident's family (if applicable), and appropriate health professionals.
- The provider makes reasonable efforts to relocate the resident to a comparable living unit within the community, meaning one of similar size, type, and monthly fee level whenever possible.
- If relocation is required for renovation or construction purposes, the provider will inform the resident in advance and clarify whether the move is temporary or permanent.

26.4 Financial Obligations

All entrance fee and monthly fee obligations associated with a move are communicated and agreed to in writing by the resident prior to any relocation.

27. Admission and Continuation Standards

27.1 Admission Requirements

Admission to Arbor Acres is subject to both health and financial screening at the time of application.

27.1.1 CCRC Contracts (Campus-Based)

- **Financial Standards:** Applicants must demonstrate sufficient resources to reasonably cover the entrance fee and projected monthly fees for the chosen living unit.
- **Health Standards:** Applicants for independent living must be capable of living safely and independently at the time of entry, with or without reasonable accommodations. A current medical history and health assessment completed by the applicant's physician is required. Applicants requiring immediate assisted living, memory care, or skilled nursing are not eligible for independent living entry.

27.1.2 CCaH Contracts (Continuing Care at Home)

- **Financial Standards:** Applicants must demonstrate sufficient resources to cover the entrance fee and ongoing monthly fees under the CCaH contract.
- **Health Standards:** Applicants must be able to live safely in their home environment at the time of entry, with or without reasonable accommodations. An in-home safety assessment and a health evaluation by the applicant's physician are required. Applicants requiring immediate assisted living or skilled nursing are not eligible for the Advantage Program.

27.2 Continuation Requirements

- **CCRC Contracts:** Once admitted, residents may remain at the community regardless of changes in health or financial status, subject to the hardship policies described in Section 23 – Financial Hardship Policies. Residents may be required to relocate to a higher level of care (see Section 26 – Resident Relocation) if their health needs can no longer be met safely in their current living unit.
- **CCaH Contracts:** Participants are assessed annually regarding their ability to live independently. They must continue to be able to live independently in order to continue receiving Advantage Program Services. Services may be adjusted based on changing care needs, subject to the limitations of the Advantage Program.

27.3 Changes in Condition Before Occupancy or Commencement of Services

- **CCRC Contracts:** If a resident's health materially declines between signing a contract and the date of initial occupancy, the provider may re-evaluate eligibility for independent living and may require admission to a higher level of care, if available. If no suitable accommodation is available or if the applicant no longer meets entry requirements, the contract may be canceled and entrance fees refunded in accordance with Section 24 – Contract Cancellation and Refund Policies. If a material change in financial condition occurs before occupancy (such as loss of income or assets needed to pay monthly fees), the provider will re-evaluate

eligibility. If standards are no longer met, the contract may be canceled and entrance fees refunded.

- **CCaH Contracts:** If a participant experiences a material decline in health before commencement of services such that they require immediate assisted living or skilled nursing, they are not eligible to begin in the Advantage Program. In such cases, the contract may be canceled and entrance fees refunded in accordance with Section 24 – Contract Cancellation and Refund Policies. If a material change in financial condition occurs before services begin, Arbor Acres will re-evaluate eligibility and may cancel the contract if standards are not met, with entrance fees refunded.

28. Age and Insurance Requirements

28.1 Age Requirements

- The minimum age for admission to Arbor Acres under a continuing care contract is 62 years.
- If the primary applicant meets the minimum age requirement, a spouse may also be admitted if they are at least 60 years of age.
- There is no maximum age limit for admission, provided the applicant meets the health and financial eligibility standards described in Section 27 - Admission and Continuation Standards.
- For Continuing Care at Home (CCaH) contracts, the minimum age for acceptance is also 62 years.

28.2 Insurance Requirements

Applicants for both CCRC and CCaH contracts must:

- Be enrolled in Medicare Parts A and B at the time of admission
- Long-term care insurance is not required but may be considered in satisfaction of certain financial eligibility criteria on a case-by-case basis.

28.3 Special Conditions

- Arbor Acres does not provide exceptions to the minimum age requirement or the insurance requirement.

29. Reserve Funding and Refund Security

29.1 Cash and Investments

As of December 31, 2025, Arbor Acres held \$47,639,686 in unrestricted cash and investments. Within this balance, \$10,194,235 was held by Arbor Acres Strategic Development, LLC and Arbor Acres Home Care, LLC for their exempt purposes. These funds remain unrestricted for accounting purposes but reflect these organization's cash balances.

At year-end, unrestricted cash and investments supported a Days Cash on Hand of 596 days, representing approximately twenty months of projected operating expenses without new revenues.

29.2 Investment Management and Oversight

- **Oversight Body:** Investment Committee/Finance Committee of the Board of Directors of Arbor Acres.
- **Day-to-Day Management:** Chief Financial Officer (CFO).
- **Experience:** Finance and Investment Committee members are selected to serve because of their relevant education, background, and work experience.
- **Policy and Controls:** Investments are managed by Bank of America under a Board-approved policy emphasizing liquidity and capital preservation. Permitted holdings include cash, cash equivalents, U.S. Treasury/agency securities, investment-grade bonds, and broadly diversified public funds/ETFs. Bank of America executes within these limits, reports quarterly to the Investment Committee, and maintains controls over custody, counterparty limits, and rebalancing.

29.3 Statutory Operating Reserve Requirement

As of December 31, 2025, Arbor Acres Continuing Care Retirement Community's 12-month rolling average independent living unit occupancy was 97%. Based on this level of occupancy and Arbor Acres Debt Service Coverage ratio of 2.69, the required statutory operating reserve was 12.5% of projected operating costs for the next 12 months.

Table 29.1: Statutory Operating Reserve Calculation (as of December 31, 2025)

Component	Amount
Total projected operating expenses	\$52,536,000
Add: Debt service (principal and interest)	\$5,288,000
Less: Home Care expenses	(\$3,320,000)
Less: Depreciation and amortization	(\$10,016,000)
Net projected operating costs	\$44,488,000
Applicable reserve percentage based on occupancy	12.5%
Required operating reserve	\$5,561,000
Unrestricted cash & investments on hand	\$47,639,000
Excess above required reserve	\$42,078,000

Summary: The required statutory operating reserve was \$5.561 million. Arbor Acres held \$47.6 million in unrestricted cash and investments, providing an excess cushion of \$42.078 million above the statutory minimum.

29.4 Refund Security (Entrance Fee Refunds)

Entrance fee refund obligations are supported by unrestricted liquidity, including:

- \$42,078,000 of unrestricted liquidity above the statutory operating reserve.

The statutory operating reserve cannot be used for any purpose, including refund payments, without prior regulatory approval.

Arbor Acres is not required by statute to escrow entrance fees and none are maintained in escrow.

Table 29.2: Unrestricted Cash and Investment Summary as of December 31, 2025

Category	Amount	Notes
Total unrestricted cash & investments	\$47,639,000	All liquid balances (cash and investments)
Less: Required operating reserve	(\$5,561,000)	Must be maintained; release requires regulatory approval
Less: Board-designated for refunds	\$0	Internal designation; unrestricted under GAAP
Excess unrestricted cash and investments above operating reserve and board designated refund reserve	\$42,078,000	Available for operations and refund needs (outside of designated reserves)

30. Expansion and Renovation Plans

As of December 31, 2025, the Board of Directors approved plans for three projects: Ten (10) additional independent living cottages on the northeast portion of the campus; renovation of the Gatehouse and the main entrance, and renovations to the Womble apartment building. Construction is expected to begin in the second quarter of 2026, with completion anticipated by summer 2027.

This expansion will increase the number of independent living units available to future residents. It will not alter existing residents' contracts or current fee structures. During construction, temporary activity may affect access and noise levels in nearby areas of the campus. Residents will be informed in advance of any significant disruptions.

31. Audit Opinion and Timeliness

The consolidated financial statements of Arbor Acres and its subsidiaries for the fiscal year ended December 31, 2025, were audited by Forvis Mazars (Charlotte, NC).

- **Timeliness:** The audit was completed and issued within 150 days of fiscal year-end, meeting statutory requirements.
- **Audit Opinion:** The independent auditor issued an unqualified opinion (a "clean" audit opinion) on the consolidated financial statements.

32. Audited Financial Statements

The audited consolidated financial statements of Arbor Acres and its subsidiaries for the fiscal year ended December 31, 2025, are attached hereto as Appendix A and form an

integral part of this Disclosure Statement. These statements include the balance sheet, statement of operations, statement of cash flows, and accompanying notes, and have been prepared in accordance with generally accepted accounting principles (GAAP).

Because the financial statements are presented on a consolidated basis, supplemental consolidating schedules provide provider-level detail for Arbor Acres.

33. Five-Year Prospective Financial Statements

The five-year prospective financial statements of Arbor Acres and its subsidiaries for the period 2026 through 2030 are attached hereto as Appendix B. These statements were prepared and compiled by Forvis Mazers, and include a summary of significant assumptions and accounting policies.

34. Variances from Prospective Financial Statements

For the fiscal year ended December 31, 2025, management reviewed the results of operations for Arbor Acres against the prospective financial statements filed in the prior year. Variances included both financial line items and key assumptions, such as occupancy, used in preparing the projections. The following material variances were identified:

Table 34.1: Variance Analysis - Fiscal Year Ended 12/31/25

Category	Projected Amount	Actual Amount	Variance	Explanation
Investment Returns	\$1.3 million	\$7.4 million	+6.1m	Greater than projected investment returns increased investment balances and liquidity.
Entrance Fee Receipts	\$9.7 million	\$7.8 million	-\$1.9 million	Lower receipts due to lower unit turnover.
Acquisition of property and equipment	\$6.4 million	\$5.5 million	+\$0.9 million	Less acquisition of property and equipment due to lower turnover related renovation costs.
Debt Service	\$7.5 million	\$7.0 million	-\$0.5 million	Refinancing of variable-rate debt at more favorable terms.

35. Key Financial Metrics

This section presents the eight statutory financial ratios required under N.C. Gen. Stat. § 58-64A-150(a)(39). Historical values are based on audited financial statements; prospective values are derived from the provider’s five-year prospective financial statements. Comparative statewide medians will be published by the North Carolina Department of Insurance beginning in late 2026.

For the tables below, FY = the most recent fiscal year end.

Full statutory text of definitions is provided in Appendix F.

35.1 Liquidity Ratios

Days Cash on Hand (DCOH). Number of days the provider (obligated group) could pay its normal cash operating expenses using unrestricted cash and investments. More days generally means stronger liquidity.

Cushion Ratio (CUSH). Number of times unrestricted cash and investments could cover one year of debt service. Higher values mean more resources to pay debt service.

Table 35.1: Liquidity Ratios – Provider Only

Ratio	2023	2024	2025	2026	2027	2028
DCOH	538	532	596	598	595	609
CUSH	13.30x	12.90x	13.62x	14.19x	12.70x	13.94x

Narrative – Provider Only:

Liquidity improved in 2025 primarily due to strong operating performance, nearly a 9% operating margin, and a 13% return on the investment portfolio. Future liquidity is projected to stay relatively flat as projections do not anticipate significant investment returns and more moderate operating performance.

Table 35.1A: Liquidity Ratios – Obligated Group

Ratio	2023	2024	2025	2026	2027	2028
DCOH	522	499	545	555	559	580
CUSH	12.23x	11.34x	11.59x	12.21x	11.02x	12.20x

Narrative – Obligated Group:

Liquidity improved in 2025 primarily due to strong operating performance, nearly a 9% operating margin, and a 13% return on the investment portfolio. Future liquidity is projected to stay relatively flat as projections do not anticipate significant investment returns and more moderate operating performance.

35.2 Profitability Ratios

Operating Ratio (OR). Compares current operating expenses (excluding depreciation and amortization) to current operating revenues (excluding entrance fee amortization). Lower percentages mean operating revenues are more easily covering cash operating expenses.

Net Operating Margin (NOM). Shows the result from core resident services. Higher values mean a stronger operating result from resident services.

Adjusted Net Operating Margin (NOM-A). Shows the operating result after also counting net entrance fee cash received during the year. Higher values mean the result is improved when net entrance fee cash is included.

Table 35.2: Profitability Ratios – Provider Only

Ratio	2023	2024	2025	2026	2027	2028
OR	92.0%	89.9%	88.7%	95.8%	95.3%	93.9%
NOM	4.4%	6.6%	8.9%	4.1%	4.3%	4.8%
NOM-A	17.2%	18.4%	21.8%	20.1%	21.0%	21.3%

Narrative – Provider Only:

Margins strengthened in 2025 due to strong census in all levels of care, particularly in licensed care.

Management assumes more moderate census levels for 2026 – 2028, resulting in more moderate margins.

Table 35.2A: Profitability Ratios – Obligated Group

Ratio	2023	2024	2025	2026	2027	2028
OR	92.4%	90.2%	89.1%	96.6%	96.0%	94.5%
NOM	3.9%	6.1%	8.6%	3.2%	3.5%	4.0%
NOM-A	17.5%	18.7%	22.4%	20.6%	21.6%	22.1%

Narrative – Obligated Group:

Margins strengthened in 2025 due to strong census in all levels of care, particularly in licensed care.

Management assumes more moderate census levels for 2026 – 2028, resulting in more moderate margins.

35.3 Capital Structure Ratios

Debt Service Coverage (DSCR). Measures ability to pay annual debt service from operations and net entrance fee cash. Higher values indicate greater ability to pay debt service.

Unrestricted Cash & Investments to Long-Term Debt (CD). Compares unrestricted cash and investments to long-term debt. Higher values indicate more unrestricted cash and investments relative to debt.

Capital Expenditures to Depreciation (CED). Indicates reinvestment relative to depreciation expense. Values at or above 1.0x usually mean the provider is reinvesting enough to keep up.

Table 35.3: Capital Structure Ratios – Provider Only

Ratio	2023	2024	2025	2026	2027	2028
DSCR	2.93x	2.83x	3.03x	2.42x	2.40x	2.67x
CD	.83x	.92x	1.14x	1.13x	1.14x	1.27x
CED	2.16x	.74x	.59x	1.93x	1.37x	.67x

Narrative – Provider Only:

The provider maintains healthy coverage and is gradually deleveraging as long-term debt amortizes. Projected capital ratios for 2026-2028 assume more moderate capital structure ratios resulting from projects being financed in 2027-2028 for campus expansion and renovations.

Capital-expenditure ratios in 2026 and 2027 reflect significant campus investment related to the expansion and renovation projects.

Table 35.3A: Capital Structure Ratios – Obligated Group

Ratio	2023	2024	2025	2026	2027	2028
DSCR	2.85x	2.74x	2.88x	2.33x	2.32x	2.57x
CD	.76x	.81x	.97x	.97x	.98x	1.11x
CED	2.16x	.74x	.59x	1.93x	1.37x	.67x

Narrative – Obligated Group:

The obligated group maintains healthy coverage and is gradually deleveraging as long-term debt amortizes. Projected capital ratios for 2026-2028 assume more moderate capital structure ratios resulting from projects being financed in 2027-2028 for campus expansion and renovations.

Capital-expenditure ratios in 2026 and 2027 reflect significant campus investment related to the expansion and renovation projects.

35.4 Overall Summary

Both the provider and the obligated group demonstrate sound liquidity, improving profitability, and conservative leverage. There are few differences between the obligated group and the provider as the provider includes the consolidated accounts of Arbor Acres Home Care, LLC and Arbor Acres Strategic Development. Both entities, while owned and controlled by the provider are not part of the obligated group. Both Arbor Acres Home Care, LLC and Arbor Acres Strategic Development, LLC are relatively small compared to the operations of the obligated group, resulting in very similar results from a review of ratios of both the provider and the obligated group. All ratios confirm that Arbor Acres is a financially sound organization. Projected performance indicates stable or modestly improving results through FY 2028, with sufficient capacity to fund operations, service debt, and support ongoing capital renewal.

36. Actuarial Opinion and Balance

Arbor Acres has not engaged an actuary to produce an actuarial opinion in the past three years.

37. Most Recent Department Examination Report

The North Carolina Department of Insurance has not conducted an examination of Arbor Acres pursuant to Article 64A of the North Carolina General Statutes.

38. Other Material Information

Management has reviewed whether there are any additional facts, circumstances, risks, or events that could reasonably be expected to influence a prospective or current resident's decision to contract with Arbor Acres. Other than the disclosures provided in prior sections of this Disclosure Statement, management has determined that no additional material information requires disclosure at this time.

39. Contract Forms and Attachments

Arbor Acres offers both continuing care contracts and continuing care at home contracts. Representative forms of each are attached hereto as Appendix D.

39.1 Continuing Care Contracts

Arbor Acres offers a Declining Balance Contract for Independent Living. The refundable portion of the entrance fee decreases monthly and amortizes to 0% after a fifty-month period. Once the amortization period has elapsed, no refund is payable upon termination or death of the resident.

All other terms and conditions of the independent living contracts are substantially similar. A representative form of these contracts is included in Appendix D.

39.2 Continuing Care at Home (CCaH) Contracts

Arbor Acres' offers a Declining Balance Contract (see description above) for the Advantage Program. Advantage members are provided access to certain activities and amenities associated with on-campus residency plus the opportunity to choose Arbor Acres for rehabilitation and care when needed and as available.

All other terms and conditions of the CCaH contracts are substantially similar. A representative form of these contracts is included in Appendix D.

Appendix Index

The following Appendices are incorporated into and form an integral part of this Disclosure Statement. Each Appendix begins on a separate page.

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Arbor Acres United Methodist Retirement Community, Inc. and Affiliates

**Independent Auditor's Report, Consolidated Financial
Statements, and Consolidating Supplementary
Information**

December 31, 2025 and 2024

Arbor Acres United Methodist Retirement Community, Inc. and Affiliates
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December 31, 2025 and 2024

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Independent Auditor's Report

Board of Directors
Arbor Acres United Methodist Retirement Community, Inc. and Affiliates
Winston-Salem, North Carolina

Opinion

We have audited the consolidated financial statements of Arbor Acres United Methodist Retirement Community, Inc. and Affiliates (collectively, the "Company"), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations 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 Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company 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.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Company's ability to continue as a going concern within one year after the date that the consolidated financial statements were available to be issued.

Auditor's 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 auditor's 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 for 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 judgment made by a reasonable user based on the 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 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 purpose of expressing an opinion on the effectiveness of the Company's 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplemental schedules listed in the foregoing table of contents are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position of the individual companies and are not a required part of the basic consolidated financial statements for the year ended December 31, 2025. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Forvis Mazars, LLP

**Asheville, North Carolina
April 21, 2026**

Arbor Acres United Methodist Retirement Community, Inc. and Affiliates
Consolidated Balance Sheets
December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 14,676,156	\$ 11,002,461
Investments	32,963,530	28,518,585
Accounts receivable	1,221,696	813,300
Prepaid expenses	467,460	485,171
Total Current Assets	<u>49,328,842</u>	<u>40,819,517</u>
Non-Current Assets		
Assets limited as to use:		
Board designated for:		
Assistance endowment	7,362,359	6,708,291
Workforce endowment	2,778,673	2,446,595
Donor restricted for:		
Resident assistance	19,164	36,227
Assistance endowment	15,511,194	14,281,353
Other specific purposes	1,463,936	773,108
Operating reserve requirement	10,792,000	9,679,520
Total Assets Limited as to Use	<u>37,927,326</u>	<u>33,925,094</u>
Beneficial interest in perpetual trusts	1,464,887	1,369,104
Other long-term assets	336,684	276,675
Interest rate swap asset	3,560,297	5,147,739
Operating lease right of use assets	606,466	85,466
Property and equipment, net	120,549,627	124,757,516
Total Non-Current Assets	<u>164,445,287</u>	<u>165,561,594</u>
Total Assets	<u>\$ 213,774,129</u>	<u>\$ 206,381,111</u>

Arbor Acres United Methodist Retirement Community, Inc. and Affiliates
Consolidated Balance Sheets
December 31, 2025 and 2024

(Continued)

	<u>2025</u>	<u>2024</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 822,944	\$ 1,205,537
Accrued expenses	1,902,825	1,166,951
Accrued interest payable	172,559	95,814
Estimated refundable entrance fees	757,565	1,041,446
Current maturities of operating lease liabilities	86,385	60,275
Current maturities of long-term debt	3,238,000	3,110,750
Total Current Liabilities	<u>6,980,278</u>	<u>6,680,773</u>
Long-Term Liabilities		
Refundable deposits	707,500	35,000
Deferred revenue from entrance fees	56,927,257	57,557,577
Operating lease liabilities, less current maturities	520,081	25,191
Long-term debt, less current maturities	59,267,017	62,365,707
Total Long-Term Liabilities	<u>117,421,855</u>	<u>119,983,475</u>
Total Liabilities	<u>124,402,133</u>	<u>126,664,248</u>
Net Assets		
Without donor restrictions	70,912,815	63,257,071
With donor restrictions	18,459,181	16,459,792
Total Net Assets	<u>89,371,996</u>	<u>79,716,863</u>
Total Liabilities and Net Assets	<u>\$ 213,774,129</u>	<u>\$ 206,381,111</u>

Arbor Acres United Methodist Retirement Community, Inc. and Affiliates
Consolidated Statements of Operations and Changes in Net Assets
Years Ended December 31, 2025 and 2024

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support			
Contributions	\$ 244,169	\$ 1,464,852	\$ 1,709,021
Resident fees	40,414,504	-	40,414,504
Home Care revenue	3,292,283	-	3,292,283
Entrance fees earned	8,427,003	-	8,427,003
Investment income, net	1,722,717	382,839	2,105,556
Other	270,496	-	270,496
Net assets released from restrictions	1,409,834	(1,409,834)	-
Total Revenue, Gains, and Other Support	55,781,006	437,857	56,218,863
Expenses			
Medical and personal care	12,415,567	-	12,415,567
Food service	6,904,301	-	6,904,301
Facility services	7,051,244	-	7,051,244
Utilities	1,747,427	-	1,747,427
Resident services	1,851,357	-	1,851,357
Administration	5,028,154	-	5,028,154
Human resources	986,793	-	986,793
Home Care expenses	2,860,430	-	2,860,430
Marketing and development	1,201,449	-	1,201,449
Depreciation	9,259,846	-	9,259,846
Interest	2,064,032	-	2,064,032
Total Expenses	51,370,600	-	51,370,600
Operating Income	4,410,406	437,857	4,848,263
Non-Operating Revenue (Expenses)			
Gain on captive insurance investment	60,007	-	60,007
Loss on disposal of property	(382,105)	-	(382,105)
Net realized gain on investments	577,006	163,913	740,919
Change in value - interest rate swaps	(1,587,442)	-	(1,587,442)
Change in value - perpetual trusts	-	95,783	95,783
Net unrealized gain on investments	4,487,519	1,392,189	5,879,708
Excess of Revenues Over Expenses	7,565,391	2,089,742	9,655,133
Net Assets Released from Restrictions - Capital Expenditures	90,353	(90,353)	-
Change in Net Assets	7,655,744	1,999,389	9,655,133
Net Assets, Beginning of Year	63,257,071	16,459,792	79,716,863
Net Assets, End of Year	\$ 70,912,815	\$ 18,459,181	\$ 89,371,996

Arbor Acres United Methodist Retirement Community, Inc. and Affiliates
Consolidated Statements of Operations and Changes in Net Assets
Years Ended December 31, 2025 and 2024

(Continued)

	2024		Total
	Without Donor Restrictions	With Donor Restrictions	
Revenue, Gains, and Other Support			
Contributions	\$ 168,615	\$ 1,972,397	\$ 2,141,012
Resident fees	37,618,285	-	37,618,285
Home Care revenue	2,882,546	-	2,882,546
Entrance fees earned	8,550,337	-	8,550,337
Investment income, net	1,581,261	356,090	1,937,351
Other	170,732	-	170,732
Net assets released from restrictions	1,935,352	(1,935,352)	-
Total Revenue, Gains, and Other Support	52,907,128	393,135	53,300,263
Expenses			
Medical and personal care	11,588,866	-	11,588,866
Food service	6,913,956	-	6,913,956
Facility services	6,707,548	-	6,707,548
Utilities	1,672,858	-	1,672,858
Resident services	1,757,714	-	1,757,714
Administration	4,692,726	-	4,692,726
Human resources	990,144	-	990,144
Home Care expenses	2,485,885	-	2,485,885
Marketing and development	1,175,289	-	1,175,289
Depreciation	9,256,797	-	9,256,797
Interest	2,205,432	-	2,205,432
Total Expenses	49,447,215	-	49,447,215
Operating Income	3,459,913	393,135	3,853,048
Non-Operating Revenue (Expenses)			
Loss on captive insurance investment	(95,640)	-	(95,640)
Loss on disposal of property	(398,979)	-	(398,979)
Net realized gain on investments	669,109	222,523	891,632
Change in value - interest rate swaps	786,658	-	786,658
Change in value - perpetual trusts	-	64,501	64,501
Net unrealized gain on investments	2,231,255	556,495	2,787,750
Excess of Revenues Over Expenses	6,652,316	1,236,654	7,888,970
Net Assets Released from Restrictions - Capital Expenditures	46,485	(46,485)	-
Change in Net Assets	6,698,801	1,190,169	7,888,970
Net Assets, Beginning of Year	56,558,270	15,269,623	71,827,893
Net Assets, End of Year	\$ 63,257,071	\$ 16,459,792	\$ 79,716,863

Arbor Acres United Methodist Retirement Community, Inc. and Affiliates
Consolidated Statements of Cash Flows
Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Operating Activities		
Change in net assets	\$ 9,655,133	\$ 7,888,970
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	9,259,846	9,256,797
Loss on disposal of property	382,105	398,979
Realized and unrealized gain on investments	(6,620,627)	(3,679,382)
Change in value perpetual trusts	(95,783)	(64,501)
Contributions restricted for long-term investment	(395,018)	(894,287)
Entrance fees and deposits received	7,836,342	7,985,040
Amortization of entrance fees	(8,427,003)	(8,550,337)
Amortization of deferred costs	141,735	141,735
Change in value interest rate swaps	1,587,442	(786,658)
Changes in operating assets and liabilities:		
Accounts receivable	(408,396)	109,556
Prepaid expenses	17,711	(30,297)
Other long-term assets	(60,009)	12,590
Accounts payable	(367,882)	127,035
Accrued expenses	812,619	(414,748)
Net Cash Provided by Operating Activities	<u>13,318,215</u>	<u>11,500,492</u>
Investing Activities		
Acquisition of property and equipment	(5,451,673)	(6,813,761)
Proceeds from disposal of property and equipment	2,900	2,500
Purchase of investments and assets limited as to use	(18,551,723)	(29,990,429)
Sales of investments and assets limited as to use	16,725,173	24,624,253
Net Cash Used in Investing Activities	<u>(7,275,323)</u>	<u>(12,177,437)</u>

Arbor Acres United Methodist Retirement Community, Inc. and Affiliates
Consolidated Statements of Cash Flows
Years Ended December 31, 2025 and 2024

(Continued)

	<u>2025</u>	<u>2024</u>
Financing Activities		
Payment on long-term debt	\$ (3,113,175)	\$ (2,459,163)
Refunds of entrance fees and deposits	(323,540)	(1,516,215)
Contributions restricted for long-term investment	395,018	894,287
Refundable deposits received	672,500	-
	<u>(2,369,197)</u>	<u>(3,081,091)</u>
Net Cash Provided by (Used in) Financing Activities		
Change in Cash and Cash Equivalents	3,673,695	(3,758,036)
Cash and Cash Equivalents, Beginning	<u>11,002,461</u>	<u>14,760,497</u>
Cash and Cash Equivalents, Ending	<u>\$ 14,676,156</u>	<u>\$ 11,002,461</u>
Supplemental Information		
Interest paid	\$ 2,018,111	\$ 2,065,896
Unit customization fee, included in existing unit entrance fees and deposits	\$ 303,389	\$ 610,698
Non-Cash Activities		
Purchase of property and equipment in accounts payable at year-end	\$ 190,816	\$ 205,527

Note 1. Summary of Significant Accounting Policies

Organization

Arbor Acres United Methodist Retirement Community, Inc. (“Arbor Acres”) is a non-profit corporation that operates a continuing care retirement community in Winston-Salem, North Carolina, providing residential, personal, and medical care to its residents. Arbor Acres is accredited by the Commission on Accreditation of Rehabilitation Facilities—Continuing Care Accreditation Commission.

In November 2018, Arbor Acres became the parent corporation and sole member of Arbor Acres Home Care, LLC (“Home Care”). Home Care operations began during the year ended December 31, 2019.

In June 2023, Arbor Acres became the parent corporation and sole member of Arbor Acres Strategic Development, LLC (“Strategic Development”). Strategic Development was created to investigate growth opportunities for Arbor Acres.

Principles of Consolidation

The consolidated financial statements include the accounts of Arbor Acres, Strategic Development and Home Care (collectively, “the Company”). All material intercompany accounts and transactions have been eliminated in consolidation.

Basis of Accounting and Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

The Company classifies its net assets as net assets with or without donor restrictions:

- *Net assets without donor restrictions* – resources of the Company that are not restricted by donors or grantors as to use or purpose. These resources include amounts generated from operations, undesignated gifts, and the investment in property and equipment.
- *Net assets with donor restrictions* – resources that are subject to donor-imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those satisfied by the passage of time or actions of the Company. Other donor-imposed restrictions stipulate that donated assets be maintained in perpetuity, but may permit the Company to use or expend part or all of the income derived from the donated assets.

Cash and Cash Equivalents

Cash and cash equivalents, excluding those classified as investments and assets whose use is limited, include cash in banks, cash on hand and investments in highly liquid debt instruments with an original maturity of three months or less when purchased. The Company maintains its cash in bank accounts which, at times, may exceed federally depository insurance (“FDIC”) limits. Management believes the credit risk associated with these deposits is minimal.

Investments

Investments in equity and fixed income securities are measured at fair value based on quoted market prices. Investment in certain alternative investments are recorded at net asset value. Net investment gain is reported in the consolidated statement of operations and consists of interest and investment income, realized and unrealized gains, less external investment expenses. See Note 3 for further discussion of fair value measurements.

Arbor Acres United Methodist Retirement Community, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

Beneficial interests in perpetual trusts are recorded when the Company is notified of the trust's existence and the necessary information to measure the interest is available. The arrangement is recognized as a donor-restricted contribution to revenue and as an asset, measured at fair value. Annual distributions from the trust are reported as investment income. Unrealized gains are included in the change in net assets on the consolidated statements of operations and change in net assets. See Note 4 for further discussion of charitable trust arrangements.

Assets Limited as to Use

Assets limited as to use primarily include assets designated by the Board of Directors for specific purposes, assets restricted by donors for future capital improvements, workforce development and resident assistance, assets limited under state statute and assets limited under trust agreements.

North Carolina General Statute Chapter 58, Article 64A, requires continuing care retirement communities to maintain an operating reserve equal to a statutorily required percentage of total forecasted operating costs (less certain expenses) for a specific period. This operating reserve is not Board-controlled and cannot be used without the prior approval of the commissioner of the North Carolina Department of Insurance pursuant to GS § 58-64A-33(c). At December 31, 2025 and 2024, this reserve totaled \$10,792,000 and \$9,679,520, respectively.

Assistance endowment funds include donor restricted funds and amounts designated by the Board of Directors. The Company uses certain board designated net assets and the earnings from certain restricted net assets for assistance to residents, and support for workforce initiatives.

Fair Value Measurements

Fair value as defined under GAAP is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company utilizes market data or assumptions that market participants would use in pricing the asset or liability. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used when measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Accounts Receivable

Accounts receivable consists of resident accounts receivable, Medicare and other third-party payers, and other miscellaneous receivable amounts. Accounts receivable are recorded at the amount management expects to collect. The allowance estimate is derived from a review of the Company's historical losses based on the aging of receivables. The Company believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Donated property is recorded at its estimated fair value at the time of receipt. Interest on borrowings used to finance the facility is capitalized during construction. Depreciation is computed using the straight-line method based on the following estimated useful lives:

Land improvements	20 years
Buildings	10 to 40 years
Furniture and equipment	3 to 10 years

Arbor Acres United Methodist Retirement Community, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

Debt Issuance Costs

Debt issuance costs include underwriter fees, feasibility studies, modification fees and other professional fees. Debt issuance costs have been recorded as a deduction against the related debt and are being amortized using the straight-line method over the lives of the various debt issues, which approximate amortization computed using the effective interest method.

Refundable Deposits

The Company accepts priority deposits from prospective residents that are refundable until an offer of residence has been made. The priority deposits are \$25,000 per reservation and totaled \$675,000 at December 31, 2025. Once a resident accepts an offered unit, their priority deposit is applied to their entrance fee. Priority deposits are fully refundable until an accommodation is offered.

Refundable deposits include the portion of the payment of parking fees that will be refunded to the resident when parking fees are no longer required.

Donor Restrictions

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of operations and changes in net assets as net assets released from restrictions.

Gifts of property and equipment (or other long-lived assets) are reported as support without donor restrictions unless specific 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 assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Interest Rate Swaps

The Company utilizes interest rate swaps to manage the variability in interest rates on its variable rate debt. The Company accounts for its interest rate swaps under GAAP, which requires companies to recognize all derivative instruments as either assets or liabilities in the consolidated balance sheet at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, a company must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, cash flow hedge, or a hedge of the foreign currency exposure of a net investment in a foreign operation. For derivative instruments not designated as hedging instruments, the changes in fair value are recognized in excess of revenue over expenses. The Company's interest rate swaps are not designated as a hedging instrument and the change in fair value is included in excess of revenue over expenses.

Obligation to Provide Future Services

The Company annually calculates the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred entrance fees. If this calculated value exceeds the deferred entrance fees, a liability is recorded, with a corresponding charge to income. The obligation is discounted at 2.71 percent based on management's estimate of interest earnings. At December 31, 2025 and 2024, the calculated value did not exceed the balance of deferred entrance fees; therefore, no liability for the obligation to provide future services is required to be recorded.

Arbor Acres United Methodist Retirement Community, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

Income Taxes

The Company is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Home Care and Strategic Development are limited liability companies that have not elected to be taxed as a corporation under current Internal Revenue Code (“IRC”) regulations. Home Care and Strategic Development are wholly owned by Arbor Acres. As such, Home Care and Strategic Development are considered disregarded entities under current IRC regulations.

Based on the information above, the accompanying consolidated financial statements do not reflect a provision or liability for federal and state income taxes. The Company has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2025.

Deferred Revenue from Entrance Fees

Fees paid by a resident upon entering into a contract agreement are recorded as deferred revenue and amortized into income using the straight-line method over the estimated remaining life expectancy of the resident, adjusted on an annual basis. The non-refundable portion of the entrance fee that is considered an application fee is recognized as income when the resident moves in. Subject to certain exceptions, entrance fees are initially refundable, but become non-refundable at the rate of two percent per month until becoming fully non-refundable after 50 months. Upon receiving payment of an entrance fee from an acceptable substitute resident, the Company will refund to the resident, or to resident’s estate, the applicable amount of refund owed. Total contractual refund obligations under existing contracts (that is if all residents with a refundable balance were to have withdrawn) are \$22,806,149 and \$28,247,429 at December 31, 2025 and 2024, respectively.

Statement of Operations and Changes in Net Assets

The consolidated statements of operations include excess of revenues over expenses. Changes in net assets which are excluded from excess of revenues over expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets). The Company considers excess of revenues over expenses to be its performance indicator.

Methods Used for Allocation of Expenses Among Programs and Supporting Services

The Company has presented a schedule of expenses by both function and nature in Note 16. The Company allocates expenses on a functional basis among its various programs and supporting services. The schedule of expenses in Note 16 reports certain categories of expenses that are attributable to one or more program or supporting services of the retirement community. These expenses include food service, facilities service, and depreciation. Facilities service and depreciation are allocated based on square footage. Food service is allocated based on occupancy.

Resident Fees

Resident fees represent the estimated net realizable amounts from residents, third-party payors, and others for services rendered as further described in Note 2.

Financial Assistance

The Company currently maintains a financial assistance program and policy for residents holding continuing care residency agreements in the event the resident(s) should become unable to pay for services. The Company reserves the right to change the program and policy and does not guarantee future financial assistance. Since the Company does not expect to collect the normal charges for services provided for those residents who meet the financial assistance provisions, estimated charges for such assistance are not included in revenue. The cost of the charity care provided by the Company is based on financial assistance awarded to qualifying residents (Note 7), charges forgone under government and other third-party payer programs as well as charges that residents are

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unable to pay. The cost of providing charity care was approximately \$2,081,000 in 2025 and \$1,942,000 in 2024. The cost is discounted by the operating margin percentage (operating revenues less realized gains/losses on investments divided by operating expenses), which calculated to be 5.35 percent for 2025 and 2.81 percent for 2024. The Company uses both board restricted funds and net assets with donor restrictions that are temporary in nature to provide financial assistance. The Company receives contributions in three main ways: through annual fundraising efforts, annual requests of outreach ministries, and estate donations. Donations and other services provided by the Company that were not reimbursed by other sources were approximately \$416,000 and \$418,000 in 2025 and 2024, respectively, for a total community benefit of \$2,497,000, and \$2,360,000, respectively.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Leases

At lease inception, the Company determines whether an arrangement is or contains a lease. Operating leases are included in operating lease right of use assets, current maturities of operating lease liabilities, and operating lease liabilities, less current maturities, in the consolidated financial statements.

ROU assets represent the Company's right to use leased assets over the term of the leases. Lease liabilities represent the Company's contractual obligation to make lease payments over the lease terms. For operating leases, ROU assets and lease liabilities are recognized at the commencement date. The lease liability is measured as the present value of the lease payments over the lease term. The Company uses the rate implicit in the lease if it is determinable. When the rate implicit in the lease is not determinable, the Company uses the risk-free rate at the commencement date of the lease to determine the present value of the lease payments. Operating ROU assets are calculated as the present value of the lease payments plus initial direct costs, plus any prepayments less any lease incentives received. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. The assessment of whether renewal or extension options are reasonably certain to be exercised is made at lease commencement. Factors considered in determining whether an option is reasonably certain of exercise include, but are not limited to, the value of any leasehold improvements, the value of renewal rates compared to market rates, and the presence of factors that would cause a significant economic penalty to the Company if the option were not exercised. Lease expense is recognized on a straight-line basis over the lease term. The Company also elected the short-term exception for leases that, at the lease commencement date, have a lease term of 12 months or less and does not include an option to purchase the underlying asset that the Company is reasonably certain to exercise.

Subsequent Events

Subsequent events have been evaluated through April 21, 2026, which is the date the consolidated financial statements were available to be issued.

Note 2. Revenue Recognition

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

Monthly Service Fees

The contracts that residents select require an advanced fee and monthly fees based upon the type of accommodation they are applying for. Resident fee revenue for recurring and routine monthly services is generally billed monthly in advance. Payment terms are usually due within 30 days. The services provided encompass social,

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recreational, dining along with assisted living and nursing care and these performance obligations are earned each month. Under Accounting Standards Codification (“ASC”) Topic 606, management has determined that the performance obligation for the standing obligation to provide the appropriate level of care is the predominate component and does not contain a lease component under ASC Topic 842. Resident fee revenue for non-routine or additional services are billed monthly in arrears and recognized when the service is provided.

Entrance Fees

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

Health Care Services

In the facility, the Company provides nursing care to residents who are covered by government and commercial payers. The Community is paid fixed daily rates from government payers. The fixed daily rates and other fees are billed in arrears monthly. The monthly fees represent the most likely amount to be received from the 3rd party payors. Most rates are predetermined from Medicare.

Under ASC Topic 606, management has elected to utilize the portfolio approach in aggregating the revenues under these revenue streams.

	December 31, 2025				
	Independent Living	Assisted Living	Skilled Nursing	Home Care	Total
Private pay	\$ 16,568,456	\$ 10,400,912	\$ 11,844,301	\$ 3,292,283	\$ 42,105,952
Medicare	-	-	1,600,835	-	1,600,835
Total	\$ 16,568,456	\$ 10,400,912	\$ 13,445,136	\$ 3,292,283	\$ 43,706,787

	December 31, 2024				
	Independent Living	Assisted Living	Skilled Nursing	Home Care	Total
Private pay	\$ 15,962,643	\$ 9,269,239	\$ 10,911,766	\$ 2,882,546	\$ 39,026,194
Medicare	-	-	1,474,637	-	1,474,637
Total	\$ 15,962,643	\$ 9,269,239	\$ 12,386,403	\$ 2,882,546	\$ 40,500,831

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Note 3. Fair Value of Financial Assets and Liabilities

Prices for certain investments, such as equity and fixed income securities, are readily available in active markets in which those securities are traded thus the resulting fair values are categorized as Level 1. Prices for Level 2 assets and liabilities are determined on a recurring basis based on inputs readily available in public markets or can be derived from information available in publicly quoted markets. As further explained in Note 4, the Company has a beneficial interest in a perpetual trust. The value of this trust is disclosed as level 3 in the fair value table below in accordance with GAAP and is valued at the market price of the underlying investments.

The Company invests in certain investments for which quoted prices are not available in active markets for identical instruments. The Company utilizes the net asset value ("NAV") provided by the administrator of the fund as a practical expedient to estimate fair value. This practical expedient would not be used if it is determined to be probable that the fund will sell the investment for an amount different from the reported NAV. These investments are not required to be classified within a level on the fair value hierarchy.

There were no changes during the years ended December 31, 2025 and 2024 to the Company's valuation techniques used to measure asset and liability fair values on a recurring basis.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. The following table sets forth by level, within the fair value hierarchy, the Company's financial assets and liabilities accounted for at fair value on a recurring basis as of December 31, 2025 and 2024:

	<u>Total Fair Value</u>	<u>Active Markets for Identical Assets (Level 1)</u>	<u>Quoted Prices in Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobserv- able Inputs (Level 3)</u>
Investments:				
Mutual funds	\$ 23,954,815	\$ 23,954,815	\$ -	\$ -
Exchange traded funds	23,460,122	23,460,122	-	-
Bonds	6,996,043	6,996,043	-	-
Commodities	1,486,162	1,486,162	-	-
Stocks	<u>11,087,738</u>	<u>11,087,738</u>	-	-
Total investments in the fair value hierarchy	\$ 66,984,880	\$ 66,984,880	\$ -	\$ -
Investments at NAV (a)	<u>1,885,013</u>			
Total investments at fair value	<u>\$ 68,869,893</u>			
Beneficial interest in perpetual trusts	\$ 1,464,887	\$ -	\$ -	\$ 1,464,887
Interest rate swap asset, net	<u>\$ 3,560,297</u>	<u>\$ -</u>	<u>\$ 3,560,297</u>	<u>\$ -</u>

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	<u>Total Fair Value</u>	<u>Active Markets for Identical Assets (Level 1)</u>	<u>Quoted Prices in Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobserv- able Inputs (Level 3)</u>
Investments:				
Mutual funds	\$ 19,068,438	\$ 19,068,438	\$ -	\$ -
Exchange traded funds	17,261,942	17,261,942	-	-
Bonds	7,216,849	7,216,849	-	-
Commodities	1,348,666	1,348,666	-	-
Stocks	<u>11,991,290</u>	<u>11,991,290</u>	-	-
Total investments in the fair value Hierarchy	\$ 56,887,185	<u>\$ 56,887,185</u>	<u>\$ -</u>	<u>\$ -</u>
Investments at NAV (a)	<u>1,964,366</u>			
Total investments at fair value	<u>\$ 58,851,551</u>			
Beneficial interest in perpetual trusts	<u>\$ 1,369,104</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,369,104</u>
Interest rate swap asset, net	<u>\$ 5,147,739</u>	<u>\$ -</u>	<u>\$ 5,147,739</u>	<u>\$ -</u>

(A) In accordance with Topic 820, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated balance sheets.

Mutual funds consist of the following at December 31, 2025: 33% large cap, 15% mid cap, 20% hedge, 19% international development, and 13% other.

Mutual funds consist of the following at December 31, 2024: 36% large cap, 15% mid cap, 20% hedge, 15% international development, and 14% other.

The Company has \$2,020,963 and \$3,592,128 of cash and cash equivalents included in investments and assets limited as to use on the consolidated balance sheets at December 31, 2025 and 2024, respectively, which was not classified as a level as prescribed within the provision.

The Company recognizes transfers between the levels as of the beginning of the reporting period. There were no gross transfers between the levels for the years ended December 31, 2025 and 2024.

The following table summarizes investments for which fair value is measured using the NAV per share practical expedient as of December 31, 2025 and 2024:

	<u>Fair Value at December 31, 2025</u>	<u>Fair Value at December 31, 2024</u>	<u>Unfunded Commitments</u>	<u>Other Redemption Restrictions</u>	<u>Redemption Notice Period</u>
Real Property Fund	\$ 1,885,013	\$ 1,964,366	None	Quarterly	60 days

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, although the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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The following is a reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis classified as Level 3 during the years ended December 31, 2025 and 2024.

	<u>2025</u>	<u>2024</u>
Balance, beginning of year	\$ 1,369,104	\$ 1,304,603
Unrealized gains	<u>95,783</u>	<u>64,501</u>
	<u>\$ 1,464,887</u>	<u>\$ 1,369,104</u>

Note 4. Charitable Trust Arrangements

Charitable Remainder Trust

A charitable remainder trust provides the payment of distributions to the donor or other designated beneficiaries over the income beneficiaries' lifetimes. At the end of the trust's terms, all or a portion of the remaining assets are available for the Company's use as specified by the donor.

Several charitable remainder trusts have named the Company as a remainder beneficiary. One trust provides payments out of principal which prevents the ability to measure the interest. There is insufficient information on the remaining trusts to permit the Company to account for the trust. No asset is recorded in relation to the trusts.

Perpetual Trusts

During 2019, the Company received information that identified it as the beneficiary of perpetual trusts and subsequently recorded an asset for the beneficial interests and a corresponding donor-restricted contribution which is reflected on the consolidated statement of operations and changes in net assets. The Company will receive income distributions from the perpetual trusts but will not receive the assets of these trusts. Distributions from the trusts are unrestricted. The beneficial interest in these perpetual trusts, recorded as donor-restricted net assets, were \$1,464,887 and \$1,369,104 at December 31, 2025 and 2024, respectively.

Note 5. Property and Equipment

Property and equipment consists of the following at December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Land and improvements	\$ 19,266,227	\$ 18,268,636
Buildings	196,688,385	194,719,834
Furniture and equipment	11,292,811	11,137,057
Construction in progress	<u>1,602,840</u>	<u>2,405,459</u>
	228,850,263	226,530,986
Accumulated depreciation	<u>(108,300,636)</u>	<u>(101,773,470)</u>
	<u>\$ 120,549,627</u>	<u>\$ 124,757,516</u>

No interest costs were capitalized in construction in progress during the years ended December 31, 2025 and 2024.

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Note 6. Long-Term Debt

Long-term debt consists of the following at December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Series 2010 Health Care Facilities First Mortgage Revenue Bonds at variable rate of 79% of one month LIBOR plus 1.0854% through 6/30/2023 and 79% Secured Overnight Financing Rate ("SOFR") plus 1.0854% effective 7/1/2023 through year end, and reset monthly with a fixed interest rate swap with a rate of 3.333% in 2025 and 2024 on the outstanding principal balance (See Note 12); monthly payments of \$60,000 to \$240,000 due January 1, 2038.	\$ 20,565,000	\$ 21,280,000
Series 2016 Health Care Facilities First Mortgage Revenue Bonds at variable rate of 79% of one month LIBOR plus 0.948% through 6/30/2023 and 79% SOFR plus 1.0424% effective 7/1/2023 through year end, and reset monthly with a fixed interest rate swap with a rate of 2.914% in 2025 and 2024 on the outstanding principal balance (See Note 12); monthly payments of \$76,000 to \$92,000 due January 1, 2031.	5,317,575	6,290,000
Series 2021 Health Care Facilities First Mortgage Revenue Bonds: Series 2021 A-1 for a total amount available up to \$33,000,000 at variable rate of 79% of one month SOFR plus 1.027% and reset monthly with a fixed interest rate swap with a rate of 2.205% effective starting July 2023 on the outstanding principal balance up to \$23,000,000 (See Note 12); monthly payments of interest only through September 2024 then interest and principal payments ranging from \$130,000 to \$135,000 through January 1, 2052.	31,815,000	32,712,000
Series 2021 A-3 at variable rate of 79% of one month SOFR plus 1.027% and reset monthly with a fixed interest rate swap with a rate of 2.865% in 2024 and 2023 on the outstanding principal balance (See Note 12); monthly payments interest and principal ranging from \$49,000 to \$56,000 due January 1, 2035.	<u>5,439,174</u>	<u>5,967,924</u>
	63,136,749	66,249,924
Current maturities	(3,238,000)	(3,110,750)
Bond issuance costs	<u>(631,732)</u>	<u>(773,467)</u>
	<u>\$ 59,267,017</u>	<u>\$ 62,365,707</u>

The Series 2010, 2016, and 2021 bonds bear interest payable monthly on the amount of bond proceeds outstanding. The bonds are secured by a pledge of future revenues and substantially all of the property and equipment of the Company. The trust indenture and loan agreements underlying the Series 2010, Series 2016 and Series 2021 bonds contain certain covenants and restrictions.

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Annual principal maturities of long-term debt are as follows:

2026	\$ 3,238,000
2027	3,352,511
2028	3,411,087
2029	3,530,076
2030	3,602,087
Thereafter	<u>46,002,988</u>
	<u>\$ 63,136,749</u>

The Company has a revolving line of credit with a bank in the amount of \$3,000,000. Interest is payable monthly at a rate of daily simple SOFR index plus 1.30 percent and is secured by a deed of trust. There was no balance outstanding as of December 31, 2025 and 2024. The line of credit expires in January 2027.

Note 7. Net Assets with Donor Restrictions

Net assets with donor restrictions that are temporary in nature consist of the following at December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Financial assistance	\$ 3,861,383	\$ 2,504,395
Other	<u>400,436</u>	<u>248,836</u>
	<u>\$ 4,261,819</u>	<u>\$ 2,753,231</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows for the years ended December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Financial assistance	\$ 1,328,409	\$ 1,713,714
Other	<u>81,425</u>	<u>221,638</u>
Net assets released from restrictions—operating	1,409,834	1,935,352
Net assets released from restrictions—capital	<u>90,353</u>	<u>46,485</u>
	<u>\$ 1,500,187</u>	<u>\$ 1,981,837</u>

Net assets with donor restrictions that stipulate assets be held in perpetuity consist of the following at December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Assistance endowment	\$ 11,668,975	\$ 11,299,957
Swimming pool endowment	500,000	500,000
Workforce endowment	563,500	537,500
Beneficial interest in perpetual trusts	<u>1,464,887</u>	<u>1,369,104</u>
	<u>\$ 14,197,362</u>	<u>\$ 13,706,561</u>

Note 8. Endowment Funds

The Company's endowment was organized to provide financial assistance to the residents of the Company in the event the resident(s) become unable to pay for services, employee workforce development and to help provide maintenance to the swimming pool. The Company's endowment funds include donor-restricted funds and board designated funds classified as net assets without restrictions. As required by generally accepted accounting principles in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Company has interpreted the North Carolina Uniform Prudent Management of Institutional Funds Act (the "Act") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Company has classified as perpetually restricted net assets (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the amount is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in perpetually restricted net assets is classified as with donor restrictions until those amounts are appropriated for expenditure by the Company in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, the Company considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. The investment policies of the Company

Return Objectives and Risk Parameters

The Company has adopted investment and spending policies for endowment assets that are intended to provide an ongoing stream of funding for financial assistance and workforce development that is supported by the endowment. Endowment assets include assets of donor-restricted funds that the organization must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce a high level of total investment return consistent with a prudent level of portfolio risk. The Company expects its endowment funds, over time, to provide an average rate of return of approximately 8.0 percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Company relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Company targets a diversified asset allocation that includes fixed income instruments and equity-based investments to achieve its long-term return objectives within prudent risk constraints. Investments are rebalanced in order to maintain the desired asset allocation mix, consistent with the Company's investment policy statement.

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Spending Policy and How the Investment Objectives Relate to the Spending Policy

The Company's policy is to appropriate for distribution the accumulated income and appreciation up to 4.0 percent of the trailing 12 quarters average market balance. In establishing this policy, the Company considered the long-term expected return on its endowment. Accordingly, over the long term, the Company expects the current spending policy to allow its endowment to grow at an average of 4.0 percent annually. The exception to this policy would be that if the accumulated income and appreciation of the donor restricted endowment is less than 4.0 percent of the trailing 12 quarters average market balance, the funds necessary to support the annual financial assistance would be taken from the board designated portion of the endowment fund. In this way, the principal of the donor restricted endowment is preserved. This is consistent with the Company objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Changes in endowment net assets for the years ended December 31, 2025 and 2024 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets December 31, 2023	\$ 6,375,855	\$ 13,265,364	\$ 19,641,219
Contributions	-	919,287	919,287
Board designated assets	2,520,013	-	2,520,013
Investment earnings	193,053	356,090	549,143
Net appreciation	319,231	779,018	1,098,249
Appropriation of endowment assets for expenditure	<u>(253,266)</u>	<u>(514,134)</u>	<u>(767,400)</u>
Endowment net assets December 31, 2024	9,154,886	14,805,625	23,960,511
Contributions	-	395,018	395,018
Investment earnings	235,685	382,839	618,524
Net appreciation	1,027,875	1,556,102	2,583,977
Appropriation of endowment assets for expenditure	<u>(277,415)</u>	<u>(560,664)</u>	<u>(838,079)</u>
Endowment net assets December 31, 2025	<u>\$ 10,141,031</u>	<u>\$ 16,578,920</u>	<u>\$ 26,719,951</u>

Note 9. Employee Benefits

The employees of Arbor Acres and Home Care can participate in the Arbor Acres 403(b) Plan. The merged plan covers all employees of Arbor Acres and Home Care. New hires are eligible for participation on their first day of employment. The Company contributes a match equal to 200% of all contributions up to a maximum of 6 percent of regular earnings for all eligible participating employees. Company contributions for the years ended December 31, 2025 and 2024 were approximately \$656,000 and \$644,000, respectively.

Note 10. Professional Liability and Workers Compensation Coverage

The Company has an insurance policy for possible litigation in the ordinary course of business related to professional liability claims. Management believes that claims, if asserted, would be settled within the limits of coverage, which is on a claims-made basis. Should the Company not renew its claims-made policy, or replace it with equivalent insurance, occurrences incurred during its term but asserted after its expiration would be uninsured, unless the Company obtains tail coverage. No claims were outstanding at year-end and the Company has made no accrual for unasserted claims.

In 2022, the Company contributed surplus of \$92,530 and became a subscriber of the Unity Mutual Insurance Company (“UMIC”), reciprocal captive insurance company. UMIC provides reinsurance coverage for workers’ compensation coverage, for the UMIC subscribers, based on a quota share arrangement. The workers’ compensation policy covers workers’ compensation claims on a statutory basis and also provides Employers Liability limits of \$1,000,000 per occurrence. As part of this arrangement, the Company is entitled to a share in the profits and losses of UMIC in accordance with an Allocation Policy Agreement. These annual allocations are not cash allocations, but rather income or loss allocations retained in their subscriber’s allocation account of UMIC which will increase and decrease the Company’s subscriber interest in UMIC. Subscriber allocations are determined and made on or before March 15th and are recorded in the Company’s change in net assets in the year the allocation is made.

Note 11. Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable and other assets approximate fair value. Investments, assets limited as to use, beneficial interests in trusts and the interest rate swaps are reported at fair value as of the date of the consolidated financial statements. See Note 3 for more information relating to the fair value of investments, assets limited as to use and the interest rate swaps.

The carrying amounts of accounts payable, accrued expenses, accrued interest payable and other accrued and long-term liabilities approximate fair value. The carrying amount of the 2010 series, 2016 series and 2021 bonds approximates fair value as they contain variable interest rates.

Note 12. Interest Rate Swap Agreements

The Company has entered into interest rate swap agreements (“Swaps”). The table below summarizes the terms of the various swap agreements.

<u>Original Notional</u>	<u>Effective Date</u>	<u>Maturity Date</u>	<u>Borrower Pays</u>
\$ 25,800,000	2/1/2018	12/1/2037	3.333%
\$ 12,297,000	2/1/2018	1/1/2031	2.914%
\$ 8,450,000	9/25/2019	9/25/2034	2.865%
\$ 23,000,000	7/1/2023	7/1/2033	2.205%

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The fair value of the Company's interest rate swaps are reported as a long-term asset or liability in the consolidated balance sheets. The change in fair value of the interest rate swaps are included in excess of revenues over expenses in the accompanying consolidated statements of operations and changes in net assets.

Absent an early termination, subsequent changes in the interest rate swaps will continue to be reflected in excess of revenues over expenses, which has no cash flow impact to the Company. The cash flow settlements of the interest rate swap agreements are reflected annually in interest expense as the Company pays interest to the swap counter-party at the rates noted above.

Note 13. Health Insurance Plan

In 2019, the Company established a self-funded employee health insurance plan administered by a third party. The plan is funded by employee and employer contributions and is available to all full-time staff. The costs of the plan are comprised of expected net claims, insurance premiums to acquire specific stop loss coverage and claims administration fees. Claims in excess of the stop-loss limit of \$100,000 are funded by insurance coverage. The Company has estimated and recorded amounts for the self-insurance portion of this arrangement. Plan costs incurred by the Company were approximately \$3,061,000 and \$2,723,000 for the years ended December 31, 2025 and 2024, respectively. The estimate for claims incurred but not reported are approximately \$497,000 and \$325,000 as of December 31, 2025 and 2024, respectively.

Note 14. Liquidity and Availability

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

The following schedule reflects the Company's financial assets to meet cash needs for general expenses within one year. The financial assets were derived from the total assets on the consolidated balance sheets by excluding the assets that are unavailable for general expenses in the next 12 months. Board designated amounts for capital and strategic projects have been included in the schedule below as the board could release these funds for liquidity purposes if needed.

The Company also has the ability to draw down on a \$3,000,000 line of credit if needed (as discussed in Note 6).

The Company seeks to maintain sufficient liquid assets to cover 30 to 60 days of operating and capital expenses.

<u>Asset Categories</u>	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 14,676,156	\$ 11,002,461
Accounts receivable	1,221,696	813,300
Investments	<u>32,963,530</u>	<u>28,518,585</u>
	<u>\$ 48,861,382</u>	<u>\$ 40,334,346</u>

Arbor Acres United Methodist Retirement Community, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

Note 15. Leases

The Company leases copiers and office space under operating leases. Terms of these leases vary and expire between 2026 and 2032, with monthly rental payments ranging from \$1,865 per month to \$8,397 per month.

The following table presents lease-related assets and liabilities at December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Operating leases		
Operating lease right-of-use asset	\$ 606,466	\$ 85,466
Current portion of operating lease liability	\$ 86,385	\$ 60,275
Operating lease liability, net of current portion	<u>520,081</u>	<u>25,191</u>
Total operating lease liabilities	<u>\$ 606,466</u>	<u>\$ 85,466</u>

The components of lease expense (and related classification in the consolidated statement of operations and changes in net assets) for the year ended December 31, 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
Operating lease expense (administration)	\$ 76,759	\$ 66,905

Cash paid for amounts included in the measurement of the lease liability for the year ended December 31, 2025 and 2024 is as follows:

	<u>2025</u>	<u>2024</u>
Operating cash flows from operating leases	\$ 76,759	\$ 66,905

The following is a schedule of lease liability maturities for the years ending December 31:

2026	\$ 118,157
2027	106,127
2028	134,832
2029	94,193
2030	96,539
Thereafter	<u>174,505</u>
	724,352
Interest	<u>(117,886)</u>
Lease liability	<u>\$ 606,466</u>
Other information	
Weighted-average remaining lease term	5.81 years
Weighted-average discount rate	5.60%

Supplementary Information

Arbor Acres United Methodist Retirement Community, Inc. and Affiliates
Consolidating Balance Sheet
December 31, 2025

ASSETS	Arbor Acres	Home Care	Strategic Development	Eliminations	Total
Current Assets					
Cash and cash equivalents	\$ 4,481,921	\$ 796,531	\$ 9,397,704	\$ -	\$ 14,676,156
Investments	32,963,530	-	-	-	32,963,530
Accounts receivable	931,526	280,349	9,821	-	1,221,696
Prepaid expenses	467,460	-	-	-	467,460
Due from affiliates	107,618	7,654	15	(115,287)	-
Total Current Assets	38,952,055	1,084,534	9,407,540	(115,287)	49,328,842
Non-Current Assets					
Assets limited as to use:					
Board designated for:					
Assistance endowment	7,362,359	-	-	-	7,362,359
Workforce endowment	2,778,673	-	-	-	2,778,673
Donor restricted for:					
Resident assistance	19,164	-	-	-	19,164
Assistance endowment	15,511,194	-	-	-	15,511,194
Other specific purposes	1,463,936	-	-	-	1,463,936
Operating reserve requirement	10,792,000	-	-	-	10,792,000
Total Assets Limited as to Use	37,927,326	-	-	-	37,927,326
Beneficial interest in perpetual trusts					
Investment in affiliates	1,464,887	-	-	-	1,464,887
Other long-term assets	8,971,939	-	-	(8,971,939)	-
Interest rate swap asset	224,743	111,941	-	-	336,684
Operating right of use assets	3,560,297	-	-	-	3,560,297
Property and equipment, net	140,093	466,373	-	-	606,466
	120,479,045	70,582	-	-	120,549,627
	172,768,330	648,896	-	(8,971,939)	164,445,287
Total Assets	\$ 211,720,385	\$ 1,733,430	\$ 9,407,540	\$ (9,087,226)	\$ 213,774,129

Arbor Acres United Methodist Retirement Community, Inc. and Affiliates
Consolidating Balance Sheet
December 31, 2025

(Continued)

	Arbor Acres	Home Care	Strategic Development	Eliminations	Total
LIABILITIES AND NET ASSETS					
Current Liabilities					
Accounts payable	\$ 816,398	3,983	\$ 2,563	-	\$ 822,944
Accrued expenses	1,867,223	35,602	-	-	1,902,825
Accrued interest payable	172,559	-	-	-	172,559
Estimated refundable entrance fees	757,565	-	-	-	757,565
Current maturities of operating leases	58,984	27,401	-	-	86,385
Current maturities of long-term debt	3,238,000	-	-	-	3,238,000
Due to affiliates	7,654	52,935	54,698	(115,287)	-
Total Current Liabilities	<u>6,918,383</u>	<u>119,921</u>	<u>57,261</u>	<u>(115,287)</u>	<u>6,980,278</u>
Long-Term Liabilities					
Refundable deposits	707,500	-	-	-	707,500
Deferred revenue from entrance fees	56,927,257	-	-	-	56,927,257
Operating leases, less current maturities	81,109	438,972	-	-	520,081
Long-term debt, less current maturities	59,267,017	-	-	-	59,267,017
Total Long-Term Liabilities	<u>116,982,883</u>	<u>438,972</u>	<u>-</u>	<u>-</u>	<u>117,421,855</u>
Total Liabilities	<u>123,901,266</u>	<u>558,893</u>	<u>57,261</u>	<u>(115,287)</u>	<u>124,402,133</u>
Net Assets					
Without donor restrictions	69,359,938	1,174,537	9,350,279	(8,971,939)	70,912,815
With donor restrictions	18,459,181	-	-	-	18,459,181
Total Net Assets	<u>87,819,119</u>	<u>1,174,537</u>	<u>9,350,279</u>	<u>(8,971,939)</u>	<u>89,371,996</u>
Total Liabilities and Net Assets	<u>\$ 211,720,385</u>	<u>\$ 1,733,430</u>	<u>\$ 9,407,540</u>	<u>\$ (9,087,226)</u>	<u>\$ 213,774,129</u>

Arbor Acres United Methodist Retirement Community, Inc. and Affiliates
Consolidating Statement of Operations - Without Donor Restriction
Year Ended December 31, 2025

	Arbor Acres	Home Care	Strategic Development	Eliminations	Consolidated Total
Revenue, Gains, and Other Support					
Contributions	\$ 244,169	-	-	-	\$ 244,169
Resident fees	40,414,504	-	-	-	40,414,504
Home Care revenue	-	3,292,283	-	-	3,292,283
Entrance fees earned	8,427,003	-	-	-	8,427,003
Investment income, net	1,435,328	-	287,389	-	1,722,717
Other	330,496	-	-	(60,000)	270,496
Net assets released from restrictions	1,404,334	5,500	-	-	1,409,834
Total Revenue, Gains, and Other Support	52,255,834	3,297,783	287,389	(60,000)	55,781,006
Expenses					
Medical and personal care	12,415,567	-	-	-	12,415,567
Food service	6,904,301	-	-	-	6,904,301
Facility services	7,051,244	-	-	-	7,051,244
Utilities	1,747,427	-	-	-	1,747,427
Resident services	1,851,357	-	-	-	1,851,357
Administration	4,958,823	-	69,331	-	5,028,154
Human resources	986,793	-	-	-	986,793
Home Care expenses	-	2,920,430	-	(60,000)	2,860,430
Marketing and development	1,201,449	-	-	-	1,201,449
Depreciation	9,259,846	-	-	-	9,259,846
Interest	2,064,032	-	-	-	2,064,032
Total Expenses	48,440,839	2,920,430	69,331	(60,000)	51,370,600
Operating Income	3,814,995	377,353	218,058	-	4,410,406
Non-Operating Revenue (Expenses)					
Gain on captive insurance investment	60,007	-	-	-	60,007
Loss on disposal of property	(382,105)	-	-	-	(382,105)
Net realized gain on investments	577,006	-	-	-	577,006
Change in value - interest rate swaps	(1,587,442)	-	-	-	(1,587,442)
Net unrealized gain on investments	4,487,519	-	-	-	4,487,519
Excess of Revenues Over Expenses	6,969,980	377,353	218,058	-	7,565,391
Net Assets Released from Restrictions -	90,353	-	-	-	90,353
Increase in Net Assets Without Donor Restriction	\$ 7,060,333	\$ 377,353	\$ 218,058	\$ -	\$ 7,655,744

See Independent Auditor's Report

Appendix B - Five Year Prospective Financial Statements

**Arbor Acres United Methodist
Retirement Community, Inc.
and Affiliates**

Compilation of a Financial Projection

For Each of the Five Years Ending

December 31, 2030

(with Accountant's
Compilation Report thereon)

**Arbor Acres United Methodist Retirement Community, Inc.
and Affiliates**

Compilation of a Financial Projection

Five Years Ending December 31, 2030

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Accountant's Compilation Report

Board of Directors

Arbor Acres United Methodist Retirement Community, Inc. and Affiliates
Winston-Salem, North Carolina

Management of Arbor Acres United Methodist Retirement Community, Inc. and Affiliates (collectively, the "Company") is responsible for the accompanying financial projection of the Company, which comprises the projected consolidated balance sheets as of and for each of the five years ending December 31, 2030 and the related projected consolidated statements of operations and changes in net assets, and statement of cash flows for each of the years then ending and the related summaries of significant assumptions and rationale in accordance with guidelines for the presentation of a financial projection established by the American Institute of Certified Public Accountants ("AICPA").

The accompanying projection and this report were prepared to comply with the requirements of North Carolina General Statutes, Chapter 58, Article 64 Continuing Care Retirement Communities and Title 11 of the North Carolina Administrative Code. Accordingly, this report should not be used for any other purpose.

We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services Committee of the AICPA. We did not examine or review the financial projection nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management of the Company. Accordingly, we do not express an opinion, a conclusion, or provide any form of assurance on this financial projection.

Furthermore, even if the following hypothetical assumptions occur during the projection period:

- Construction, financing, development, marketing, and other related costs for the new independent living units occur in the assumed timeline and at the assumed costs; and
- The new independent living units are successfully marketed and occupied at the assumed occupancy levels.

The projected results may not be achieved, as there will usually be differences between the prospective 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.

Forvis Mazars, LLP

Atlanta, Georgia
May 20, 2026

**Arbor Acres United Methodist Retirement Community, Inc.
and Affiliates**

Projected Consolidated Statements of Operations and Changes in Net Assets
For Each of the Five Years Ending December 31,
(In Thousands)

	2026	2027	2028	2029	2030
Revenue, Gains, and Other Support					
Contributions	1,420	1,420	1,420	1,420	1,420
Resident Fees	40,649	42,367	44,319	45,987	47,719
Home care revenue	3,821	4,162	4,533	4,938	5,380
Entrance fees earned	8,350	8,618	8,887	8,887	8,887
Investment income, net	1,470	2,467	2,732	2,835	2,971
Other	202	211	220	228	236
Total Revenues, Gains, and Other Support	\$ 55,912	\$ 59,245	\$ 62,111	\$ 64,295	\$ 66,613
Expenses					
Medical and personal care	12,430	12,917	13,433	13,971	14,530
Food service	7,759	8,082	8,411	8,732	9,064
Facility services	7,097	7,384	7,681	7,983	8,296
Utilities	1,813	1,876	1,941	2,008	2,078
Resident services	1,985	2,066	2,150	2,232	2,318
Administration	5,592	5,799	6,056	6,252	6,501
Human resources	1,179	1,226	1,275	1,326	1,379
Home Care expenses	3,320	3,626	3,960	4,324	4,722
Marketing and development	1,487	1,546	1,608	1,672	1,739
Depreciation	9,874	10,276	10,526	10,834	11,198
Interest	2,046	2,847	2,593	2,494	2,303
Total Expenses	\$ 54,582	\$ 57,645	\$ 59,634	\$ 61,828	\$ 64,128
Operating income	\$ 1,330	\$ 1,600	\$ 2,477	\$ 2,467	\$ 2,485
Non-Operating Revenue (Expenses)					
Loss on disposal of property	(500)	(500)	(500)	(500)	(500)
Excess of Revenues Over Expenses	\$ 830	\$ 1,100	\$ 1,977	\$ 1,967	\$ 1,985
Change in Net Assets	830	1,100	1,977	1,967	1,985
Net Assets, Beginning of Year	89,372	90,202	91,302	93,279	95,246
Net Assets, End of Year	90,202	91,302	93,279	95,246	97,231

**See accompanying Accountant's Compilation Report and Summary of
Significant Projection Assumptions and Rationale**

**Arbor Acres United Methodist Retirement Community, Inc.
and Affiliates**

Projected Consolidated Statements of Cash Flows
For Each of the Five Years Ending December 31,
(In Thousands)

	2026	2027	2028	2029	2030
Operating Activities					
Change in net assets	830	1,100	1,977	1,967	1,985
Adjustments to reconcile change in net assets to net cash provided by operating activities:					
Depreciation	9,874	10,276	10,526	10,834	11,198
Loss on disposal of property	500	500	500	500	500
Entrance fees and deposits received	9,955	10,445	10,933	11,284	11,901
Amortization of entrance fees	(8,350)	(8,618)	(8,887)	(8,887)	(8,887)
Amortization of deferred costs	142	142	142	142	64
Changes in operating assets & liabilities:					
Accounts receivable	194	(48)	(53)	(48)	(50)
Prepaid expenses	(85)	(24)	(26)	(25)	(28)
Accounts payable	769	70	74	74	80
Accrued expenses	(127)	94	100	104	110
Net Cash Provided by Operating Activities	\$ 13,702	\$ 13,937	\$ 15,286	\$ 15,945	\$ 16,873
Investing Activities					
Acquisition of property and equipment	(19,033)	(14,122)	(7,075)	(7,429)	(7,800)
Purchase of investments and assets limited as to use	(14,948)	(2,642)	(4,754)	(4,086)	(4,373)
Sales of investments and assets limited as to use	5,849	(328)	1,047	379	379
Net Cash Used in Investing Activities	\$ (28,132)	\$ (17,092)	\$ (10,782)	\$ (11,136)	\$ (11,794)
Financing Activities					
Entrance fees received on new units	-	5,957	-	-	-
Payment on long-term debt	(3,238)	(8,352)	(3,411)	(3,694)	(3,890)
Proceeds from bank loan	13,400	6,600	-	-	-
Refunds of entrance fees and deposits	(1,057)	(643)	(656)	(680)	(723)
Net Cash Provided by (Used in) Financing Activities	\$ 9,105	\$ 3,562	\$ (4,067)	\$ (4,374)	\$ (4,613)
Change in Cash and Cash Equivalents	(5,325)	407	437	435	466
Cash and Cash Equivalents, Beginning	14,676	9,351	9,758	10,195	10,630
Cash and Cash Equivalents, Ending	\$ 9,351	\$ 9,758	\$ 10,195	\$ 10,630	\$ 11,096

**See accompanying Accountant's Compilation Report and Summary of
Significant Projection Assumptions and Rationale**

**Arbor Acres United Methodist Retirement Community, Inc.
and Affiliates**

Projected Consolidated Balance Sheets
At December 31,
(In Thousands)

	2026	2027	2028	2029	2030
Assets					
Current assets					
Cash and cash equivalents	9,351	9,758	10,195	10,630	11,096
Investments	47,912	50,554	55,308	59,394	63,767
Accounts receivable	1,028	1,076	1,129	1,177	1,227
Prepaid expenses	552	576	602	627	655
Total Current Assets	\$ 58,843	\$ 61,964	\$ 67,234	\$ 71,828	\$ 76,745
Non-Current Assets					
Assets limited as to use:					
Board designated for:					
Assistance endowment	7,362	7,362	7,362	7,362	7,362
Workforce endowment	2,779	2,779	2,779	2,779	2,779
Donor restricted for:					
Resident assistance	19	19	19	19	19
Assistance endowment	14,893	14,288	13,683	13,078	12,473
Other specific purposes	1,464	1,464	1,464	1,464	1,464
Operating reserve requirement	5,561	6,494	6,052	6,278	6,504
Total Assets Limited as to Use	\$ 32,078	\$ 32,406	\$ 31,359	\$ 30,980	\$ 30,601
Beneficial interest in perpetual trusts	1,465	1,465	1,465	1,465	1,465
Other long-term assets	337	337	337	337	337
Interest rate swap asset	3,560	3,560	3,560	3,560	3,560
Operating lease right-of-use assets	521	442	329	251	166
Property and equipment, net	129,209	132,555	128,604	124,699	120,801
Total Non-Current Assets	\$ 167,170	\$ 170,765	\$ 165,654	\$ 161,292	\$ 156,930
Total Assets	\$ 226,013	\$ 232,729	\$ 232,888	\$ 233,120	\$ 233,675

**See accompanying Accountant's Compilation Report and Summary of
Significant Projection Assumptions and Rationale**

**Arbor Acres United Methodist Retirement Community, Inc.
and Affiliates**

Projected Consolidated Balance Sheets (continued)
At December 31,
(In Thousands)

	2026	2027	2028	2029	2030
<u>Liabilities and Net Assets</u>					
Current Liabilities					
Accounts payable	1,592	1,662	1,736	1,810	1,890
Accrued expenses	1,759	1,835	1,917	1,999	2,087
Accrued interest payable	189	207	225	247	269
Estimated refundable entrance fees	643	656	680	723	734
Current maturities of operating lease liabilities	79	113	78	85	92
Current maturities of long-term debt	8,352	3,411	3,694	3,890	2,989
Total Current Liabilities	\$ 12,614	\$ 7,884	\$ 8,330	\$ 8,754	\$ 8,061
Long-Term Liabilities					
Refundable deposits	708	708	708	708	708
Deferred revenue from entrance fees	57,590	64,718	66,084	67,758	70,038
Operating lease liabilities, less current maturities	442	329	251	166	74
Long-term debt, less current maturities	64,457	67,788	64,236	60,488	57,563
Total Long-Term Liabilities	\$ 123,197	\$ 133,543	\$ 131,279	\$ 129,120	\$ 128,383
Total Liabilities	\$ 135,811	\$ 141,427	\$ 139,609	\$ 137,874	\$ 136,444
Net Assets					
Without donor restrictions	72,341	74,026	76,588	79,140	81,710
With donor restrictions	17,861	17,276	16,691	16,106	15,521
Total Net Assets	\$ 90,202	\$ 91,302	\$ 93,279	\$ 95,246	\$ 97,231
Total Liabilities and Net Assets	\$ 226,013	\$ 232,729	\$ 232,888	\$ 233,120	\$ 233,675

**See accompanying Accountant's Compilation Report and Summary of
Significant Projection Assumptions and Rationale**

Arbor Acres United Methodist Retirement Community, Inc. and Affiliates

Summary of Significant Projection Assumptions and Rationale

Basis of Presentation

The accompanying financial projection presents, to the best of the knowledge and belief of management (“Management”) of Arbor Acres United Methodist Retirement Community, Inc. (the “Corporation”), and Affiliates (defined hereinafter), the expected financial position, results of operations and changes in net assets, and cash flows of the Corporation and Affiliates (collectively, the “Company”) as of and for each of the five years ending December 31, 2030. Accordingly, the financial projection reflects Management’s judgment as of May 20, 2026, the date of this projection, based on present circumstances and the expected course of action during the projection period. However, even if the hypothetical assumptions stated below were to occur, there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

The accompanying projection and this report were prepared to comply with the requirements of North Carolina General Statutes, Chapter 58, Article 64 and Title 11 of the North Carolina Administrative Code. Accordingly, this report should not be used for any other purpose. The assumptions disclosed herein are those that Management believes are significant to the prospective financial statements. There will usually be differences between the prospective and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

The prospective financial statements included in the projection have been prepared in accordance with the accounting principles generally accepted in the United States of America. Significant accounting policies are described in the appropriate assumptions and notes to the prospective financial statements. The assumptions described are not all-inclusive.

A hypothetical assumption is an assumption used in a financial projection to present a condition or course of action that is not necessarily expected to occur but is consistent with the purpose of the presentation. Hypothetical assumptions are not derived from sources, which are based upon supporting documentation such as contracts, agreements, or other empirical data. Management has prepared its financial projection assuming the following hypothetical assumptions:

- Construction, financing, development, marketing, and other related costs for the new independent living units occur in the assumed timeline and at the assumed costs; and
- The new independent living units are successfully marketed and occupied at the assumed occupancy levels.

See accompanying Accountant’s Compilation Report

Background

The Corporation, incorporated in 1975, is a non-profit corporation under Internal Revenue Code (“IRC”) Section 501(c)(3) and is, therefore, exempt from federal and state income taxes. The Corporation owns and operates a continuing care retirement community (“CCRC”) known as Arbor Acres (the “Community”) in Winston-Salem, North Carolina.

The Corporation was organized under the sponsorship of the Western North Carolina Annual Conference of the United Methodist Church (the “Conference”). The Conference is not responsible for the financial and contract obligations of the Corporation. The Community operates under the supervision of a volunteer board of directors (the “Board”), whose members are elected by the Board.

Arbor Acres Home Care, LLC (“Home Care”) was formed in 2018 to provide home care aide services to Residents (hereinafter defined) of the Community in the comfort of the Residents’ homes (the “Home Care Program”). Home Care is licensed to provide services in Forsyth County, North Carolina, and the contiguous counties, and began offering services to non-residents of the community in 2025.

Arbor Acres Strategic Development, LLC (“Strategic Development”) was formed and funded in June 2023 for the purpose of investigating potential growth opportunities for the Corporation. As of December 31, 2025, Strategic Development held approximately \$9,398,000. For purposes of the projection, no changes to Strategic Development’s financial position during the projection period are assumed.

The Corporation is the parent corporation and sole member of both Home Care and Strategic Development. Home Care and Strategic Development are referred herein as the “Affiliates”.

The Community

The Community is located on approximately 82 acres in Winston-Salem, Forsyth County, North Carolina at 1240 Arbor Road and provides a continuum of residential accommodations, which currently include 155 independent living apartments (the “Independent Living Apartments”), 132 independent living homes (the “Independent Living Homes”), 65 assisted living units (the “Assisted Living Units”), 30 assisted living memory care units (the “Memory Care Units”), 83 skilled nursing beds (the “Nursing Beds”), and associated and administrative common areas and amenities.

The Independent Living Apartments are located across six mid-rise residential buildings, which also include the following support facilities: business offices, fellowship hall, recreational areas, dining room, bistro, beauty shop, several parlors, kitchen, housekeeping, laundry, and maintenance service areas.

The Independent Living Apartments and the Independent Living Homes are collectively referred to as the “Independent Living Units” or “ILUs”.

In 2018, the Corporation added a membership program known as the “Advantage Program”, which is offered to prospective residents living in the surrounding area. Advantage Program members (“Advantage Program Members”) have access to Community amenities and healthcare services while remaining in their current homes.

See accompanying Accountant’s Compilation Report

The following table summarizes the type, number, approximate square footage, monthly fees (“Monthly Fees”), and entrance fees (“Entrance Fees”) for the Independent Living Units.

Table 1
Independent Living Unit Configuration

Type of Unit	Number of Units	Square Footage	Entrance Fees ⁽¹⁾⁽²⁾⁽³⁾	Monthly Fees ⁽¹⁾
Womble – Studios				
Studio ⁽⁴⁾	8	315	\$ 54,000	\$ 2,387
Studio w/ Study ⁽⁴⁾	3	315	140,000	2,387
Total/Weighted Averages	11	315	\$ 77,455	\$ 2,387
Studio Suites				
Connecting Room Suite – Womble ⁽⁴⁾	17	630	\$ 140,000	\$ 3,482
1 BR – Corpening Apt.	20	630	147,000	3,583
Total/Weighted Averages	37	630	\$ 143,784	\$ 3,537
Stockton Apartments⁽⁵⁾				
1 BR – 1 Bath – Type A	4	991	\$ 284,000	4,093
1 BR – 1.5 Bath – Type B	6	1,160	333,000	4,380
2 BR – 2 Bath – Type C-1	6	1,217	349,000	4,523
2 BR – 2 Bath – Type C-2	6	1,397	401,000	4,616
2 BR – 2 Bath – Type C-3	6	1,500	431,000	4,867
2 BR – 2 Bath – Type D-1	6	1,592	457,000	5,138
2 BR – 2 Bath – Type D-2	8	1,602	460,000	5,195
2 BR – 2 Bath – Type D-3	3	1,728	496,000	5,528
Total/Weighted Averages	45	1,404	\$ 402,889	\$ 4,792
Aldersgate Square Independent Living Units⁽⁵⁾				
2 BR – Duo	2	1,546	\$ 489,000	\$ 5,289
2 BR – Custom	14	1,615	510,000	5,431
2 BR – Deluxe	14	1,767	558,000	5,790
2 BR – Alcove	12	1,800	569,000	5,842
2 BR – Den Deluxe	14	2,005	684,000	6,509
Total/Weighted Averages	56	1,788	\$ 577,393	\$ 5,873
Homes				
1 BR – 1 Bath	4	1,150	\$ 310,500	\$ 3,868
2 BR – 2 Bath	21	1,300	373,000	4,218
2 BR – 2 Bath	29	1,500	430,500	4,690
2 BR – 2 Bath	11	1,700	488,000	5,115
2 BR – 2 Bath	17	1,900	545,500	5,523
2 BR – 2 Bath	9	2,100	602,500	5,786
2 BR – 2 Bath	9	2,300	660,000	6,290
2 BR – 2 Bath	9	2,500	698,000	6,605
Total/Weighted Averages	109	1,729	\$ 493,995	\$ 5,122
Courtyard Homes				
1 BR – 1 Bath	5	1,060	\$ 304,000	\$ 3,829
2 BR – 2 Bath	5	1,187	341,000	4,067
Total/Weighted Averages	10	1,124	\$ 322,500	\$ 3,948
Patio Homes				
2 BR – 2 Bath	11	1,326	\$ 381,000	\$ 4,146
Total/Weighted Averages	11	1,326	\$ 381,000	\$ 4,146
Total ILUs/Weighted Averages	279	1,449	\$ 422,572	\$ 4,821
Second person fees			\$12,000	\$ 1,293

Source: Management

- (1) The Entrance Fee and Monthly Fee pricing is effective as of January 1, 2026.
- (2) The Corporation offers a declining refundable Entrance Fee plan (the “Traditional Amortizing Plan”).
- (3) Entrance Fees represent non-premium pricing. Premiums ranging from \$10,000 to \$55,000 are added to the Entrance Fee for top floor Independent Living Units, ground floor walk-out Independent Living Units, views, and other premium features.
- (4) Management plans to vacate all available Independent Living Apartments in the McPherson and Womble buildings. Prior to January 2026, Management had already vacated 35 Independent Living Apartments in the McPherson and Womble buildings. Management plans to vacate the remaining 28 available (22 occupied) Independent Living Apartments in the McPherson and Womble buildings on an average of 3.5 units vacated per year.
- (5) One parking space is included for the 2-bedroom Stockton Apartments and all Aldersgate Square Independent Living Units.

See accompanying Accountant’s Compilation Report

The Assisted Living Units are located in a mid-rise residential building (the “Assisted Living Building”). The Memory Care Units and Nursing Beds are located in Fitzgerald Health Center (“Fitzgerald”). Support facilities in Fitzgerald include offices, family rooms, dining rooms, activity areas, physical therapy room, special bathing unit, and beauty shop. The Assisted Living Units, Memory Care Units, and Nursing Beds are collectively referred to as the “Healthcare Units”.

The Assisted Living Units and Memory Care Units are classified as “Adult Care Homes,” which are licensed and regulated by the North Carolina Department of Health and Human Services (“DHHS”). The Community is licensed for 106 Adult Care Home beds. The Corporation is currently operating 98 licensed Adult Care Home beds, which includes the Assisted Living Units and Memory Care Units.

The following table summarizes the type, number, approximate square footage, and daily fees (“Daily Fees”) of the Healthcare Units, effective January 1, 2026.

Table 2
Healthcare Unit Configuration

Type of Unit	Number of Units	Number of Beds ⁽¹⁾⁽²⁾	Square Footage	Daily Fees ⁽³⁾⁽⁴⁾
Assisted Living Units				
Studio	22	22	453	\$ 281
1 BR ⁽⁵⁾	42	44	541	326
2 BR	1	2	904	387
Assisted Living Units – Total/weighted averages	65	68	517	\$ 312
Memory Care Units				
Level III Memory Care	30	30	450	\$ 415
Assisted Living Units and Memory Care Units – Total/weighted averages	95	98	496	\$ 344
Nursing Beds				
Private Room	83	83	314	\$ 491
Healthcare Units – Total/weighted averages	178	181	411	

Source: Management

- (1) The Community is licensed by DHHS for 106 Adult Care Home beds.
- (2) The Community is licensed by DHHS for 83 nursing beds. The Corporation does not participate in Medicaid and is licensed for 6 Medicare skilled nursing beds. The Corporation is currently operating three Nursing Beds for Medicare temporary stays and three Nursing Beds for private pay temporary stays.
- (3) Direct admission into the Assisted Living Units requires a one-time, non-refundable Entrance Fee ranging from \$3,000 to \$7,500. Direct admission into the Memory Care Units and Nursing Beds requires a one-time, non-refundable Entrance Fee of \$6,000.
- (4) The second person Daily Fee for the Assisted Living Units is \$226.
- (5) Three Assisted Living Units allow for double occupancy.

See accompanying Accountant’s Compilation Report

The Asbury Neighborhood Expansion

Management is planning to expand the Asbury neighborhood with new independent living units (the “Expansion”), to consist of 10 new independent living apartments (the “Expansion Independent Living Units”). The following table summarizes the planned type, number, approximate square footage, Entrance Fees, and Monthly Fees for the Expansion Independent Living Units.

Independent Living Unit Type	Unit Count	Square Footage	Entrance Fees ⁽¹⁾	Monthly Fees ⁽¹⁾
2 Bedroom	3	1,384	\$437,000	\$4,327
2 Bedroom	4	2,120	\$667,000	\$5,786
2 Bedroom	3	2,420	\$764,000	\$6,605
Total/Wtd. Avg.	10	1,989	\$627,100	\$5,594

Source: Management

(1) The Entrance Fees and Monthly Fees shown for the Expansion Independent Living Units are as of January 1, 2026.

(2) The second person Entrance Fee and Monthly Fee is an additional non-refundable \$12,000 and \$1,293, respectively.

Expansion Timeline

The following table illustrates the anticipated timeline for construction completion and fill-up of the Expansion.

Close on 2026 Bank Loans	April 2026
Construction on the Expansion commences	May 2026
Expansion Independent Living Units available for occupancy	June 2027
Expansion Independent Living Units achieve stabilized occupancy of 95%	July 2027

Source: Management

See accompanying Accountant’s Compilation Report

Summary of Expansion Financing

Total financial requirements to complete the Expansion are assumed to approximate \$20,000,000. Management has assumed the following sources and uses of funds in preparing the financial projection.

Sources of Funds:	
2026 Long-Term Loan ⁽¹⁾	\$ 9,000
2026 Renovation Loan ⁽¹⁾	6,000
2026 Entrance Fee Loan ⁽¹⁾	5,000
Total Sources of Funds	\$ 20,000
Uses of Funds:	
Project fund ⁽²⁾	\$ 20,000
Total Uses of Funds	\$ 20,000

Source: Management

- (1) Management assumes the following loans to be issued: \$9,000,000 variable rate loan (the “2026 Long-Term Loan”); \$6,000,000 variable rate loan (the “2026 Renovation Loan”); and the \$5,000,000 variable rate loan (the “2026 Entrance Fee Loan”). The 2026 Long-Term Loan, 2026 Renovation Loan, and 2026 Entrance Fee Loan are collectively defined as the “2026 Bank Loan”.
- (2) Project costs for the Expansion are assumed to approximate \$20,000,000, consisting of \$12,000,000 for a 10-unit cottage expansion (the “Asbury Neighborhood Expansion”), \$6,000,000 for the renovation of the Womble apartment building, and \$2,000,000 for the renovation of the community entrance and replacement of the gatehouse.

See accompanying Accountant’s Compilation Report

Residency Agreement

Services and Amenities

The residency agreement (“Residency Agreement”) is a contract under which the Corporation is obligated, upon payment by the resident (the “Resident” or “Residents”) of an Entrance Fee and ongoing Monthly Fee or Daily Fee, to provide certain services to the Resident. While the Resident occupies an Independent Living Unit, services provided include:

- Dining services with meals or meal allowance;
- Weekly housekeeping service and annual deep cleaning;
- Laundering of bed and bath linens furnished by the Corporation;
- Heat, air conditioning, electricity, gas, water, and sewer; telephone jack, but no personal telephone handset or telephone service;
- Basic cable television and internet service;
- Emergency call system, nursing assessments, and assistance in emergencies;
- Routine consultation regarding health concerns;
- Recreational, educational, cultural, wellness, and spiritual life programs;
- Routine transportation to non-emergency medical appointments;
- In-patient care in Fitzgerald with limited days at no additional charge;
- Maintenance of the Community’s buildings and common grounds; and
- 24-7 security personnel on the grounds of the Community.

Admittance Standards

The terms of the Residency Agreement require the Corporation accept persons who exhibit the ability to live independently and meet the financial obligation as a Resident. Upon execution of the Residency Agreement, the Resident has the following payment options: (i) pay the Entrance Fee in full, or (ii) pay twenty-five percent of the total Entrance Fee, with the balance to be paid no later than five days prior to the date of occupancy.

Additional Services or Care

Pursuant to the Residency Agreement, the Resident may reside in the Independent Living Unit for as long as they are capable of meeting the requirements of occupancy. If the Resident is no longer able to meet the requirements of residing in the Independent Living Units, the Resident may be transferred temporarily or permanently to a Healthcare Unit.

See accompanying Accountant’s Compilation Report

Summary of Significant Accounting Policies

- (a) Basis of Accounting – The Company maintains its accounting and financial records according to the accrual basis of accounting.
- (b) Principles of Consolidation – The consolidated financial statements include the accounts of the Company consisting of the Corporation, Home Care, and Strategic Development. All material intercompany accounts and transactions have been eliminated in consolidation.
- (c) Cash and Cash Equivalents – Cash and cash equivalents, excluding those classified as investments and assets whose use is limited, include cash in banks, cash on hand, and investments in highly liquid debt instruments with an original maturity of three months or less when purchased. The Company maintains its cash in bank accounts which, at times, may exceed federally depository insurance limits. Management believes the credit risk associated with these deposits is minimal.
- (d) Investments – Investments in mutual funds, exchange traded funds, and fixed income securities are measured at fair value based on quoted market prices. Investment in certain alternative investments is recorded at net asset value. Investment income (including realized gains and losses on investments, interest, and dividends) is included in operating income unless restricted by donor or law. Management assumes no realized or unrealized gains and losses in the projection period.
- (e) Assets Limited as to Use – Assets limited as to use primarily include assets designated by the Board, over which the Board retains control and may, at its discretion, subsequently use for other purposes, or restricted by donors or trustee agreements for future capital improvements, operating reserves, and Resident assistance.

North Carolina General Statute § 58-64A-245 requires CCRCs to maintain an operating reserve (the “Statutory Operating Reserve”) as a percentage of the total operating costs in a given year, based on occupancy levels of the independent units. This law provides security to residents that the Corporation is able to meet its contractual obligations to provide continuing care. On December 31, 2025, the reserve totaled \$10,792,000.

Assistance endowment funds include donor-restricted funds and amounts designated by the Board. The Corporation uses certain board designated net assets and the earnings from certain permanently restricted net assets for assistance to Residents.

- (f) Property and Equipment – Property and equipment are stated at cost less accumulated depreciation. Donated property is recorded at its estimated fair value at the time of receipt. Depreciation is computed using the straight-line method based on the following estimated useful lives:

Land improvement	20 years
Buildings	10 to 40 years
Furniture and equipment	3 to 10 years

See accompanying Accountant’s Compilation Report

- (g) Debt Issuance Costs – Debt issuance costs include underwriter fees, feasibility studies, modification fees, and other professional fees. Debt issuance costs have been recorded as a deduction against the related debt and are being amortized using the straight-line method over the lives of the various debt instruments, which approximate amortization computed using the effective interest method.
- (h) Refundable Deposits – Refundable deposits include advance payments to be made at the time an individual is accepted for residency into the Independent Living Units, as well as the portion of the payment of parking fees that will be refunded to the Resident when parking is no longer required.
- (i) Obligation to Provide Future Services – As of December 31, 2025, the calculation of the Corporation’s obligation to provide future services resulted in the net present value of future cash inflows exceeding the net present value of future expenditures, less the balance of unamortized deferred revenue, plus depreciation of facilities to be charged related to Resident contracts. Therefore, no liability was reflected in the consolidated balance sheet as of December 31, 2025. For purposes of the projection, no provision for future service obligations is assumed to be required during the projection period.
- (j) Interest Rate Swap – The Corporation utilizes interest rate swaps to manage the variability in interest rates on its bonds. The Corporation accounts for its interest rate swaps under accounting principles generally accepted in the United States, which requires companies to recognize all derivative instruments as either assets or liabilities in the balance sheet at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, a company must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, cash flow hedge, or a hedge of the foreign currency exposure of a net investment in a foreign operation. For derivative instruments not designated as hedging instruments, the changes in fair value are recognized in excess revenue over expenses. The Corporation’s interest rate swaps are not designated as hedging instruments and the changes in fair value are included in changes in net assets without donor restrictions. For purposes of the projection, no changes in the fair value of interest rate swaps are assumed during the projection period.
- (k) Income Taxes – The Corporation has been recognized by the Internal Revenue Service as a non-profit corporation as described in Section 501(c)(3) of the IRC and is exempt from federal income taxes pursuant to Section 501(a). The Affiliates are limited liability companies that have not elected to be taxed as a corporation under IRC regulations. The Affiliates are wholly owned by the Corporation. As such, the Affiliates are considered disregarded entities under current IRC regulations.
- (l) Deferred Revenue from Entrance Fees – The non-refundable portion of Entrance Fees received are recorded as deferred revenue and are recognized as operating income using the straight-line method over the estimated remaining life expectancy of the Residents in the Independent Living Units, adjusted annually as determined by actuarial life expectancy tables.

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- (m) Refundable Entrance Fees – Refundable entrance fees represent the total contractual refund obligations under existing contracts (that is if all Residents with a refundable balance were to have withdrawn).
- (n) Resident Fees – Resident fees represent the estimated net realizable amounts from patients, third-party payors, and others for services rendered. Resident fees are recorded as revenue when earned.
- (o) Financial Assistance – The Corporation currently maintains a financial assistance program and policy for Residents holding continuing care residency agreements in the event the resident(s) should become unable to pay for services. The Corporation reserves the right to change the program and policy and does not guarantee future financial assistance. The Corporation does not expect to collect the normal charges for services provided for those Residents who meet the financial assistance provisions so estimated charges for such assistance are not included in revenue. The Corporation uses both donor-restricted and board-restricted funds to provide financial assistance. The Corporation receives contributions in three primary ways: through annual fundraising efforts, annual requests of outreach ministries, and estate donations.
- (p) Use of Estimates – The preparation of the projected 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 amounts reported in the projected consolidated financial statements. Actual results could differ from those estimates.

See accompanying Accountant's Compilation Report

Summary of Operating Revenue and Entrance Fee Assumptions

Independent Living Units

Resident service revenue for Residents living in the Independent Living Units is based upon the assumed occupancy and the Monthly Fees of the respective Independent Living Units. Monthly Fees for the Independent Living Units are assumed to increase 4.0 percent beginning January 1, 2027 and annually thereafter.

As part of strategic initiatives and recent expansion efforts, Management plans to vacate all available Independent Living Apartments in the existing McPherson and Womble buildings. Prior to January 2026, Management had already vacated 35 Independent Living Apartments in the McPherson and Womble buildings. For purposes of the projection, Management anticipates the remaining 22 Independent Living Apartments in the McPherson and Womble buildings to be vacated over a 7-year period beginning January 2026, for an average of 3.5 units per year, allowing Management to vacate either building by January 1, 2033.

The following table summarizes the assumed utilization of the Independent Living Units during the projection period:

Years Ended December 31,	Existing Independent Living Units		Expansion Independent Living Units				Total ILU Occupancy
	Average Units Occupied	Average Units Available	Average Occupancy	Average Units Occupied	Average Units Available	Average Occupancy	
2026 ⁽¹⁾	257.5	275.5	93.5%	-	-	-	93.5%
2027 ⁽²⁾	254.0	272.0	93.4%	4.7	10.0	47.0%	91.7%
2028	250.5	268.5	93.3%	9.5	10.0	95.0%	93.4%
2029	247.0	265.0	93.2%	9.5	10.0	95.0%	93.3%
2030	243.5	261.5	93.1%	9.5	10.0	95.0%	93.2%

Source: Management

- (1) Changes in average available Existing Independent Living Units reflect an assumed reduction of 22 occupied Independent Living Apartments in the McPherson and Womble buildings at a rate of 3.5 units per year.
- (2) Expansion Independent Living Units move-ins start in June 2027.

Double occupancy percentages in the Independent Living Units are assumed to be 32.2 percent of the occupied units throughout the projection period.

See accompanying Accountant's Compilation Report

Expansion Independent Living Monthly Unit Move-in Schedule

The following table summarizes the move-in assumptions for the Expansion Independent Living Units during the projection period through stabilized occupancy.

Fiscal Year/Month	Expansion Independent Living Units	Cumulative Occupied	Cumulative Occupancy ⁽¹⁾
2027			
June	5.0	5.0	50.0%
July	4.5	9.5	95.0%

Source: Management

Notes:

(1) Cumulative occupancy is based on 10 Expansion Independent Living Units

Assumed Independent Living Turnover

The assumed turnover for the Independent Living Units due to death, withdrawal, or transfer to an Assisted Living Unit, Memory Care Unit, or Nursing Bed, and double occupancy of the Independent Living Units has been based, in part, on historical experience of the Corporation.

Refunds of Entrance Fees are generated upon termination of the Residency Agreement and withdrawal from the Community, subject to the re-occupancy of the vacated Independent Living Units. Entrance Fees may be generated from Independent Living Unit turning over without a corresponding refund because the Resident has not withdrawn from the Community, but has permanently transferred to assisted living, memory care, or nursing accommodations. The assumed number of refunds on the Independent Living Units is provided by Management.

See accompanying Accountant’s Compilation Report

The following table presents the assumed attrition Entrance Fees received and total Entrance Fee refunds.

Fiscal Years Ending December 31,	2026	2027	2028	2029	2030
<i>Initial – Asbury Neighborhood Expansion</i>					
Number of Entrance Fees received	-	9.5	-	-	-
Entrance Fees received	-	\$ 5,957	-	-	-
<i>Number of Entrance Fees Received</i>					
Entrance Fees Received	32.0	32.0	32.0	32.0	32.0
<i>Entrance Fees Received</i>					
Independent Living Units	\$ 9,603	\$ 10,129	\$ 10,584	\$ 10,903	\$ 11,487
Assisted Living Units, Memory Care Units, & Nursing Beds ⁽¹⁾	\$ 125	\$ 129	\$ 133	\$ 137	\$ 141
Advantage Program ⁽²⁾	\$ 227	\$ 188	\$ 216	\$ 244	\$ 273
<i>Entrance Fees Refunded</i>					
Independent Living Units ⁽³⁾	\$(1,000)	\$ (576)	\$ (580)	\$ (596)	\$ (631)
Advantage Program ⁽⁴⁾	\$ (57)	\$ (67)	\$ (76)	\$ (84)	\$ (91)
Entrance Fees Received, Net of Refunds	\$ 8,898	\$ 15,760	\$ 10,277	\$ 10,604	\$ 11,179

Source: Management

- (1) Direct admission into the Assisted Living Units requires a one-time, non-refundable Entrance Fee ranging from \$3,000 to \$7,500. Direct admission into the Memory Care Units and Nursing Beds requires a one-time, non-refundable Entrance Fee of \$6,000.
- (2) There is a \$12,500 Entrance Fee for Advantage Program Members, which is refundable over 50 months minus a \$1,000 non-refundable fee.
- (3) The Corporation offers a Traditional Amortizing Plan.
- (4) Entrance Fees already paid for Advantage Program are transferrable to the Entrance Fee required to move into a residential unit at the Community.

Entrance Fees for the Independent Living Units, Assisted Living Units, Memory Care Units, Nursing Beds, and Advantage Program are assumed to increase 3.0 percent beginning January 1, 2027 and annually thereafter.

Assisted Living Units and Memory Care Units

The Community currently has accommodations, equipment, staffing, programs, services, and supervision necessary for the Assisted Living Units and Memory Care Units, with these accommodations available to Residents on a priority basis. However, the Corporation cannot guarantee access to these areas.

Daily Fees are generated from assisted living and memory care services provided to Residents transferring from the Independent Living Units or Assisted Living Units, as well as direct admissions from the surrounding area to the Assisted Living Units or Memory Care Units. Residents permanently transferring from the Independent Living Units to the Assisted Living Units or Memory Care Units are assumed to pay the then-current Daily Fee. Daily Fees for the Assisted Living Units and Memory Care Units are assumed to increase 4.0 percent beginning January 1, 2027 and annually thereafter.

See accompanying Accountant's Compilation Report

The Assisted Living Units and Memory Care Units are assumed to maintain a 91.5 and 96.7 percent occupancy level throughout the projection period, respectively.

The following table summarizes the assumed utilization of the Assisted Living Units and Memory Care Units.

Table 9
Utilization of the Assisted Living Units and Memory Care Units

Fiscal Years Ending December 31,	<u>Assisted Living Units</u>			<u>Memory Care Units</u>		
	Average Occupied	Average Available	Percent Occupied	Average Occupied	Average Available	Percent Occupied
Projected						
2026	59.5	65.0	91.5%	29.0	30.0	96.7%
2027	59.5	65.0	91.5%	29.0	30.0	96.7%
2028	59.5	65.0	91.5%	29.0	30.0	96.7%
2029	59.5	65.0	91.5%	29.0	30.0	96.7%
2030	59.5	65.0	91.5%	29.0	30.0	96.7%

Source: Management

Double occupancy percentages in the Assisted Living Units are assumed to be 2.3 percent of the occupied units throughout the projection period.

Nursing Beds

The Community currently has accommodations, equipment, staffing, programs, services, and supervision necessary for the Nursing Beds, with these accommodations available to Residents on a priority basis. However, the Corporation cannot guarantee access to these areas.

The Daily Fees are generated from services provided to Residents transferring from the Independent Living Units, Assisted Living Units, Memory Care Units, or as direct admissions from the surrounding area to the Nursing Beds. Residents permanently transferring from the Independent Living Units, Assisted Living Units, or Memory Care Units would pay the then-current Daily Fee. Daily Fees for the Nursing Beds are assumed to increase 4.0 percent beginning January 1, 2027 and annually thereafter.

The Nursing Beds are assumed to maintain an 89.2 percent occupancy level throughout the projection period.

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The following table summarizes the assumed utilization of the Nursing Beds.

Table 10
Utilization of the Nursing Beds

Fiscal Years Ending December 31,	Private Pay	Temporary Beds – Medicare	Temporary Beds – Private Pay	Average Occupied	Average Available⁽¹⁾	Percent Occupied
Projected						
2026	71.0	1.5	1.5	74.0	83.0	89.2%
2027	71.0	1.5	1.5	74.0	83.0	89.2%
2028	71.0	1.5	1.5	74.0	83.0	89.2%
2029	71.0	1.5	1.5	74.0	83.0	89.2%
2030	71.0	1.5	1.5	74.0	83.0	89.2%

Source: Management

- (1) The Community is licensed by DHHS for 83 nursing beds. The Community does not participate in Medicaid and is licensed for 6 Medicare skilled nursing beds. The Corporation is currently operating three Nursing Beds for Medicare temporary stays and three Nursing Beds for private pay temporary stays.

In addition, Resident service revenue for the Independent Living Units, Assisted Living Units, Memory Care Units, and Nursing Beds also include revenues from additional resident meals, beer and wine sales, barber and beauty services, and parking fees, which are assumed to increase 4.0 percent beginning January 1, 2027 and annually thereafter.

Advantage Program

Advantage Program revenue is based upon the assumed utilization and an assumed monthly fee of \$400 per individual Member, which is assumed to increase 4.0 percent annually throughout the projection period.

Table 11
Advantage Program Members

Fiscal Years Ending December 31,	2026	2027	2028	2029	2030
Number of Advantage Program Members, Beginning	52.0	63.0	69.3	76.2	83.9
Number of New Advantage Program Members	11.0	6.3	6.9	7.6	8.4
Number of Advantage Program Members, Ending	63.0	69.3	76.2	83.9	92.2
Average Number of Advantage Program Members	57.5	66.2	72.8	80.1	88.1

Source: Management

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Home Care Program

Home Care Program revenue is based upon the assumed utilization and an assumed hourly fee of \$28.00 per hour for home care aide and sitter services. Hourly fees are assumed to increase 4.0 percent annually throughout the projection period. Utilization of the Home Care Program is assumed to increase 5.0 percent annually throughout the projection period.

Table 12
Home Care Program Utilization

Fiscal Years Ending December 31,	2026	2027	2028	2029	2030
Home Care Program Health Aide Hours	128,964	135,412	142,182	149,291	156,756

Source: Management

Other Revenue

Other revenue consists of revenues from catering meals, guest apartment rentals, application fees, gift shop sales, and other miscellaneous sources. Other revenue is assumed to increase 4.0 percent annually throughout the projection period.

Interest Income

The average annual rate of return on the Corporation’s unrestricted cash, investments, and assets limited to use is assumed to be 3.0 percent.

Contributions

Contributions include unrestricted endowment and donor-restricted gifts.

Summary of Operating Expense Assumptions

Operating expenses are estimated by Management based on its historical experience and expectations for the projection period. Staff salaries and benefits are based on prevailing local salary and wage rates and are assumed to increase 4.0 percent annually throughout the projection period. The costs of employee fringe benefits are assumed to approximate 30.2 percent of salaries and wages.

Other non-salary operating expenses are assumed to include ongoing marketing costs, raw food costs, utilities, supplies, maintenance and security contracts, building and general liability insurance, legal and accounting fees, and other miscellaneous expenses and are assumed to increase 4.0 percent annually throughout the projection period.

Assets Limited as to Use

Assets limited as to use include donor-restricted and board-designated funds for residence assistance, assistance endowment, workforce endowment, and for other specific purposes.

See accompanying Accountant’s Compilation Report

Operating Reserve Requirement

Designated for Statutory Operating Reserve: North Carolina General Statute § 58-64A-245 requires CCRC’s to maintain an operating reserve (the “Statutory Operating Reserve”) subject to the certain guidelines.

- A provider shall maintain after the opening of a CCRC an operating reserve equal to fifty percent of the total operating costs of the CCRC forecasted for the 12-month period following the period covered by the most recent disclosure statement filed with the North Carolina Department of Insurance (“NCDOI”).
- Once a CCRC achieves a 12-month daily average independent living unit occupancy rate of 90 percent or higher, a provider shall be required to maintain an operating reserve in an amount calculated using the table below, unless otherwise instructed by NCDOI.
- A provider who has a 12-month daily average independent living unit occupancy rate equal to or in excess of ninety-three percent and has no long-term debt or a debt service coverage ratio in excess of 2.00x as of the provider's most recent fiscal year-end shall be required to maintain an operating reserve equal to 12.5 percent of total operating costs of the CCRC.

12-Month Average Occupancy Rate	Operating Reserve Requirement as a Percentage of Independent Living Unit Occupancy Rate
90% or above	25.00%
86% to 89.9%	31.25%
83% to 85.9%	37.50%
80% to 82.9%	43.75%
Below 80%	50.00%

Management has projected to maintain a Statutory Operating Reserve equal to 12.5 percent of total operating costs.

Lease Expense (Operating Lease)

The Corporation leases copiers under operating leases. Terms of these leases vary and expire in 2032, with monthly rental payments of \$1,865 per month.

As of December 31, 2025, the Corporation had recorded approximately \$606,000 in right-of-use assets related to the operating lease and a corresponding lease liability of approximately \$606,000 (the “Present Value”). The Present Value lease payments are based on a weighted average discount rate of 5.6 percent of the Present Value lease payments due over the remaining weighted average term of 5.81 years.

See accompanying Accountant’s Compilation Report

Property and Equipment and Depreciation Expense

The Corporation's property and equipment costs, net of accumulated depreciation, during the projection period are summarized in the table below.

Years Ending December 31,	2026	2027	2028	2029	2030
Property and equipment, beginning balance	\$ 228,851	\$ 247,384	\$ 261,006	\$ 267,581	\$ 274,510
Project related costs	12,616	7,384	-	-	-
Ongoing capital additions	6,417	6,738	7,075	7,429	7,800
Disposal of assets	(500)	(500)	(500)	(500)	(500)
Property and equipment, gross	247,384	261,006	267,581	274,510	281,810
Accumulated depreciation	(118,175)	(128,451)	(138,977)	(149,811)	(161,009)
Property and equipment, ending balance	\$ 129,209	\$ 132,555	\$ 128,604	\$ 124,699	\$ 120,801

Source: Management

Long-Term Debt and Interest Expense*Series 2010 Bonds*

In June 2010, the Corporation obtained debt ("Series 2010 Bonds") to pay for the construction of the Assisted Living Building. The Series 2010 Bonds consist of \$28,845,000 with a variable interest rate of 79 percent of Secured Overnight Financing Rate plus 1.0854 percent. The Series 2010 Bonds are covered by an interest rate swap that effectively fixes the variable interest rate bonds at 3.333 percent and expires in December 2037. Interest on the Series 2010 Bonds is payable monthly. Principal on the Series 2010 Bonds is paid monthly with a final maturity on January 1, 2038. As of December 31, 2025, the balance of the Series 2010 Bonds was approximately \$20,565,000.

Series 2016 Bonds

In December 2016, \$13,159,000 of North Carolina Medical Care Commission Retirement Facilities First Mortgage Revenue Refunding Bonds (Arbor Acres Methodist Retirement Community) Series 2016 (the "Series 2016 Bonds") were issued to refund then-outstanding debt. The Series 2016 Bonds consist of variable rate tax-exempt bonds, with a fixed interest rate swap at 2.914 percent per annum. Interest on the Series 2016 Bonds is payable monthly. Principal on the Series 2016 Bonds is paid monthly with a final maturity on January 1, 2031. As of December 31, 2025, the balance of the Series 2016 Bonds was approximately \$5,318,000.

Series 2021A Bonds

In July 2021, the Corporation entered into an agreement with a commercial bank (the "Bank") for the purchase of up to \$62,640,000 of North Carolina Medical Care Commission Retirement Facilities First Mortgage Revenue Bonds (Arbor Acres Methodist Retirement Community), Series 2021A (the

See accompanying Accountant's Compilation Report

“Series 2021A Bonds”) to be advanced on a draw-down basis to pay for costs related to the construction of an Independent Living Unit expansion and to convert a then-outstanding taxable bank loan to tax-exempt bonds. The Series 2021A Bonds consist of Series 2021A-1 Bonds, Series 2021A-2 Bonds, and Series 2021A-3 Bonds. As of December 31, 2025, the Series 2021A-2 Bonds were paid off. As of December 31, 2025, the Series 2021A Bonds balance was approximately \$37,254,000.

The Series 2021A-1 Bonds consisted of up to \$33,000,000 tax-exempt bonds with a fixed interest rate swap at 2.205 percent per annum on the outstanding balance up to \$23,000,000 and a variable interest rate of 4.60 percent per annum on the outstanding balance of \$10,000,000, effective July 2023. Interest on the Series 2021A-1 Bonds is payable monthly. Principal on the Series 2021A-1 Bonds is paid monthly beginning September 1, 2024, with a final maturity on January 1, 2052. As of December 31, 2025, the Bank had purchased approximately \$31,815,000 of the Series 2021A-1 Bonds.

The Series 2021A-3 Bonds consisted of up to \$7,474,000 variable rate tax-exempt bonds, with a fixed interest rate swap at 2.865 percent per annum on the outstanding balance. Interest on the Series 2021A-3 Bonds is payable monthly. Principal on the Series 2021A-3 Bonds is paid monthly, with a final maturity on January 1, 2035. As of December 31, 2025, the Bank had purchased approximately \$5,439,000 of the Series 2021A-3 Bonds.

2026 Bank Loans

In April 2026, \$20,000,000 bank loans were issued to fund the Expansion with a variable interest rate. For purposes of the projection, Management has assumed interest rates of 4.75 and 4.82 percent per annum. Interest on the 2026 Bank Loans are payable monthly. Management assumes \$5,000,000 of the 2026 Bank Loans would be paid in August 2027 from initial entrance fees received from the Project. Remaining principal payments are to be paid monthly, beginning June 2029.

The following table presents the assumed annual debt service during the projection period.

Table 14
Annual Debt Service
(In Thousands)

Fiscal Years Ending December 31,	Series 2010 Bank Bonds		Series 2016 Bonds		Series 2021A Bonds		2026 Bank Loans		Total Debt Service
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2026	\$ 780	\$ 683	\$ 996	\$ 144	\$ 1,462	\$ 1,081	\$ -	\$ 558	\$ 5,704
2027	840	656	1,020	114	1,492	1,044	5,000	873	11,039
2028	840	629	1,044	84	1,527	1,007	-	713	5,844
2029	900	598	1,068	52	1,562	969	164	711	6,024
2030	\$ 900	\$ 567	\$ 1,105	\$ 20	\$ 1,597	\$ 931	\$ 288	\$ 699	\$ 6,107

Source: Management

See accompanying Accountant’s Compilation Report

Current Assets and Current Liabilities

Operating expenses exclude amortization, depreciation, other non-cash expenses, and interest expense. Operating revenues include service fees. Working capital components have been estimated based on industry standards and Management’s historical experience as follows:

Table 15
Working Capital – Days on Hand

Accounts receivable	8	days operating revenues
Prepaid expenses	5	days operating expenses
Accounts payable	14	days operating expenses
Accrued expenses	15	days operating expenses

Source: Management

See accompanying Accountant’s Compilation Report

NORTH CAROLINA)
)
FORSYTH COUNTY)

A G R E E M E N T

THIS AGREEMENT is made and entered into this ____ day of _____, 2026, by and between _____ (“Resident”) and ARBOR ACRES UNITED METHODIST RETIREMENT COMMUNITY, INC., a North Carolina nonprofit corporation (“Arbor Acres”). Where there are two people signing this Agreement as a resident of Arbor Acres, “Resident” shall apply to both people, unless the context otherwise requires.

Resident has applied and been approved for residency at Arbor Acres in _____, (___ house or ___ apartment) (the “Accommodation”), and has received a copy of Arbor Acres’ Disclosure Statement, dated December 29 2025 (the “Disclosure Statement”).

Resident and Arbor Acres agree to the following:

1. Entrance Fee and Monthly Service Fee.

Resident agrees to pay Arbor Acres an entrance fee of _____ (\$_____) (the “Entrance Fee”), of which four percent (4%) is nonrefundable (the “Nonrefundable Fee”). Resident has the following payment options: (a) pay the Entrance Fee in full upon execution of this Agreement, or (b) pay 25% of the total Entrance Fee (\$_____) upon execution of this Agreement, with the balance to be paid no later than five (5) days prior to the Residency Date (as defined in Section 3 below). Resident does not acquire any ownership interest in the Accommodation as a result of payment of the Entrance Fee.

Resident agrees to pay the initial monthly service fee (the “Monthly Service Fee”), which is the established monthly fee as of the date on this Agreement, and which is subject to change from time to time. Rates are typically adjusted January 1st of each year. For a partial first month, Resident shall pay a pro-rated amount of the Monthly Service Fee, on a per diem basis. Gratuities or bequests in addition to the established Monthly Service Fee shall not be accepted. As of the date of this Agreement, the Monthly Service Fee associated with the Accommodation will be:

Monthly Service Fee

Monthly Service Fee for Resident (includes dining allowance plan) \$ _____
(current value of dining allowance is \$418/mo./resident)

Monthly Service Fee for 2nd Resident occupying Accommodation (includes dining allowance plan) \$ 1,293.00

Total Monthly Service Fee for Accommodation \$ _____

2. Monthly Statements.

Arbor Acres will furnish Resident a monthly statement with the total amount of the Monthly Service Fee and other charges, if any, owed by Resident. Resident shall pay such fees and charges by the 10th day of the month. If Resident's payment is late, Arbor Acres may charge Resident a one and one-half percent (1.5%) interest fee per month, from the first of the month in which the payment is late. Upon thirty (30) days' advance written notice, Arbor Acres may change the billing date and payment due date. Arbor Acres shall have the right to offset against any Entrance Fee repayment any unpaid Monthly Service Fees or other charges owed by Resident to Arbor Acres.

3. Initial Occupancy.

Arbor Acres anticipates having the Accommodation ready for occupancy by _____. Resident is not required to move into the Accommodation before it is ready for occupancy, or before the expiration of thirty (30) days from the date of this Agreement, whichever is later. Resident plans to move into the Accommodation on or before _____ (the "Occupancy Date"). If Resident should wish to change the Occupancy Date, Resident will advise Arbor Acres immediately (on or before the Occupancy Date). Upon receipt of Resident's request, and if Arbor Acres determines that another date is feasible, Arbor Acres will undertake to work out with Resident another mutually agreeable Occupancy Date. Resident agrees to pay Arbor Acres' Monthly Service Fees and other charges for use of the Accommodation from the earlier of (a) the date when Resident is officially allowed to move into the Accommodation or (b) _____ (the "Residency Date"). The Residency Date is expected to be approximately 90 days after the date of this Agreement, which is the time it takes to complete a basic renovation of a residential unit at Arbor Acres. Resident will work with Arbor Acres to select all interior finishes (paint colors, carpeting and floor covering as may be necessary to prepare the Accommodation for Resident). Certain interior finishes selected by

Resident that are beyond Arbor Acres' basic renovation may take longer than 90 days to complete; however, Resident will still be responsible for paying Arbor Acres' Monthly Service Fees and other charges for use of the Accommodation commencing on the Residency Date despite the fact that additional time may be needed to complete the interior finishes selected by Resident.

4. Resident's Right to Rescind or Cancel Within the First Thirty (30) Days or Resident's Failure to Move to Arbor Acres.

(a) Within thirty (30) days following the later of the execution of this Agreement or delivery of the Disclosure Statement (the "Rescission Period"), Resident may rescind this Agreement by delivering to Arbor Acres a signed, written notice of rescission. Resident is not required to move into the Accommodation during the Rescission Period. If Resident dies before occupying the Accommodation, or if, on account of illness, injury or incapacity Resident should be precluded from occupying the Accommodation, this Agreement shall be automatically cancelled. If this Agreement is neither rescinded nor cancelled and Resident fails to move to Arbor Acres by the Residency Date, this Agreement may be terminated by Arbor Acres or Resident upon written notice to the other.

(b) If Resident rescinds this Agreement, this Agreement is automatically cancelled as described in Section 4(a) above or Resident fails to move to Arbor Acres by the Residency Date and this Agreement is terminated by either Arbor Acres or Resident, Resident or Resident's legal representative will receive a refund of the Entrance Fee, less the following: (i) the Nonrefundable Fee; (ii) any Monthly Service Fees or other costs charged for the time Resident shall have resided at Arbor Acres; and (iii) those nonstandard costs specifically incurred by Arbor Acres at the request of Resident and described in a signed addendum to this Agreement. Payment of the refund is to be made from the Entrance Fee received by Arbor Acres from the next occupant of the Accommodation.

5. Refund Upon Termination of Residency After the First 30 Days and Within 50 Months.

If Resident, for any reason, vacates and permanently terminates residency at Arbor Acres after the Rescission Period and within fifty (50) months following the Residency Date, Resident shall be entitled to a refund of the Entrance Fee. This refund shall be determined as follows: upon receiving payment of an Entrance Fee from an acceptable substitute resident for Resident's Accommodation, Arbor Acres will refund to Resident (or to Resident's estate) the amount of Resident's Entrance Fee less the following: (a) the Nonrefundable Fee; (b) two

percent (2%) of the remainder (the Entrance Fee less the Nonrefundable Fee) for each month, from the month of the Residency Date to the Date of Termination of Occupancy (as defined in Section 6 below), up to the full refundable amount of Resident's Entrance Fee (for this purpose, one-half month or more shall be considered as a full month; less than one-half month shall be disregarded); (c) any unpaid Monthly Service Fees, costs or other obligations of Resident to Arbor Acres; and (d) those nonstandard costs specifically incurred by Arbor Acres at the request of Resident and described in a signed addendum to this Agreement. Payment of the refund is to be made from the Entrance Fee received by Arbor Acres from the next occupant of the Accommodation. Resident shall receive no refund if Resident's final termination of all rights of residency at Arbor Acres occurs after the fifty (50) month period following the Residency Date.

6. Notice of Termination of Occupancy.

If after moving to Arbor Acres and the expiration of the Rescission Period, Resident should decide to terminate this Agreement and residency at Arbor Acres, Resident will give Arbor Acres a minimum of thirty (30) days advance written notice stating the date on which Resident plans to terminate residency. This Agreement, and Resident's obligation to pay the Monthly Service Fee and other charges, shall continue in effect until Resident vacates the Accommodation and removes all personal property from the premises or until the end of the thirty (30) day notice period, whichever is later (the "Date of Termination of Occupancy"). If Resident permanently vacates the Accommodation, Arbor Acres reserves the right to remove Resident's personal property from the Accommodation and store such personal property, and Resident shall be responsible for the reasonable costs of such removal and storage. Unclaimed personal property will become the property of Arbor Acres after thirty (30) days, and Arbor Acres may dispose of such personal property in its sole discretion.

7. Transfer to a Higher Level of Care Within 90 Days.

If within ninety (90) days after the Residency Date, Resident transfers to Arbor Acres' assisted living facility (the "Assisted Living Facility") or Arbor Acres' skilled nursing facility (the "Skilled Nursing Facility"), Resident will be entitled to a refund, which will be calculated as set out in Section 5 above. Resident shall not be required to pay an additional Entrance Fee on transferring to the Assisted Living Facility or the Skilled Nursing Facility.

8. Terms and Conditions of Initial Residency and Continued Residency.

Resident shall have the right to occupy the Accommodation and to reside at Arbor Acres subject to the provisions of this Agreement and subject to the following understandings, terms and conditions:

(a) *Health and Financial Qualification for Residency*

At the time of the execution of this Agreement, Arbor Acres has determined that Resident qualifies for residency both with respect to mental and physical condition and ability to take care of the anticipated Monthly Service Fees and other charges. Resident must continue to meet these qualifications at the time Resident enters Arbor Acres. If Resident is not qualified to occupy the Accommodation, but is qualified (financially and otherwise) to reside in other accommodations at Arbor Acres, Resident shall be entitled to such accommodation when space permits.

(b) *Financial Obligation Including Obligation to Pay Fees and Charges*

In order to operate Arbor Acres on a fiscally sound, nonprofit basis, Arbor Acres has established fees and charges, which are subject to modification from time to time as deemed necessary and appropriate by Arbor Acres. Resident agrees to pay when due all required fees and charges. Resident has received from Arbor Acres a schedule of current fees and charges.

Resident agrees to provide, if requested, periodic financial statements and current financial information for the purpose of demonstrating capacity to meet financial obligations to Arbor Acres. Should Resident experience financial difficulty that might result in Resident's immediate or eventual inability to meet the financial obligations under this Agreement, including any spend down of assets that might result from payment of expected fees and charges to Arbor Acres, Resident will inform Arbor Acres immediately, and submit a current financial statement. Resident and, if appropriate, Resident's responsible party, and Arbor Acres shall discuss and, if possible, agree on a plan by which Resident's financial obligation to Arbor Acres can be met. Residents whose funds are depleted primarily through payment of fees associated with residency, to include costs associated with their medical care, may be eligible for consideration for financial assistance through Arbor Acres. Such assistance, however, is conditional upon demonstration that other options for fulfilling this financial obligation to Arbor Acres have been explored and deemed impracticable by either party. When Resident is deemed eligible for financial assistance through Arbor Acres, Arbor Acres, to the extent of its available

resources dedicated for financial assistance, will attempt to furnish financial assistance when it is needed. Termination of residency for Resident's inability to fulfill the financial obligations incurred under this Agreement shall be an option exercised as necessary to assure the financial viability of Arbor Acres and of its financial assistance program.

(c) *Rights and Obligations During Temporary Absence*

Temporary absence because of illness, trips or otherwise shall not affect Resident's right to retain the Accommodation as Resident's place of residency. However, Resident shall not be entitled to an adjustment of Arbor Acres' Monthly Service Fee and other charges during such absence, and Resident shall continue to be charged and to pay such Monthly Service Fee and charges during such absence.

(d) *Requirement of Compliance with Recommendations for Additional Services or Care*

If Resident shall incur a physical or mental illness or impairment so that Resident requires additional services or a higher level of care than is available at the Accommodation, Arbor Acres, through its nursing and continuing care staffs ("Nursing and Continuing Care Staffs"), will make recommendations regarding appropriate additional service options and/or options for transfer to a higher level of care. Resident agrees (i) that Arbor Acres is obligated to assure the care and safety of residents and, (ii) that Resident will comply with Nursing and Continuing Care Staffs' recommendations regarding additional services or transfer to a higher level of care. If such additional services or higher level of care can be provided in a different accommodation at Arbor Acres, Resident has a right, and may be required by Arbor Acres, to move to such accommodation. Arbor Acres will recommend and require such a move or additional services when, in the judgment of Arbor Acres, it is necessary and in the best interest of Resident, Arbor Acres and/or the other residents of Arbor Acres. Before any such move or additional services are required, Arbor Acres will discuss the matter with Resident and/or Resident's responsible party in an effort to secure Resident's understanding and cooperation with the required additional services or change of accommodation or level of care. Resident and/or Resident's responsible party shall have the right to appeal a decision to change Resident's accommodation and/or level of care in accordance with the provisions of (i) below.

(e) *Requirement of Compliance With Policies, Rules and Regulations*

In order to operate Arbor Acres in the best interest of the entire Arbor Acres community, Arbor Acres has established policies, rules and regulations relating to residency, which are subject to modification from time to time as deemed appropriate by Arbor Acres. Resident has received information as to the current policies, rules and regulations in the Disclosure Statement and in other written information provided by Arbor Acres. Arbor Acres reserves the right to make or change policies, rules and regulations, and will use its reasonable efforts to communicate through appropriate means to all residents the substance and content of such additions or changes; also, copies of particular policies, rules and regulations relating to residency will be furnished to Resident on request. Resident agrees to comply with Arbor Acres' policies, rules and regulations applicable to Resident's residency in Arbor Acres.

(f) *Cooperation of Responsible Parties and Other Associates*

Resident understands and agrees that, in order for Arbor Acres to operate in the best interest of both Resident and the entire Arbor Acres community, Arbor Acres must have the cooperation of Resident's family, friends, responsible parties and other associates to comply with Arbor Acres' applicable policies, rules and regulations. Any continuing or repeated failure or refusal by any such persons to so cooperate and comply may result in a determination by Arbor Acres that it is no longer feasible for Arbor Acres to accommodate Resident as a resident. Upon such determination, Arbor Acres will have a right to terminate Resident's residency at Arbor Acres.

(g) *Termination of Residency for Health Conditions Beyond Arbor Acres' Capacity to Serve*

If Resident's physical and/or mental condition or needs cannot be legally or adequately served by the facilities or programs available at Arbor Acres, or Resident requires or insists upon receiving care that in the judgment of Arbor Acres exceeds the capacity of Arbor Acres to provide within the limits of its staffing pattern or other available resources, Arbor Acres reserves the right to terminate Resident's residency. If such a circumstance arises, Arbor Acres will discuss the matter thoroughly with Resident and/or Resident's responsible party in an effort to determine a course of action in Resident's best interest. Arbor Acres will provide guidance and transitional support to Resident and/or Resident's responsible party to facilitate an orderly transfer of Resident to another, more appropriate facility or setting.

(h) *Termination of Residency for Behavior Deemed Harmful to Arbor Acres*

If Resident is deemed competent and capable of controlling his or her behaviors and engages in behaviors deemed by the President/CEO to be disruptive, hostile, illegal, or otherwise harmful to others or to Arbor Acres, Arbor Acres reserves the right to terminate Resident's residency. If such a circumstance arises, Arbor Acres will discuss the matter thoroughly with Resident to provide Resident with knowledge of the behaviors deemed intolerable by Arbor Acres. Arbor Acres will provide Resident a written warning to desist from the behavior or any similarly disruptive, hostile, illegal or harmful behavior. Upon determination that Resident is continuing to engage in the behaviors against which Resident has been warned, Arbor Acres will have the right to terminate Resident's residency at Arbor Acres.

(i) *Right of Appeal of Transfer or Termination Decisions*

While Arbor Acres reserves the right to terminate Resident's residency at Arbor Acres for failure to comply with (b), (d), (e), (f), (g) or (h) above, or for failure to comply with any other provision of this Agreement, Arbor Acres shall exercise such right only after first attempting to work out satisfactory solutions with Resident and/or Resident's responsible party. If agreement cannot be reached between the President/CEO and Resident and/or Resident's responsible party, the President/CEO will refer the matter to the Executive Committee of the Board of Directors of Arbor Acres (the "Executive Committee") for hearing and decision. The Executive Committee shall afford Resident an opportunity to be heard, and shall render a decision with respect to the matter referred to it. The decision of the Executive Committee shall be put in writing and shall be signed by the Chair of the Board of Directors of Arbor Acres (the "Chair") or, in the absence of the Chair, the Chair Elect of the Board of Directors of Arbor Acres. It is understood and agreed that the written, signed decision of the Executive Committee shall be final and binding.

(j) *Terms and Conditions of Initial Residency and Continued Residency*

Arbor Acres reserves the right to relocate Resident to another accommodation when deemed necessary in order for Arbor Acres to fulfill its strategic financial and other obligations to the Arbor Acres community. Arbor Acres will exercise this right only when all other reasonable options to avoid relocating Resident have been considered. Arbor Acres will use reasonable efforts to relocate

Resident to an accommodation of the same or similar type as Resident's Accommodation. Any such decision to relocate Resident will be discussed thoroughly with Resident in order to enlist Resident's understanding of the need for and cooperation with the relocation. Arbor Acres will pay all required packing and moving costs, and all reasonable refurbishing costs necessary to achieve substantial comparability between the Accommodation and any new accommodation to which Resident may be relocated. Any decision to relocate Resident for the sake of enabling Arbor Acres to fulfill its strategic financial and other obligations to the Arbor Acres community may be appealed to the Executive Committee as outlined in (i) above.

(k) *Termination of Residency If Listed on a Sex Offender Registry*

Resident hereby acknowledges that it is the policy of Arbor Acres to conduct sex offender screening for every prospective resident, regardless of independent status or level of care, at the time of application for admission to Arbor Acres and again prior to entering into a Residency Agreement. If the screening shows that the prospective resident is identified as a sex offender, Arbor Acres will deny admission of Resident on that basis and not execute a Residency Agreement. In addition, Resident hereby acknowledges and agrees that if, after Arbor Acres and Resident have entered into a Residency Agreement, Arbor Acres becomes aware that Resident is listed on any sex offender registry, Arbor Acres may terminate this Agreement with Resident and remove Resident from Arbor Acres. If there is more than one resident who is a party to this Agreement, the termination of this Agreement in such instance shall only apply to the resident listed on the sex offender registry.

(l) *Healthcare Outside of Arbor Acres*

Arbor Acres assumes no obligation or responsibility for the provision of residential or nursing or health care facilities or services to Resident beyond those facilities and services from time to time established and provided by Arbor Acres.

(m) *Personal Belongings*

Arbor Acres will not be responsible for the loss of or damage to any property belonging to Resident due to theft, mysterious disappearance, fire, employee accident, or any other cause. It is understood that Resident has the responsibility of providing any desired insurance protection covering any such loss.

9. Standard Services to be Provided.

Arbor Acres agrees to provide standard services to Resident at no additional cost beyond the Monthly Service Fee, and has informed Resident of these services and other services through written information available to all residents. At the time of execution of this Agreement, the standard services include:

- (1) Maintenance of buildings and grounds, including maintenance of all standard equipment in the Accommodation;
- (2) Utilities, as described below;
- (3) Basic cable television and internet service;
- (4) Telephone jacks;
- (5) Emergency call system, nursing assessments and assistance in emergencies;
- (6) Routine consultation regarding health concerns with nursing personnel in the health clinic of Arbor Acres;
- (7) Recreational, educational, cultural, wellness and spiritual life programs, to the extent provided by Arbor Acres;
- (8) Transportation to routine, non-emergency medical appointments within Forsyth County (transportation by ambulance not included);
- (9) In-patient care in the Arbor Acres Health Center for a limited number of days;
- (10) Weekly housekeeping and annual deep cleaning of the Accommodation;
- (11) Laundering of bed and bath linens furnished by Arbor Acres;
- (12) Security personnel on duty in the Arbor Acres Welcome Center; and
- (13) Dining services with meals or a meal allowance, as included in the Monthly Service Fee.

Water and sewer services are included in the Monthly Service Fee. Electricity and gas is also included, except for residents in accommodations that are individually metered who are billed directly by the gas and electricity service providers. Resident has been informed that the Accommodation ___ is / ___ is not individually metered. Resident has been informed in writing of the terms applicable to Resident's meal plan.

Other services that are available and included in the Monthly Service Fee are a daily, automatic check-in system, check-cashing services, package shipping, access to washers/dryers and complete kitchens and sitting areas.

Arbor Acres may also make available to Resident additional services, at Resident's request, at the then prevailing rates charged by Arbor Acres, which may be changed from time to time at the discretion of Arbor Acres.

Arbor Acres residents pay Monthly Service Fees and other charges to cover services provided by Arbor Acres. At least annually, during budget preparation, Arbor Acres reviews services and costs of operation, and the need for any changes in services or in Arbor Acres' schedule of fees and charges. Arbor Acres reserves the right to change, when deemed necessary, the services provided to residents and the associated fees and charges. Arbor Acres will strive to deliver services efficiently and economically.

10. Alterations and Refurbishment.

Resident must obtain the prior written approval of Arbor Acres before making any alterations to the Accommodation. Customary refurbishment costs of the Accommodation that are provided by Arbor Acres in accordance with its policies and procedures are included in the Monthly Service Fee. Any refurbishment costs beyond Arbor Acres' customary refurbishment costs shall be the responsibility of Resident.

11. Transfer to Higher Level of Care.

Resident shall have priority over non-residents for entry into the Assisted Living Facility or the Skilled Nursing Facility. Although Arbor Acres cannot guarantee Resident entry into the Assisted Living Facility or the Skilled Nursing Facility, Arbor Acres will use its reasonable efforts to accommodate Resident's entry. If Resident requires a higher level of care, and the Assisted Living Facility and the Skilled Nursing Facility are fully occupied, Resident shall relocate to an alternate healthcare facility. In the event of such relocation, Arbor Acres will use reasonable efforts to transfer Resident to the Assisted Living Facility or the Skilled Nursing Facility when accommodations become available. Resident shall be responsible for all fees, costs and expenses. If Resident's transfer to the Assisted Living Facility, the Skilled Nursing Facility or an alternate healthcare facility is temporary, Resident shall remain responsible for the Monthly Service Fee; however, Resident shall not be responsible for the Monthly Service Fee if such relocation is permanent. In the event that there are two Residents in the Accommodation, and only one Resident permanently transfers to a higher level of care, the remaining Resident will pay the Monthly Service Fee for single occupancy in addition to all other costs and charges.

12. Application for Benefits; Assignment of Benefits.

Resident shall apply for any federal, state or local benefits for which Resident may be eligible or entitled upon request by Arbor Acres. If requested by Arbor Acres, any or all such benefits will be applied to the Monthly Service Fee or other charges incurred by Resident at Arbor Acres.

13. Health Insurance.

Resident shall maintain eligible Medicare coverage (and supplemental health insurance coverage) or other health insurance coverage that adequately covers hospital, medical, prescriptions and skilled nursing deductibles and co-payments required under Resident's primary insurance policy. Resident's primary and secondary insurance coverage must recognize Arbor Acres as a healthcare provider, or Resident shall be responsible for services rendered that otherwise could be covered by insurance.

If Resident's health insurance coverage lapses, Arbor Acres may require Resident to reapply for suitable insurance coverage. If Resident is unable to obtain suitable insurance coverage, Resident shall be responsible for any healthcare services rendered that otherwise could be covered by insurance. Upon request by Arbor Acres, Resident shall provide evidence of health insurance coverage.

14. Medicare-Certified Skilled Nursing Facility Beds.

Arbor Acres maintains a limited number of Medicare-certified beds in the Skilled Nursing Facility, which are available for use by residents whose skilled nursing care would qualify for Medicare payment on an "if and as available" basis. In the event that Resident needs admission and the admission would qualify for Medicare payment, then Resident's financial responsibility to Arbor Acres will depend upon the type of Medicare coverage that Resident has and whether Arbor Acres is a contractual provider for Resident's coverage.

(a) *Medicare-certified bed is not available.*

In the event that there is not a Medicare-certified bed at Arbor Acres at the time that Resident requires admission, then Resident may either choose to obtain skilled nursing care services at another healthcare facility at Resident's cost until such time as a Medicare-certified bed becomes available at Arbor Acres (presuming that Resident would use a facility that could provide a Medicare-certified bed) or be

admitted to a bed in the Skilled Nursing Facility at Resident's cost which is not certified to accept Medicare payment until such time as a Medicare-certified bed becomes available at Arbor Acres.

- (b) *Medicare-certified bed is available and Resident has traditional Medicare.*

If Resident is admitted to a Medicare-certified bed in the Skilled Nursing Facility and Resident has traditional Medicare coverage, Arbor Acres will accept the Medicare reimbursement amount for such care while Resident shall be responsible for any applicable deductible, co-payment and/or co-insurance amounts that are not paid by Medicare and any supplemental Medicare insurance that Resident maintains.

- (c) *Medicare-certified bed is available and Resident has Medicare Advantage coverage for which Arbor Acres is an in-network provider.*

In the event that Arbor Acres is an in-network provider for Resident's Medicare Advantage coverage, then Arbor Acres will accept the reimbursement amount from Resident's Medicare Advantage insurance carrier while Resident shall be responsible for any deductible, co-payment and/or co-insurance amounts that are not paid by the Medicare Advantage insurance that Resident maintains.

- (d) *Medicare-certified bed is available and Resident has Medicare Advantage coverage for which Arbor Acres is not an in-network provider.*

Arbor Acres will charge Resident the full private-payment amount for Resident's admission into a Medicare-certified bed and credit against Resident's financial obligation to Arbor Acres the amount that is paid by Resident's Medicare Advantage insurance if the insurance provides an out-of-network benefit. In the event that Resident's Medicare Advantage insurance will not pay any amount to an out-of-network provider, then Resident will not be admitted to a Medicare-certified bed at Arbor Acres. A full private-pay Resident in a Medicare-certified bed may be required by Arbor Acres to relocate to a bed that is not Medicare certified when such a bed becomes available.

15. United Methodist Affiliation.

Arbor Acres is affiliated with the Western North Carolina Annual Conference of The United Methodist Church, which is not responsible for the financial and contractual obligations of Arbor Acres.

16. Required Documents.

Resident agrees to keep in effect an appropriate Durable Power of Attorney or other designation of responsible party, and agrees to provide copies of the following documents to Arbor Acres by the first day of residency, and deliver any changes to such documents to Arbor Acres during Resident's residency at Arbor Acres: (a) health insurance coverage information; (b) copy of current Durable Power of Attorney for business management; (c) copy of current Health Care Power of Attorney and Living Will; and (d) evidence of the executor or other legally responsible person of Resident's estate, such as a copy of Resident's will documenting the name of the executor of his or her estate.

17. Multiple Residents.

(a) *Joint and Several Liability*

When Resident includes more than one individual, the rights and obligations under this Agreement are joint and several.

(b) *Transfer, Death or Termination by One Resident*

If two Residents occupy a single Accommodation under the terms of this Agreement and one Resident permanently transfers to the Assisted Living Facility or the Skilled Nursing Facility, dies or terminates this Agreement, this Agreement shall continue with respect to the remaining Resident, and such Resident shall have the option to remain in the same Accommodation or relocate to a smaller accommodation, and in such event the remaining Resident shall not be entitled to any refund. The remaining Resident shall be responsible for the Monthly Service Fee for one resident associated with the Accommodation occupied by such Resident.

(c) *Sharing Occupancy After Entry*

If Resident, while occupying the Accommodation, desires to share an accommodation with another resident of Arbor Acres, the two residents may occupy the accommodation of either resident, with the prior written consent of Arbor Acres.

In such event, the residents shall surrender the other accommodation and no refund shall be paid for such surrender. Thereafter, Resident and the other resident shall pay the Monthly Service Fee associated with the occupied accommodation for double occupancy.

If Resident, while occupying the Accommodation, desires to share an accommodation with a person who is not a resident of Arbor Acres (the “Non-Resident”), the Non-Resident must meet the then current requirements for admission to Arbor Acres, enter into the then current version of the Residency Agreement, and pay the then current second person entrance fee. Thereafter, Resident and the new resident shall pay the Monthly Service Fee associated with the occupied accommodation for double occupancy. If the Non-Resident does not meet the requirements contained in this paragraph, Resident may voluntarily terminate this Agreement as provided in this Agreement. If Resident subsequently transfers to the Assisted Living Facility or the Skilled Nursing Facility, dies or terminates this Agreement, the new resident shall be responsible to pay the full, then-current Entrance Fee for the Accommodation occupied by such new resident, less the second person entrance fee previously paid by the new resident.

(d) *Combination of Accommodation*

If Arbor Acres determines that it is desirable to combine the Accommodation with an adjoining accommodation, Resident agrees to surrender occupancy of the Accommodation within a reasonable time after receiving notice from Arbor Acres. In such event, Resident shall have the option to transfer into the combined accommodation when ready for occupancy or transfer to another accommodation, when available, of the same or similar type previously occupied by Resident. If Resident elects to occupy the combined accommodation, Resident shall be responsible for the Monthly Service Fee associated with occupancy of such accommodation.

18. Moving Costs.

Resident is responsible for any and all packing and moving costs incurred by Resident for moves into, within and out of Arbor Acres, except as provided in Section 8(j) above. Arbor Acres may provide assistance at an additional cost. Arbor Acres reserves the right to charge an administrative fee for Resident’s move within Arbor Acres.

19. Entire Agreement.

This Agreement, together with any Arbitration Agreement between Resident and Arbor Acres, contain the entire agreement of Arbor Acres and Resident. Arbor Acres will not be liable or bound in any manner by any statements, representations, or promises made by any person representing or claiming to represent Arbor Acres, unless such statements, representations, or promises are set forth in this Agreement.

20. Capacity.

This Agreement has been executed on behalf of Arbor Acres by Arbor Acres' duly authorized agent, and no officer, trustee, agent or employee of Arbor Acres shall have any personal liability to Resident under this Agreement.

21. Amendments and Modifications.

This Agreement shall not be modified, amended or changed in any respect except in writing signed by Arbor Acres and Resident. Each waives any right to amend this Agreement in any other way. Notwithstanding the foregoing, Arbor Acres may amend this Agreement to ensure compliance with applicable laws and regulations.

22. Waiver.

Neither the failure nor any delay on the part of any party to exercise any right, remedy, power or privilege ("Right") under this Agreement shall operate as a waiver thereof, nor shall any single or partial waiver of any Right preclude any exercise of the same or of any other Right. No waiver shall be in effect unless in writing and signed by the party asserted to have granted such waiver.

23. Severability.

The invalidity of any restriction, condition or other provision of this Agreement, or any part of the same, shall not impair or affect in any way the validity or enforceability of the rest of this Agreement.

24. Interpretation.

The headings in this Agreement are for convenience and reference only, and shall not affect the interpretation of any provision of this Agreement.

25. Successors and Assigns.

Except as set forth herein, this Agreement shall bind and inure to the benefit of the successors and assigns of Arbor Acres and the heirs, executors, responsible parties, attorneys-in-fact and administrators of Resident.

26. Assignment.

This Agreement may not be assigned by Resident.

27. Indemnity.

Resident agrees to indemnify, defend and hold Arbor Acres harmless from any and all claims, damages or expenses (including reasonable attorneys' fees and court costs) resulting or arising from any injury or death to persons and/or damages caused by, resulting from or attributable to or in any way connected with, directly or indirectly, the act or omission of Resident or Resident's guests, including private duty nurses, companions or others. This Section 27 shall survive termination of this Agreement.

28. Governing Law; Venue; Disputes.

This Agreement shall be governed by, interpreted, construed and enforced in accordance with the laws of the State of North Carolina, without giving effect to any choice of law or conflict of law rules or provisions that would cause the application of laws or any jurisdiction other than North Carolina. Except to the extent that the parties have agreed to an alternative mechanism for the resolution of a dispute, to the full extent permitted by law, any action, suit or proceeding arising out of or relating to this Agreement shall be brought and enforced in the courts of the State of North Carolina located in Forsyth County or of the United States District Court for the Middle District of North Carolina, and the parties hereby irrevocably submit to the exclusive jurisdiction of such courts and irrevocably waive any objection that they may now or hereafter have to the laying of venue of any such action or proceeding in such courts. In the event of any such dispute, the non-prevailing party shall pay all reasonable costs, expenses and attorneys' fees incurred by the prevailing party.

29. Survival.

Those rights and obligations that have accrued under this Agreement shall survive its termination, as shall those rights and obligations that by their terms survive termination and any provisions that must survive to give effect to their terms, as shall any obligation of Resident to pay costs or expenses of his or her residency at Arbor Acres that remain unpaid as of such termination.

30. Management of Arbor Acres.

The absolute rights of management are reserved by Arbor Acres and its Board of Directors. Arbor Acres reserves the right to accept or reject any person as a resident. Residents do not have the right to determine admission or terms of acceptance of any other resident.

31. Uncontrollable Interruption of Services.

No breach of Arbor Acres' obligations under this Agreement and no liability for injury to Resident or Resident's property shall result from an interruption of, or failure to provide, contracted services due to an act of God or other cause beyond the reasonable control of Arbor Acres, specifically including (without limitation) strikes or other forms of labor disturbances, government regulations and/or embargoes, shortages of labor or materials, fire, flood, earthquakes, inclement weather or acts of the Resident. Arbor Acres shall make reasonable efforts to continue to provide the usual services in such event.

32. Confidentiality.

Arbor Acres has the responsibility to keep all of the personal, medical, and financial information Resident has supplied to Arbor Acres confidential. Resident agrees that Arbor Acres can disclose such information to those who have a need, in Arbor Acres' judgment, or right to know.

33. Rights Subordinate to Mortgage.

Pursuant to the requirements of any lender, Resident agrees that Resident's rights under this Agreement are subordinate to the right of the lender under any mortgage, deed of trust or security interest executed now or in the future by Arbor Acres.

34. Notice Provisions.

Notices required by this Agreement will be in writing and delivered either by personal delivery or mail. If delivered by mail, notices will be sent by certified or registered mail, return receipt requested, with all postage and charges prepaid. Notices and other communications will be deemed to have been given when delivered by personal delivery or if mailed, such notice shall be deemed to have been given on the third business day after being deposited in the United States mail, postage prepaid. All notices and other written communications required under this Agreement will be addressed to Resident or to Resident's personal representative at the address provided to Arbor Acres. Notices shall be sent to us at the following address:

Arbor Acres United Methodist Retirement Community, Inc.
1240 Arbor Road
Winston-Salem, NC 27104
Attention: President and CEO

Resident's address for the purpose of giving notice is the address appearing after Resident's signature below or such other address Resident provides to Arbor Acres in writing.

[Signature Page Follows]

IL Contract

Resident has executed this Agreement and Arbor Acres has caused this Agreement to be executed in its name by a duly authorized person as of the day and year written above.

Signature

Resident Name

Signature

Resident Name

Resident Address:

Street Address

City, State & Zip Code

ARBOR ACRES UNITED METHODIST RETIREMENT COMMUNITY, INC.

By: _____
Corporate Officer

Signature Page to Arbor Acres Independent Living Residency Agreement

**ADVANTAGE PROGRAM AGREEMENT
ARBOR ACRES UNITED METHODIST RETIREMENT COMMUNITY, INC.**

This ADVANTAGE PROGRAM AGREEMENT (referred to as the “Agreement”) is made this ____ day of _____, 2026 between ARBOR ACRES UNITED METHODIST RETIREMENT COMMUNITY, INC. (referred to as “Arbor Acres” or “We”, “Our” or “Us”), a North Carolina non-profit corporation, and _____ (referred to as “Resident”, “You” or “Your”). You agree to take financial responsibility for this Agreement on the above date (the “Date of Acceptance”).

WHEREAS, Arbor Acres owns and operates a retirement community located at 1240 Arbor Road, Winston-Salem, North Carolina 27104; and

WHEREAS, the retirement community (referred to as the “Community”) consists of independent living homes and apartments, common areas and amenities, and on-campus facilities for certain outpatient services, assisted living care and skilled nursing care; and

WHEREAS, You desire to enter into this Agreement as an off-campus resident of the Community in connection with Arbor Acres’ offering continuing care without lodging through its “Advantage Program” in order for You to access some of the services provided by Arbor Acres while remaining in Your home and not residing at the Community.

NOW THEREFORE, subject to the terms and conditions set forth in this Agreement, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, You and Arbor Acres agree as follows:

I. ACCEPTANCE AS ARBOR ACRES RESIDENT WITHOUT LODGING

- A. General.** You have gone through the admission process, and Arbor Acres has accepted You as an off-campus Resident of the Community without lodging through its “Advantage Program” in order for You to access some of the services provided by Arbor Acres while remaining in Your home and not residing at the Community. As a Resident without lodging of Arbor Acres, You will continue to reside in Your own home and not at the Community, and You are hereby entitled to the services specifically set forth in this Agreement. If there is a fee related to particular services provided to You as a Resident, You will be charged the then prevailing fee that corresponds to being a resident of Arbor Acres rather than a guest.

As a Resident of Arbor Acres under this Agreement, if You are already on our wait list for residency on our campus (“Wait List”), You will remain on our Wait List unless You request that We remove You from the Wait List. Your status on our Wait List and Your rights as a member of the Wait List will not change as a result of entering into this Agreement. Your Wait List date for purposes of priority will remain _____, which is the date on which You joined Our Wait List originally. If You are not already on our Wait List, You may join our Wait List,

and Your Wait List date for purposes of priority will be the date You are added to the Wait List. As a member of Our Wait List, You will have the same rights as other members of Our Wait List and will be offered on-campus accommodations in accordance with the then current Arbor Acres' Wait List Policy.

At the time You choose to accept an accommodation on Arbor Acres' campus, You will be required to go through our admissions process for residing at the Community, including, but not limited to, providing Us updated medical and financial information in order to determine Your ability to live independently and to afford the additional entry fee and higher monthly service fees required for residency in the particular reserved unit. Arbor Acres reserves the right to decline Your admission to the Community for residency if Your medical and financial circumstances have changed so that You are not able to live independently or are not able to afford the additional entry fee and higher monthly service fees required for residency in the particular reserved unit.

- B. Execution of the Residence Agreement Following Acceptance.** Prior to taking occupancy and financial responsibility for a particular residential unit on Arbor Acres' campus, You agree to execute Arbor Acres' Residence Agreement (the "Residence Agreement") then in effect. Your occupancy of a residence shall be expressly conditioned upon Your execution of such agreement. The executed Residence Agreement shall supersede and replace this Agreement in its entirety.

If the Residence Agreement is subsequently terminated, as outlined in that Residence Agreement, this Agreement may be re-executed upon mutual agreement of the parties, allowing You to remain a Resident of Arbor Acres who does not reside on campus, as long as the reason for termination of the Residence Agreement does not preclude continuation of a contractual relationship with Arbor Acres.

II. GENERAL SERVICES PROVIDED ON CAMPUS

- A. Community Common Areas and Amenities.** We will provide common areas and amenities for the use and benefit of all residents. These facilities currently include the main dining room, private dining rooms, lobbies, assembly hall, library, social, and recreational facilities (indoor and outdoor), and craft facilities. Some common areas may require advance reservation. All common areas are smoke-free environments.
- B. Health Center.** Arbor Acres will provide or arrange admission to the facilities necessary for the medical care and services specified in this Agreement at the then prevailing fees charged by Arbor Acres or other facilities, as applicable, and such fees shall be the sole responsibility of Resident. In this Agreement, the term "Health Center" includes the facilities for certain outpatient services, assisted living care ("Assisted Living") and skilled nursing care. A restraint-free policy is upheld in Arbor Acres' facilities.

- C. **Parking.** Arbor Acres will provide and maintain unassigned parking areas for residents and guests.
- D. **Activities.** Social, recreational, educational, and cultural activities are available to residents and are provided through an active staff-directed program. Residents may be required to pay additional fees for certain activities.
- E. **Meals.** You may eat in the Arbor Acres dining rooms, and You will be charged the prevailing resident meal charge and will be billed monthly.
- F. **Security.** We will use reasonable care in providing security on the premises of Arbor Acres. Arbor Acres will provide twenty-four (24) hour security staffing on site in the Community. You are responsible for taking appropriate security measures to protect yourself and Your personal property at the Community. We are not responsible to provide security to You in Your off-campus residence or for loss, theft or damage to Your personal property at the Community or otherwise.
- G. **Other Services.** Arbor Acres may also make available to Resident additional services, at Resident's request, at the then prevailing rates charged by Arbor Acres, which may be changed from time to time at the discretion of Arbor Acres.
- H. **Changes in Services and Fees.** Arbor Acres residents pay Monthly Fees and other charges to cover services provided by Arbor Acres. At least annually, during budget preparation, Arbor Acres reviews services and costs of operation, and the need for any changes in services or in Arbor Acres' schedule of fees and charges. Arbor Acres reserves the right to change, when deemed necessary, the services provided to residents and the associated fees and charges. Arbor Acres will strive to deliver services efficiently and economically.

III. MEDICAL AND OTHER HEALTH CARE SERVICES PROVIDED OR COORDINATED BY ARBOR ACRES

- A. **General.** You hereby acknowledge and agree that Arbor Acres is not responsible for furnishing You or causing to be furnished to You medical services in Your home. In consideration for the Entry Fee and Monthly Fee, Arbor Acres will provide You (i) "Care Management" services, as more specifically described in Section III.E. of this Agreement, and (ii) nursing care services (but not medical services by a physician or physician assistant) provided in Arbor Acres' on-site clinic.

In addition, Arbor Acres will make available to You or cause to be made available to You the following medical and health care services at the Community that You may choose to receive, and, subject to Sections VI E. and F. of this Agreement, You will be responsible for all costs and expenses of such services at the then prevailing rates of Arbor Acres or such other provider You choose:

- 1) Medical services provided by primary care physicians or physician assistants who are part of Arbor Acres' group practice, and who see You at the Arbor Acres' on-site clinic;
- 2) General nursing and personal care provided in Arbor Acres' Health Center, subject to availability of a bed or accommodation and subject to Arbor Acres' then-prevailing admissions policies and procedures;
- 3) General nursing and personal care provided in a similarly licensed nursing facility when space is not available at Arbor Acres, and when coordinated by Arbor Acres' medical and other care management staff; and
- 4) Physical, occupational, and speech therapy when ordered by Arbor Acres' physicians and provided at Arbor Acres outpatient rehabilitation facilities or in an inpatient setting in the Health Center.

B. Community's Physicians and Physician Assistants/Nurse Practitioners. Arbor Acres will appoint a Medical Director and physicians and physician assistants/nurse practitioners, as needed. They will be responsible for Your medical care, including office visits, medical review, Health Center visits, hospital attendance, and referral to specialists, if You choose to use them.

C. Hospitalization. When one of Arbor Acres' physicians determines that it has become necessary to hospitalize You, the physician will have the authority to arrange such hospitalization. Such determination will be made by Us in consultation with Your attending physician if not an Arbor Acres physician, and You, to the extent possible, and Your personal representative, if appropriate. When the conditions necessitating such hospitalization no longer exist, the physician will have the authority, in consultation with Your attending physician if not an Arbor Acres physician, and You, to the extent possible, and Your personal representative, if appropriate, to arrange for Your discharge and transfer or return to Your home, or to the Health Center at Arbor Acres if that is needed.

D. Medical Referrals. Arbor Acres will be responsible for coordinating and following Your medical, surgical and other health care services when such services either (i) are provided by Arbor Acres, or (ii) are provided by licensed outside providers to whom You have been referred in writing by one of Arbor Acres physicians or physician assistants/nurse practitioners for treatment or consultation. Such responsibility will be limited to the specific condition for which referral was made. Arbor Acres will not be responsible for secondary referrals or for follow-up visits unless approved in advance by one of Arbor Acres' physicians or physician assistants/nurse practitioners.

Arbor Acres cannot be responsible for filing for insurance reimbursement for services provided by other providers of Your choice. However, Arbor Acres will supply the referral provider with Your policy information upon request, and, upon request, will assist You in coordinating with other providers to ensure they are filing

with Your insurance diligently, in order to help maximize Your Medicare and supplemental insurance benefits.

E. Care Management and Transfer to Assisted Living, the Health Center, a Special Service Facility, or a Hospital.

Arbor Acres shall furnish the following care management services (“Care Management”) to You on site at the Community, unless Your health condition prevents You from being able to leave Your home, in which case such Care Management will be provided to You in Your home, by qualified staff who will (i) assess Your needs; (ii) develop a plan of care with You to address needs that are identified; (iii) help identify reputable providers in the area to whom You can be referred for services to meet those needs; and (iv) follow up to ensure that those services are meeting Your needs and the goals of Your care plan. The assessments shall be conducted annually.

If more frequent assessments are needed, or if any needs are identified that may require subsequent services, Arbor Acres staff will assist You either by providing such services to You in the event Arbor Acres is licensed to provide such services and You choose Arbor Acres to provide such services or by referring You to services that may be available to You in the community outside of the Community. If more frequent assessments are needed beyond the annual assessment, or if any needs are identified that may require subsequent services of Arbor Acres’ staff or other providers, those assessments and services will be provided to You on a fee-for-service basis at Arbor Acres’ or the other providers’ then prevailing rates.

You hereby acknowledge and agree that Arbor Acres is not responsible for furnishing You or causing to be furnished to You medical or other personal care services in Your home, unless recommended and approved by Arbor Acres as part of Your Care Management program and requested by You. All decisions regarding Your Care Management plan, including the prospect of Your need for support services in Your home, temporary or permanent transfer to Assisted Living or Health Center, a special service facility, or to a hospital will be made after consultation with You, to the extent possible, Your attending physician if not an Arbor Acres physician, and with Your personal representative, if appropriate.

If it is determined by Arbor Acres’ Care Management staff that Your needs require temporary or permanent transfer to Arbor Acres’ Assisted Living or Health Center facilities, and if You choose not to make the move to those facilities, then You must agree to sufficient services to provide for appropriate care and safety in Your home. If, in Our sole judgment, the services You elect to receive are insufficient for appropriate care and safety in Your home, You must move to an appropriate care level at Arbor Acres, or We will have the right to terminate this Agreement. Arbor Acres’ decision will be binding.

No Entry Fee adjustment is made with temporary or permanent transfer from Your home to Arbor Acres’ Assisted Living or Health Center facilities or to another

special service facility. In the event You make a temporary or permanent transfer from Your home to Arbor Acres' Assisted Living or Health Center facilities or to another special service facility, You will be charged Arbor Acres' or other facility's then prevailing Monthly Fee and/or per diem rates for such services. The new Monthly Fee and/or per diem rates take effect on the date that You make such a temporary or permanent transfer.

IV. MEDICAL, HEALTHCARE, AND OTHER SERVICES EXCLUDED IN THIS AGREEMENT

- A. Use of Medical Practitioners and Facilities Not Referred by Arbor Acres.** You may engage the services of primary care physicians other than those who are part of the Arbor Acres practice, and seek care at other hospital, specialty medical, surgical or allied health services with whom Arbor Acres' does not have referral relationships. Arbor Acres will not be liable for any expenses relating to such care, including, but not limited to, the cost of medical, surgical, hospital or nursing care provided, ordered, prescribed or occasioned by any such practitioner or such facilities. If a healthcare provider should seek payment for such services from Arbor Acres, You will indemnify, defend and hold Arbor Acres harmless from all loss or liability arising from such claims for payment.

In situations when Arbor Acres' medical staff is not involved in the referral to a physician or other health care provider from whom You seek services, it is Your responsibility to require those providers to furnish Arbor Acres, promptly in writing and in confidence, with medical information regarding Your condition, diagnosis, medications, and treatment.

You may not engage third parties for medical or other health-related services to be rendered at Arbor Acres without prior notification to and written authorization by Arbor Acres' management.

- B. Psychiatric Illness, Dangerous Communicable Disease, Drug or Alcohol Abuse.** The Community's facilities and services are not designed to care for persons who have an active psychiatric illness, who have a dangerous communicable disease or who are involved with drug or alcohol abuse. Should Arbor Acres determine that Your physical or psychiatric illness, or that Your condition as a result of drug or alcohol abuse, is such that Your continued stay in Your home or use of the Community facilities is either dangerous or detrimental to Your life, health, safety or peace, or the life, health, safety, or peace of others in Your home or in the Community, then Arbor Acres may transfer You to another facility of Your choosing. You will continue to be responsible for payment of the Monthly Fee as if You were at home. You will also be responsible for payment of any additional amount needed for Your care at any other such facility. Arbor Acres may terminate this Agreement if You refuse to make the recommended transfer.
- C. Transportation.** Arbor Acres will not be responsible for providing any type of transportation to You during this Agreement, including but not limited to any

transportation to or from the Arbor Acres campus or to any medical appointments or other locations and emergency transportation to any hospital or other health care facility.

- D. **Security.** Arbor Acres will not be responsible for providing any type of security, staff emergency response, emergency call devices, smoke detectors or the like to Your home or personal residence during this Agreement.
- E. **Housekeeping, Maintenance and Grounds Keeping.** Arbor Acres will not be responsible for providing any type of laundry or housekeeping services to Your home or personal residence during this Agreement. Arbor Acres will not be responsible for providing any type of home maintenance or grounds keeping care to Your home or personal residence during this Agreement.
- F. **Utilities.** Arbor Acres will not be responsible for furnishing any type of utilities, including, but not limited to, heating, air conditioning, water, electricity and/or gas, sewage disposal, trash removal, television service, internet service and telephone service, to You during this Agreement.
- G. **Taxes.** Arbor Acres will not be responsible for paying any taxes owed by You, including, without limitation, any income taxes or personal or real property taxes assessed on Your personal or real property during this Agreement. You are solely responsible for all taxes, owed by You, including, without limitation, all personal income taxes and all taxes assessed on Your personal and real property.
- H. **Other Excluded Services.** Other excluded services include, but are not limited to, prescription and non-prescription medications, refractions, eye-glasses, contact lenses, audiological tests, hearing aids, dentistry, dentures, dental inlays, incontinent and other personal hygiene supplies, orthopedic appliances, podiatry, chiropractic services, organ transplants, renal dialysis, treatment for alcohol and drug abuse, and diagnosis and therapy for psychiatric disorders.
- I. **Illness or Accident.** If You have an accident or if You are ill, We will have no responsibility to pay for costs resulting from or in connection with such accident or illness.

V. **TERMS OF BEING AN ARBOR ACRES RESIDENT**

- A. **Rights of Resident.** As a Resident, You have the right to use and enjoy the common areas, amenities, programs, and services of Arbor Acres, as provided in this Agreement, during Your lifetime unless this Agreement is 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 Arbor Acres other than the rights and privileges as described in this Agreement.
- B. **Policies and Procedures.** In order to operate Arbor Acres in the best interest of the Community, Arbor Acres has established policies, rules and regulations relating to residency, which are subject to modification from time to time as deemed

appropriate by Arbor Acres. Resident has received information as to the current policies, rules and regulations in the Disclosure Statement and in other written information provided by Arbor Acres. Arbor Acres reserves the right to make or change policies, rules and regulations, and will use its reasonable efforts to communicate through appropriate means to all residents the substance and content of such additions or changes; also, copies of particular policies, rules and regulations relating to residency will be furnished to Resident on request. Resident agrees to comply with Arbor Acres' policies, rules and regulations. Resident understands and agrees that, in order for Arbor Acres to operate in the best interest of both Resident and the Community, Arbor Acres must have the cooperation of Resident's family, friends, responsible parties and other associates to comply with Arbor Acres' applicable policies, rules and regulations. Any continuing or repeated failure or refusal by any such persons to so cooperate and comply may result in a determination by Arbor Acres that it is no longer feasible for Arbor Acres to provide services to Resident. Upon such determination, Arbor Acres will have a right to terminate this Agreement.

- C. **Relationships Between Residents and Staff.** Arbor Acres is built on mutual respect and instructs its staff to be cordial and helpful to You. The relationship is to remain professional. Employees must not be delayed or deterred by residents in the performance of their duties. Management is solely responsible for the supervision of staff. Complaints or requests for special assistance must be made to the appropriate supervisor. Giving gratuities or bequests to employees or employees' families is not permitted. You will not employ Arbor Acres' employees nor hire former Arbor Acres' employees without the prior written consent of the management of Arbor Acres.
- D. **Loss of Property.** Arbor Acres will not be responsible for the loss of or damage to any property belonging to You due to theft, mysterious disappearance, fire, employee accident, or any other cause. It is understood that You have the responsibility of providing any desired insurance protection covering any such loss.
- E. **Representations.** You affirm 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 Arbor Acres as the basis for entering into this Agreement. You agree to provide updates of this information in a timely way to Us. As one of those representations, You affirm that You are at least 62 years old.
- F. **Behavior Deemed Harmful to Arbor Acres.** If Resident is deemed competent and capable of controlling his or her behaviors and engages in behaviors deemed by the President/CEO to be disruptive, hostile, illegal, or otherwise harmful to others or to Arbor Acres, Arbor Acres reserves the right to terminate this Agreement. If such a circumstance arises, Arbor Acres will discuss the matter thoroughly with Resident to provide Resident with knowledge of the behaviors deemed intolerable by Arbor Acres. Arbor Acres will provide Resident a written warning to desist from the behavior or any similarly disruptive, hostile, illegal or

harmful behavior. Upon determination that Resident is continuing to engage in the behaviors against which Resident has been warned, Arbor Acres will have the right to terminate this Agreement.

- G. Sex Offender Registry.** Resident hereby acknowledges that it is the policy of Arbor Acres to conduct sex offender screening for every incoming resident, regardless of independent status or level of care prior to entering into a Residence Agreement. If the screening shows that the prospective resident is identified as a sex offender, Arbor Acres will deny admission of Resident on that basis and not execute a Residence Agreement. In addition, Resident hereby acknowledges and agrees that if, after Arbor Acres and Resident have entered into a Residence Agreement, Arbor Acres becomes aware that Resident is listed on any sex offender registry, Arbor Acres may terminate this Agreement with Resident and remove Resident from Arbor Acres.

VI. FINANCIAL ARRANGEMENTS

- A. Entry Fee.** You agree to pay Arbor Acres an entry fee in the amount of \$12,500.00 per resident (less \$1,000.00 application fee, as applicable) as a condition to this Agreement (the “Entry Fee”). The Entry Fee is a lump sum payment due as of the Date of Acceptance and will not be increased or changed during the term of this Agreement, except for changes required by state or federal programs or execution of a subsequent Residence Agreement should You move to Arbor Acres some time in the future. In the event You decide to move to Arbor Acres and enter into a Residence Agreement, notwithstanding the amortization of the Entry Fee for refund purposes as set forth in Section VIII.D. of this Agreement, the full amount of the Entry Fee (less \$1,000.00 application fee, as applicable) will be applied towards the then prevailing entry fee for the apartment or home at the Community You select. The ability to apply the full amount of the Entry Fee (less \$1,000.00 application fee, as applicable) towards an entry fee for an on-campus living accommodation at Arbor Acres shall survive the termination of this Agreement, subject to the execution of a Residence Agreement between You and Arbor Acres.
- B. Monthly Fee and Other Charges.** You agree to pay a monthly fee (the “Monthly Fee”) during the term of this Agreement. The current Monthly Fee associated with this Agreement is \$400.00 per resident per month. The Monthly Fee will commence at the Date of Acceptance and will be subject to adjustment in accordance with Section VI.D. below. The Monthly Fee will be paid on a prorated basis for any partial month.

Arbor Acres will furnish Resident a monthly statement with the total amount of the Monthly Fee and other charges, if any, owed by Resident. Resident shall pay such fees and charges around the 15th day of the month. If Resident’s payment is late, Arbor Acres may charge Resident a one and one-half percent (1.5%) interest fee per month, from the first of the month in which the payment is late. Upon thirty (30) days’ advance written notice, Arbor Acres may change the billing date and payment due date. Arbor Acres shall have the right to offset against any Entry Fee

repayment any unpaid Monthly Fees or other charges owed by Resident to Arbor Acres. If You fail to comply with the terms of this provision, We may terminate this Agreement.

- C. **Assisted Living or Health Center Charges.** If You need care in Arbor Acres' Assisted Living or Health Center facilities, You will be charged an additional daily fee based on the particular level of care and type of accommodation at Arbor Acres' then prevailing rates. This fee is in addition to the Monthly Fee, which You will continue to be charged.
- D. **Adjustments in the Monthly Fee and Other Charges.** Arbor Acres may adjust the Monthly Fee, the Assisted Living and Health Center fees, and any and all other charges from time to time on the basis of experience or to reflect changes in the cost of achieving the mission or purposes of Arbor Acres. Arbor Acres agrees that, in the exercise of its discretion, which will be binding on You, Arbor Acres will endeavor to maintain all fees and charges at the lowest feasible amounts which, in the judgment of the Board of Directors of Arbor Acres, is consistent with sound financial operation and maintenance of the quality of facility, program and service provided.
- E. **Health Care Insurance Requirements.** You shall be responsible for carrying both Medicare Part A and Medicare Part B insurance coverage, or a substitute policy acceptable to Arbor Acres. You shall also carry a supplemental insurance policy acceptable to Arbor Acres, which adequately covers the hospital, medical, and skilled nursing deductibles and co-payments required of Your primary insurance plan. Both Your primary and supplemental health insurance policies must recognize Arbor Acres as a health care provider. You assume the financial responsibility for services provided that otherwise could be covered by Medicare or insurance.

You shall be responsible for ensuring that the health insurance coverage that was approved does not lapse, and You shall provide Arbor Acres with evidence of such coverage upon request. If Your health insurance coverage should lapse, Arbor Acres may require that You reapply for suitable coverage. If You are unable to obtain adequate new coverage, Arbor Acres shall charge You for any costs of medical and other health care services provided to You that otherwise would have been covered by an approved policy.

- F. **Arbor Acres' Filing for and Rights to Insurance Benefits.** Arbor Acres shall be responsible for filing for reimbursement from Your Medicare and supplemental health insurance plans for covered medical, nursing, and outpatient therapy services when provided by Arbor Acres. Arbor Acres has a right to the benefits payable under the insurance You carry for services provided by Arbor Acres as, required in this Agreement, except where costs of care were borne solely by You and not Arbor Acres. You hereby authorize Arbor Acres to file claims for benefits to which You are entitled under this Agreement and to execute all documents necessary to enable Arbor Acres to collect or enforce such claims. If, for any reason, Arbor Acres

cannot apply directly for benefits payable under insurance required by this Agreement, You agree to make such application and to pay Arbor Acres the proceeds received that are due for services provided by Arbor Acres.

For those services provided by Arbor Acres that are covered by Medicare, We will accept Medicare Assignment, billing Medicare first and accepting Medicare's allowable reimbursement rates as payment in full. You shall be responsible for amounts allowed by Medicare or Your supplemental insurance that are treated as deductibles, co-payments or other cost-sharing amounts imposed by Medicare or Your supplemental insurance. For those services provided by Arbor Acres that are not covered by Medicare or Your supplemental insurance, You shall be responsible for all costs and expenses related to such services at the then prevailing rates. For all services not provided by Arbor Acres but are provided by another provider, You shall be responsible for all costs and expenses related to such services.

- G. **Automobile Accident Insurance.** If You are a licensed driver, You are responsible for maintaining automobile accident insurance to cover medical costs from automobile accidents causing injury.
- H. **Arbor Acres' Rights in Case of Injury Caused by a Third Party.** In the event Arbor Acres has incurred costs, expenses and damages on Your behalf relating to injuries or illnesses caused to You by a third party (including, but not limited to, reasonable costs of care Arbor Acres may furnish You because of such accident or injury), You hereby agree that any amount recovered by You or on Your behalf from any and all sources relating to Your injuries or illnesses shall first be paid to Arbor Acres in an amount to reimburse Arbor Acres for its costs, expenses and damages incurred, with the balance of any amount recovered then paid to You or credited to Your account, or, in the event of Your death, paid to Your estate.
- I. **Application for Benefits; Assignment of Benefits.** Resident shall apply for any federal, state or local benefits for which Resident may be eligible or entitled upon request by Arbor Acres. If requested by Arbor Acres, any or all such benefits will be applied to the Monthly Fee or other charges incurred by Resident at Arbor Acres.

VII. **FINANCIAL ASSISTANCE**

In order to operate Arbor Acres on a fiscally sound, nonprofit basis, Arbor Acres has established fees and charges, which are subject to modification from time to time as deemed necessary and appropriate by Arbor Acres. Resident agrees to pay when due all required fees and charges. Resident has received from Arbor Acres a schedule of current fees and charges.

Resident agrees to provide, if requested, periodic financial statements and current financial information for the purpose of demonstrating capacity to meet financial obligations to Arbor Acres. Should Resident experience financial difficulty that might result in Resident's immediate or eventual inability to meet the financial obligations under this Agreement, including any spend down of assets that might result from payment of expected fees and

charges to Arbor Acres, Resident will inform Arbor Acres immediately, and submit a current financial statement. Resident and, if appropriate, Resident's responsible party, and Arbor Acres shall discuss and, if possible, agree on a plan by which Resident's financial obligation to Arbor Acres can be met. Residents whose funds are depleted primarily through payment of fees associated with this Agreement, to include costs associated with their medical care, may be eligible for consideration for financial assistance through Arbor Acres. Such assistance, however, is conditional upon demonstration that other options for fulfilling this financial obligation to Arbor Acres have been explored and deemed impracticable by either party. When Resident is deemed eligible for financial assistance through Arbor Acres, Arbor Acres, to the extent of its available resources dedicated for financial assistance, will attempt to furnish financial assistance when it is needed. Termination of residency for Resident's inability to fulfill the financial obligations incurred under this Agreement shall be an option exercised as necessary to assure the financial viability of Arbor Acres and of its financial assistance program.

VIII. TERMINATION AND REFUNDS

- A. Voluntary Termination After Date of Acceptance.** This Agreement may be terminated by You at any time by providing Arbor Acres sixty (60) days advanced written notice of such termination. You may be entitled to a prorated refund of the Entry Fee pursuant to Section VIII.D.
- B. Termination Upon Death.** In the event of Your death at any time after the Date of Acceptance, this Agreement will terminate upon the date of death. Your estate may be entitled to a pro-rated refund of the Entry Fee pursuant to Section VIII.D.
- C. Termination by Arbor Acres.**¹ Arbor Acres may terminate this Agreement at any time (i) pursuant to Section III.E., Section IV.B., Section V.B., Section V.F. or Section V.G. of this Agreement, (ii) if there has been any material misrepresentation or omission made by You in the application forms, (iii) if You fail to make payment to Arbor Acres and Arbor Acres gives notice provided for in Section VI.B., (iv) if You fail to abide by Arbor Acres' policies and procedures, or (v) if You breach the terms of this Agreement. In such events, You may be entitled to a pro-rated refund of the Entry Fee pursuant to Section VIII.D, subject to the terms of this Agreement. Arbor Acres will provide timely advance written notice of termination that is in compliance with prevailing laws, regulations and Arbor Acres' policies. Arbor Acres shall exercise such right of termination only after first attempting to work out satisfactory solutions with Resident and/or Resident's responsible party. If agreement cannot be reached between the President/CEO and Resident and/or Resident's responsible party, the President/CEO will refer the matter to the Executive Committee of the Board of Directors of Arbor Acres (the "Executive Committee") for hearing and decision. The Executive Committee shall afford Resident an opportunity to be heard, and shall render a decision with respect to the matter referred to it. The decision of the Executive Committee shall be put in writing and shall be signed by the Chair of the Board of Directors of Arbor Acres

¹ [NTD: Please advise whether an appeal process is contemplated, similar to the other Residence Agreements.]

(the “Chair”) or, in the absence of the Chair, the Chair Elect of the Board of Directors of Arbor Acres. It is understood and agreed that the written, signed decision of the Executive Committee shall be final and binding.

- D. Calculation for Pro-Rated Refunds.** If termination of this Agreement occurs during the first fifty (50) months of this Agreement, You or Your estate will be entitled to a partial refund of the Entry Fee, subject to the terms and conditions of this Agreement. You will receive a refund in the amount equal to: (i) the Entry Fee less a non-refundable fee in the amount of \$1,000 (the “Net Entry Fee”); less (ii) two percent (2%) of the Net Entry Fee for each month that this Agreement has been in effect for up to fifty (50) months; less (iii) any amounts due to Arbor Acres. After fifty (50) months, there is no refund of the Entry Fee. The fifty (50) month period begins with the Date of Acceptance. Payment, if any, shall be made within sixty (60) days of written notice of termination.

IX. RIGHT OF RESCISSION

Notwithstanding anything herein to the contrary, this Agreement may be rescinded by You giving written notice of such rescission to Arbor Acres 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, if it is conditioned by a change in Your health status, You will receive a full refund of the Entry Fee, less a non-refundable application fee of \$100.00. If the rescission is for a reason other than change in Your health status, You will receive a refund of the Entry Fee less a non-refundable fee in the amount of \$1,000. Any such refund will be paid by Arbor Acres within sixty (60) days following receipt of written notice of rescission pursuant to this Section IX.

X. GENERAL

- A. Assignment.** This Agreement and the rights and privileges for You under this Agreement to the common areas, amenities, and services and programs of Arbor Acres are personal to You and may not be transferred or otherwise assigned by You.
- B. Management of the Community.** The absolute rights of management are reserved by Arbor Acres and its Board of Directors. Arbor Acres reserves the right to accept or reject any person as a resident. Residents do not have the right to determine admission or terms of acceptance of any other resident.
- C. Entire Agreement.** This Agreement, together with any Arbitration Agreement between Arbor Acres and You, constitutes the entire Agreement between Arbor Acres and You. Arbor Acres will not be liable or bound in any manner by any statements, representations, or promises made by any person representing or claiming to represent Arbor Acres, unless such statements, representations, or promises are set forth in this Agreement.

- D. **Capacity.** This Agreement has been executed on behalf of Arbor Acres by Arbor Acres' duly authorized agent, and no officer, trustee, agent or employee of Arbor Acres shall have any personal liability to Resident under this Agreement.
- E. **Amendments and Modifications.** This Agreement shall not be modified, amended or changed in any respect except in writing signed by Arbor Acres and Resident. Each waives any right to amend this Agreement in any other way. Notwithstanding the foregoing, Arbor Acres may amend this Agreement to ensure compliance with applicable laws and regulations.
- F. **Waiver.** Neither the failure nor any delay on the part of any party to exercise any right, remedy, power or privilege ("Right") under this Agreement shall operate as a waiver thereof, nor shall any single or partial waiver of any Right preclude any exercise of the same or of any other Right. No waiver shall be in effect unless in writing and signed by the party asserted to have granted such waiver.
- G. **Severability.** The invalidity of any restriction, condition or other provision of this Agreement, or any part of the same, shall not impair or affect in any way the validity or enforceability of the rest of this Agreement.
- H. **Interpretation.** The headings in this Agreement are for convenience and reference only, and shall not affect the interpretation of any provision of this Agreement.
- I. **Successors and Assigns.** Except as set forth herein, this Agreement will bind and inure to the benefit of the successors and assigns of Arbor Acres and Your heirs, executors, administrators, responsible parties, attorneys-in-fact and permitted assigns.
- J. **Rights Subordinate to Mortgage.** Pursuant to the requirements of any lender, You agree that Your rights under this Agreement are subordinate to the right of the lender under any mortgage, deed of trust or security interest executed now or in the future by Arbor Acres.
- K. **Durable Power of Attorney, Will, Living Will, and Health Care Power of Attorney.** You agree to keep in effect an appropriate Durable Power of Attorney designating some competent person as attorney-in-fact. You agree to execute a Will, Living Will, and designate a Durable Health Care Power of Attorney. Within ninety (90) days of the Date of Acceptance, You will deliver to Arbor Acres copies of the following documents, and will promptly deliver any changes to such documents to Arbor Acres during this Agreement: (a) health insurance coverage information; (b) copy of current Durable Power of Attorney; (c) copy of current Durable Health Care Power of Attorney and Living Will; and (d) evidence of the executor or other legally responsible person of Resident's estate, such as a copy of Resident's will documenting the name of the executor of his or her estate.
- L. **Uncontrollable Interruption of Services.** No breach of Arbor Acres' obligations under this Agreement and no liability for injury to Resident or Resident's property

Initials

shall result from an interruption of, or failure to provide, contracted services due to an act of God or other cause beyond the reasonable control of Arbor Acres, specifically including (without limitation) strikes or other forms of labor disturbances, government regulations and/or embargoes, shortages of labor or materials, fire, flood, earthquakes, inclement weather or acts of the Resident. Arbor Acres shall make reasonable efforts to continue to provide the usual services in such event.

- M. Confidentiality.** Arbor Acres has the responsibility to keep all of the personal, medical, and financial information You have supplied to Arbor Acres confidential. You agree that Arbor Acres can disclose such information to those who have a need, in Our judgment, or right to know.
- N. Indemnity.** You agree to indemnify, defend and hold Arbor Acres harmless from claims, damages or expenses, including attorneys' fees and court costs, resulting from any injury or death to persons and/or any damages to property caused by, resulting from, attributable to or in any way connected with, directly or indirectly, Your act or omission or those of Your guests, including private duty nurses or any other third party service contracted by You. This Section X.N. shall survive termination of this Agreement.
- O. Affiliations.** Arbor Acres is affiliated with the Western North Carolina Annual Conference of The United Methodist Church, which is not responsible for the financial and contractual obligations of Arbor Acres.
- P. Notice Provisions.** Notices required by this Agreement will be in writing and delivered either by personal delivery or mail. If delivered by mail, notices will be sent by certified or registered mail, return receipt requested, with all postage and charges prepaid. Notices and other communications will be deemed to have been given when delivered by personal delivery or if mailed, such notice shall be deemed to have been given on the third business day after being deposited in the United States mail, postage prepaid. All notices and other written communications required under this Agreement will be addressed to You or to Your personal representative at the address provided to Us. Notices shall be sent to us at the following address:

Arbor Acres United Methodist Retirement Community, Inc.
1240 Arbor Road
Winston-Salem, NC 27104
Attention: President and CEO

Your address for the purpose of giving notice is the address appearing after Your signature below or such other address You provide to Us in writing.

- Q. No Guarantee of Residence.** Arbor Acres' execution of this Agreement does not guarantee that any apartment or home will be available for Your occupancy during Your lifetime or prior to the termination of this Agreement for any reason.

- R. Governing Law; Venue.** This Agreement shall be governed by, interpreted, construed and enforced in accordance with the laws of the State of North Carolina, without giving effect to any choice of law or conflict of law rules or provisions that would cause the application of laws or any jurisdiction other than North Carolina. Except to the extent that the parties have agreed to an alternative mechanism for the resolution of a dispute, to the full extent permitted by law, any action, suit or proceeding arising out of or relating to this Agreement shall be brought and enforced in the courts of the State of North Carolina located in Forsyth County or of the United States District Court for the Middle District of North Carolina, and the parties hereby irrevocably submit to the exclusive jurisdiction of such courts and irrevocably waive any objection that they may now or hereafter have to the laying of venue of any such action or proceeding in such courts. In the event of any such dispute, the non-prevailing party shall pay all reasonable costs, expenses and attorneys' fees incurred by the prevailing party.
- S. Survival.** Those rights and obligations that have accrued under this Agreement shall survive its termination, as shall those rights and obligations that by their terms survive termination and any provisions that must survive to give effect to their terms, as shall any obligation of Resident to pay costs or expenses under this Agreement that remain unpaid as of such termination.

[Signature page follows.]

Resident hereby acknowledges the receipt of the Arbor Acres' Disclosure Statement dated May 30, 2024. Resident acknowledges that the Disclosure Statement was received prior to the execution of this Agreement and the payment of the Entry Fee to Arbor Acres. Resident understands this matter involves a financial commitment and associated risk, as well as a legally binding contract. Resident has had the opportunity to consult with an attorney and/or financial advisor who could advise Resident concerning this Agreement.

IN WITNESS WHEREOF, Arbor Acres has executed this Agreement and You have read and understand this Agreement and have executed this Agreement.

Resident Signature: _____

Resident Address:

Street Address

City, State & Zip Code

Arbor Acres United Methodist Retirement Community, Inc.

By: _____

CORPORATE OFFICER

Appendix D — Statutory Ratio and Supporting Definitions

This Appendix reproduces certain statutory definitions referenced in Section 35 — Key Financial Metrics. The definitions below are quoted verbatim from N.C. Gen. Stat. §§ 58-64A-5 and 58-64A-145 and are provided for reference only.

Adjusted Net Operating Margin Ratio. *“A profitability ratio that measures the margin generated from the core operations of a provider and net cash proceeds from entrance fees. The quotient shall be calculated by dividing the sum of resident operating income and net proceeds from entrance fees by the sum of resident revenue and net cash proceeds from entrance fees.”* (G.S. 58-64A-145(1))

Annual Debt Service. *“The current year’s capitalized interest cost plus interest expense and scheduled principal payments, excluding any balloon principal payment amounts and any portion of the annual debt service that has been or will be funded by debt for the payment of debt service.”* (G.S. 58-64A-5(7))

Average Daily Cash Operating Expenses. *“The total expenses of a provider incurred in the conduct of the provider’s business over a defined period of time, divided by the number of days in that period. For purposes of this definition, ‘total expenses’ includes interest expense, but excludes depreciation expense, amortization expense, realized or unrealized nonoperating losses or expenses, bad debt expense, and other noncash expenses.”* (G.S. 58-64A-145(2))

Capital Expenditures as a Percentage of Depreciation Ratio. *“A capital structure ratio that indicates the level of capital reinvestment by a provider. The quotient shall be computed by dividing total purchases of property, plant, and equipment by total depreciation expense.”* (G.S. 58-64A-145(3))

Cushion Ratio. *“A liquidity ratio that measures a provider’s ability to pay its annual debt service using its unrestricted cash and investments. The quotient shall be computed by dividing unrestricted cash and investments by annual debt service.”* (G.S. 58-64A-145(4))

Days Cash on Hand Ratio. *“A liquidity ratio that measures the number of days of cash operating expenses a provider could cover using its existing unrestricted cash and investments. The quotient shall be computed by dividing unrestricted cash and investments by average daily cash operating expenses.”* (G.S. 58-64A-145(5))

Debt Service Coverage Ratio. *“A capital structure ratio that measures a provider’s ability to pay annual debt service with cash flow from net cash revenues and net entrance fee receipts. The quotient shall be calculated by dividing the sum of total excess of revenues over or under expenses plus interest expense, depreciation expense, amortization expense, other noncash operating losses or expenses, and net cash proceeds from entrance fees, minus entrance fee amortization, entrance fee refunds contractually past due, and other noncash operating gains or revenues divided by annual debt service. Entrance fees*

received from the initial residents of independent living units at a continuing care retirement community that have been financed in whole or in part with the proceeds of indebtedness shall be excluded from the net proceeds from entrance fees up to an amount equal to the aggregate of the principal amount of the indebtedness.” (G.S. 58-64A-5(17))

Net Cash Proceeds from Entrance Fees. *“Total entrance fees received less entrance fees refunded, and less initial entrance fees received for new independent living units.” (G.S. 58-64A-5(30))*

Net Operating Margin Ratio. *“A profitability ratio that measures the margin generated from the core operations of a provider. The quotient shall be calculated by dividing resident operating income by resident revenue.” (G.S. 58-64A-145(7))*

Operating Ratio. *“A profitability ratio that measures whether current year cash operating revenues are sufficient to cover current year cash operating expenses without the inclusion of cash from entrance fee receipts. The quotient shall be computed by dividing total operating expenses, excluding depreciation expense and amortization expense, by total operating revenues, excluding amortization of entrance fees and other deferred revenue.” (G.S. 58-64A-145(8))*

Prospective Financial Statements. *“Financial forecasts or financial projections, including the summaries of significant assumptions and accounting policies prepared by an independent certified public accountant.” (G.S. 58-64A-5(38))*

Resident Expense. *“Total operating expenses excluding interest expense, depreciation expense, amortization expense, and income taxes.” (G.S. 58-64A-145(10))*

Resident Revenue. *“Total operating revenue excluding interest and dividend income, entrance fee amortization, and contributions.” (G.S. 58-64A-145(11))*

Unrestricted Cash and Investments. *“The sum of the provider's unrestricted cash, cash equivalents and investments, and any provider restricted funds that are available to pay debt or to pay operating expenses. For purposes of this definition, the assets serving as the operating reserve required by G.S. 58-64A-245 shall be considered unrestricted.” (G.S. 58-64A-145(12))*

Unrestricted Cash and Investments to Long-Term Debt Ratio. *“A capital structure ratio that (i) measures a provider's position in available cash and marketable securities in relation to its long-term debt and (ii) measures a provider's ability to withstand annual fluctuations in cash. The quotient shall be calculated by dividing unrestricted cash and investments by total long-term debt, less the current portion of long-term debt.” (G.S. 58-64A-145(13))*

Source: N.C. Gen. Stat. §§ 58-64A-5 and 58-64A-145 (Session Law 2025-58). If the statutory definitions are amended, the statute as amended controls.