



Disclosure Statement

The Cedars of Chapel Hill

Provider: The Cedars of Chapel Hill.

Date of Disclosure Statement: 12/31/2025

Last Date for Delivery: 06/9/2026

- 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 The Cedars of Chapel Hill, Inc. to penalties under Article 64A.

Financial Snapshot: Key Ratios for The Cedars of Chapel Hill Club.

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

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

Table FS-1. Financial Snapshot – Key Statutory Financial Ratios						
<i>The Cedars of Chapel Hill Club, Inc. · Fiscal Year Ended December 31, 2025 (FY)</i>						
	◀ Historical ◀		Current	▶ Forecast ▶		
	FY-2 (2023)	FY-1 (2024)	FY (2025)	FY+1 (2026)	FY+2 (2027)	FY+3 (2028)
LIQUIDITY RATIOS						
Days Cash on Hand (DCOH)	72.7	81	88.1	112.9	131	155.4
Cushion Ratio (CUSH)	N/A	N/A	N/A	N/A	N/A	N/A
PROFITABILITY RATIOS						
Operating Ratio (OR)	109.4%	99.2%	95.8%	94.9%	93.9%	91.2%
Net Operating Margin (NOM)	N/A	N/A	N/A	N/A	N/A	N/A
Adj. Net Operating Margin (NOM-A)	N/A	N/A	N/A	N/A	N/A	N/A
CAPITAL STRUCTURE RATIOS						
Debt Service Coverage (DSCR)	N/A	N/A	N/A	N/A	N/A	N/A
Cash & Investments to LT Debt (CD)	N/A	N/A	N/A	N/A	N/A	N/A
Capital Expenditures to Depreciation (CED)	N/A	N/A	N/A	N/A	N/A	N/A

¹ DCOH includes restricted cash (unrestricted operating cash + NCDOL-restricted operating reserve funds).

² CUSH, DSCR, and CD are N/A — the Club carries no long-term debt.

³ NOM-A is N/A — The Cedars is an equity community; no entrance fees are charged or amortized.

⁴ CED is N/A — all Club-owned assets were fully depreciated at 12/31/25.

Forecast columns represent management's compiled forecast per NC Statute 58-64-20(a)(12); compiled by Hawley, C.P.A., P.A., April 16, 2026. Not audited; actual results may differ materially.

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. **The Cedars of Chapel Hill Condominium Association cash and investments are NOT included.**
- **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. **NO DEBT.**

Profitability Ratios:

- **Operating Ratio (OR).** Compares current operating expenses (excluding depreciation and amortization) to current operating revenues. 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. **Equity model ownership = no entrance fees.**

Capital Structure Ratios:

- **Debt Service Coverage (DSCR).** Measures the provider's ability to pay annual debt service from operations and net entrance fee cash. **NO DEBT.**
- **Unrestricted Cash & Investments to Long-Term Debt (CD).** Compares unrestricted cash and investments to long-term debt. **NO DEBT.**
- **Capital Expenditures to Depreciation (CED).** Compares what the provider is spending on capital improvements to the amount its assets are wearing out.

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

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1. Provider Identification

Legal Responsibility for Continuing Care

The Cedars of Chapel Hill Club, Inc. is the entity that enters into continuing care contracts with the Members 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 Members except as expressly disclosed in this Disclosure Statement.

Item	Information
Legal Provider Name:	The Cedars of Chapel Hill Club, Inc.
Doing Business As (DBA):	N/A
Business Address:	100 Cedar Club Circle, Chapel Hill, NC 27517
Telephone Number:	(919) 929-1995
Legal Entity Type:	Nonprofit corporation organized under the laws of North Carolina
For-Profit / Nonprofit Status:	Non-profit
Federal Tax Status:	Tax-exempt under Section 501(c)(4) 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:	The Cedars of Chapel Hill Club, Inc. is a nonprofit corporation that is connected to the Cedars of Chapel Hill Condominium Association (owner of the community) and The Cedars of Chapel Hill, LLC. (manager)

2. Organizational Structure

2.1 Multi-Entity Organization Status

The Cedars of Chapel Hill Club, Inc. is part of a related-entity organization that includes The Cedars of Chapel Hill Condominium Association and The Cedars of Chapel Hill, LLC. These entities each have their own powers and responsibilities that are outlined below and in the organizational chart.

2.2 Consolidation of Financial Statements

Audited financial statements are prepared separately as required by various statutes related to NCDOL, NCREC, and others. Each entity has a separate audit presenting its financial position and results of operations of each entity, including The Cedars of Chapel Hill Club, Inc., individually.

2.3 Controlling Person

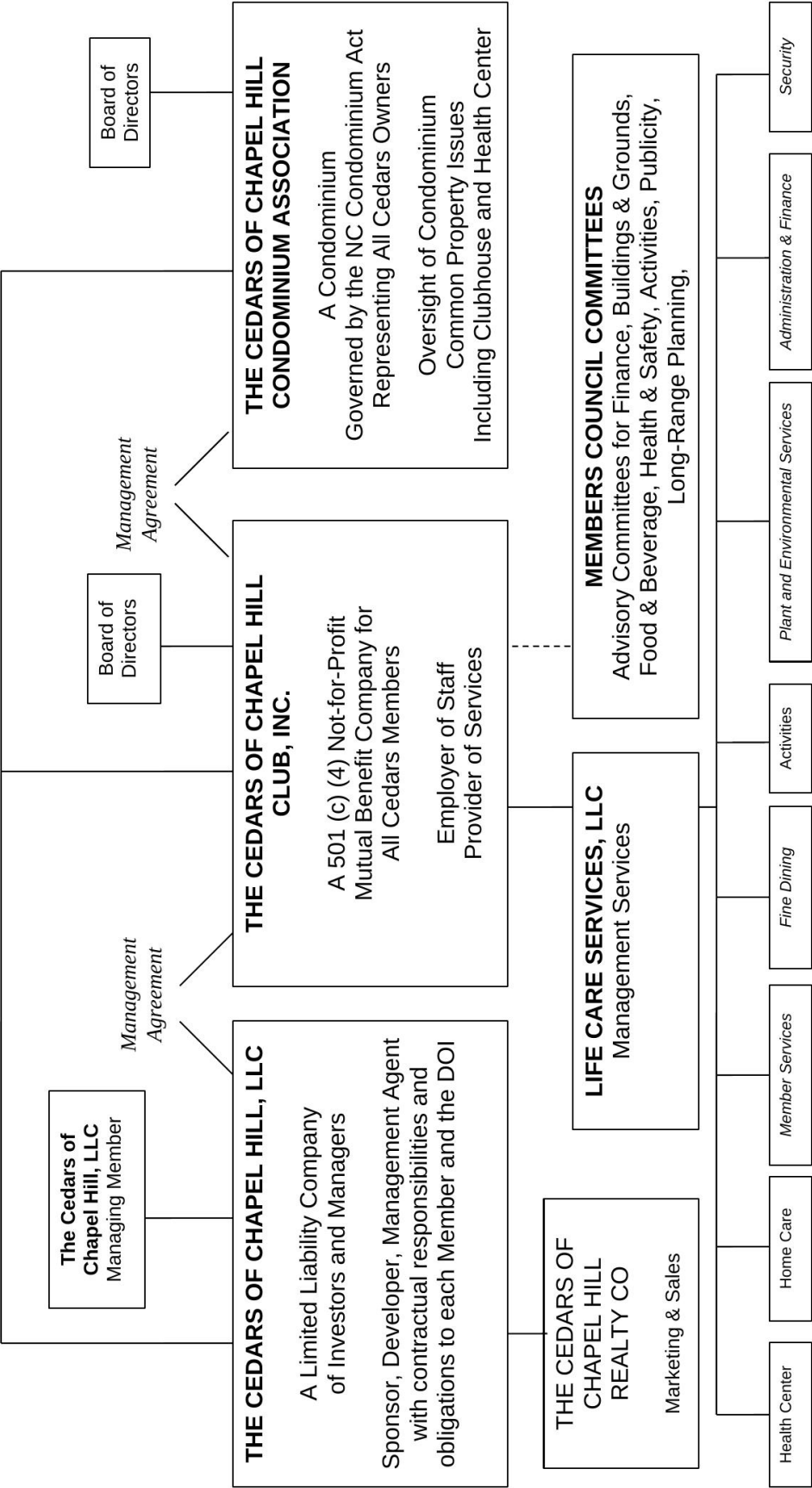
Item	Information
Name:	The Cedars of Chapel Hill, LLC.
Business Address:	1460 Environ Way, Chapel Hill, NC 27517
Telephone Number:	(919) 929-0660

2.4 Company Structure Chart

The organizational structure of The Cedars of Chapel Hill Club and all related entities, including The Cedars of Chapel Hill Condominium Association and The Cedars of Chapel Hill, LLC., is as follows:

THE CEDARS OF CHAPEL HILL
A Life Plan Community
Licensed by the NC Department of Insurance (DOI)
as a Continuing Care Retirement Community

Entities Comprising The Cedars



3. Key Persons and Management Personnel

(for purposes of this Section):

- **Outside Interests:** The Cedars of Chapel Hill has no 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.
- **Adverse Disclosures:** No senior officer or manager has 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 edective 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.

3.1 Senior Officers of The Cedars of Chapel Hill Club, Inc.

Mr. Perry W. Aycock currently is President of The Cedars of Chapel Hill Club, Inc. and is directly responsible for the community's management. He has overall management responsibility for The Cedars of Chapel Hill Club, Inc. In his role as management agent, his primary duties involve the review and approval of capital expenditures, review and approval of operating budgets and monitoring of The Cedars' financial condition. Operational policies for The Cedars and criteria for admissions are subject to approval and periodic review. He also monitors compliance with the budget and the performance of The Cedars and its management. These activities are carried out by means of reports, studies and on-site inspections.

Business Address: 1460 Environ Way, Chapel Hill, NC 27517

Disclosure: No officers have reported any Outside Interests or Adverse Disclosures.

3.2 Community Management – Life Care Services

LCS employs the Executive Director, Sara Flynn-Loy to manage The Cedars and Gavin Locklear as the Administrator of The DuBose Health Center. The Club employs all other personnel. Ms. Flynn-Loy is a graduate of The Pennsylvania State University with a Bachelor of Science degree in Human Development and Family Studies with an emphasis in Adult Development and Aging and a minor in Business Administration. She has served on various Boards and committees, including *LeadingAge NC* and the National Investment Center's Future Leaders Council.

Business Address: 100 Cedar Club Circle, Chapel Hill, NC 27517

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

3.3 Board of Directors — The Cedars of Chapel Hill Club, Inc.

The Cedars of Chapel Hill Club, Inc., ("The Club") is a North Carolina 501(c)(4) nonprofit corporation. Its Board of Directors is made up of ; Linda Saunders, MBA, CPC, ACC; and Meg Peery McLaughlin, Co-Pastor at University Presbyterian Church; Jerry Van Sant, Member and retired financial executive; and Perry Aycock, Manager of The Cedars of Chapel Hill, LLC. Mr. Aycock currently serves as President of The Club. The Board is self-perpetuating with new Board members elected by the remaining Board members.

Business Address: 100 Cedar Club Circle, Chapel Hill, NC 27517

Disclosure: None of the directors of The Cedars of Chapel Hill Club, Inc. have reported any Outside Interests or Adverse Disclosures.

3.4 Management Entity — LifeCare Services Inc.

- **Nature of Role:** For profit organization; employs the Executive Director and Administrator of DuBose Health Center to provide on-site leadership, management and centralized administrative services to The Cedars of Chapel Hill Club, Inc.
- **Business Address:** 400 Locust Street, Suite 820; Des Moines, Iowa 50309
- **Key Officers:** Principal Officers of Life Care Services include Chris Bird, Daniel Lahey, GeLynna Shaw, Bridgette Uhlemann, Jason Victor, and Jason Victor.

3.5 10% + Interests

No individual holds a ten percent (10%) or greater beneficial interest in any entity.

4. Governing Body and Oversight

4.1 Provider Governing Body

The Cedars of Chapel Hill Club, Inc. is governed by a Board of Directors consisting of four or more members. The Board is responsible for the overall direction and oversight of The Cedars of Chapel Hill Club, Inc.'s operations, financial condition, and member welfare. Its duties include:

- Reviewing and approving budgets and financial reports.
- Ensuring compliance with applicable laws, regulations, and contractual obligations.
- Overseeing the quality of care and services, including safety and satisfaction.
- Monitoring risks to The Cedars of Chapel Hill Club, Inc.'s solvency and operations.

4.1.1 Selection of Members

Directors are appointed by The Cedars of Chapel Hill LLC, Inc.'s President in consultation with the current board members and Cedars management. Directors serve two-year staggered terms and may be reappointed for consecutive terms. Officers of the Board are elected by the Board from among its members.

4.1.2 Oversight of Management and Operations

The Board delegates day-to-day operations of The Cedars of Chapel Hill Club Continuing Care Retirement Community and The Cedars of Chapel Hill Club, Inc. to the Executive Director employed by Life Care Services, Inc. and senior management. 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 Cedars of Chapel Hill Club, Inc. Board does not maintain standing committees.

4.2 Controlling Person Governing Body

The Cedars of Chapel Hill LLC, Inc. is governed by its own members and Manager. That manager is responsible for system-level strategy and oversight, including:

- Appointing the directors of The Cedars of Chapel Hill Club, Inc.
- Approving system-wide budgets and consolidated audits.
- Coordinating policies across subsidiaries.
- Ensuring accountability for the management company and related entities.

4.2.1 Oversight of Management and Operations

The Cedars of Chapel Hill LLC, Inc. does not directly employ staff. Administrative and operational support is provided The Cedars of Chapel Hill Club, Inc and the management company Life Care Services. The Cedars of Chapel Hill. LLC oversees management and system operations by:

- Reviewing and approving consolidated financial reports and audits.
- Monitoring financial compliance and overall system liquidity.
- Overseeing the performance of Life Care Services, Inc. and its provision of services.
- Evaluating risks, including financing strategies and community performance.

4.2.2 Committees

The Cedars of Chapel Hill LLC, Inc. does not maintain standing committees.

4.2.3 Division of Responsibilities

- The Cedars of Chapel Hill Club, Inc. Board, the Cedars of Chapel Hill, LLC., the community's management team, and Members Council leaders focus on community-level matters, including operations, quality of care, resident satisfaction, and financial performance.

5. Related Parties

The Cedars is made up of several distinct legal entities, each with its own powers and responsibilities.

5.1 The Cedars of Chapel Hill, LLC.

The Cedars of Chapel Hill, LLC is the sponsor and the entity that planned, designed, built and sold homes as condominiums. It has a Management Agreement with The Cedars of Chapel Hill Club, Inc. and enters into a Membership Agreement with each of The Cedars' residents (Members). The Cedars of Chapel Hill Club, Inc. (which also is a party to the Membership Agreement) and The Cedars of Chapel Hill Condominium Association are two distinct North Carolina legal entities organized as non-profit corporations under the laws of North Carolina. None are affiliated with any religious, charitable or other non-profit organizations. The Cedars of Chapel Hill Club, Inc. is organized to manage the various membership functions of The Cedars which are included in each Member's Membership Agreement. Since The Cedars offers condominium ownership of a home, The Cedars of Chapel Hill Condominium Association was created to comply with North Carolina law regarding the ownership of commonly owned property. Cedars of Chapel Hill Club, Inc. has relationships with related parties

5.2 The Cedars of Chapel Hill Club, Inc.

The Cedars of Chapel Hill Club, Inc., ("The Club") is a North Carolina 501(c)(4) nonprofit corporation. The Club was created to provide the services contracted for in The Cedars Membership Agreement. The Club manages the commonly owned property of The Cedars, including the Clubhouse and DuBose Health Center, on behalf of The Cedars of Chapel Hill Condominium Association. All monthly payments paid by Members and operating receipts and disbursements go through The Club.

Each year The Club collects from Members and pays The Cedars of Chapel Hill, LLC an amount equal to 10% of annual operating costs of The Club and the Condominium

5.3 The Cedars of Chapel Hill Condominium Association

The Cedars of Chapel Hill Condominium Association (the "Association") is a nonprofit association of condominium owners. Its principal business address is 100 Cedar Club Circle, Chapel Hill, NC 27517. Each owner at The Cedars is a member of the Association.

There is one membership for each condominium. If condominium ownership is vested in more than one person, all of the persons owning such condominium designate one of the co-owners to act as the member of the Association. Upon conveying or transferring ownership interest in a condominium to a new owner, the new condominium owner will succeed to the former owner's membership in the Association.

The condominium owners own all the common property of The Cedars, including the Clubhouse and DuBose Health Center, with the Association serving as the governing body for all issues related to the real estate aspects of the common properties. The Association provides for the maintenance, repair, replacement, administration, and operation of common property. All activities undertaken by the Association are for the sole benefit of the condominium owners and all funds received by the Association will be used for the benefit of all condominium owners. The Club serves as the manager of the Association under a Management Agreement.

The Association acts through its Board of Directors, which is elected by the owners at an annual meeting in accordance with the By-Laws of the Association. The members of the Board as of the date of this publication are John Schwab, president; Tom Clegg, vice president; Ken Updegrave, Linda Luftig, Carolyn Falletta, and Bob Mosteller, all condominium owners and also Members of The Club. Replacement Board members are elected for terms beginning in January of each year.

6. Relationships with Religious, Charitable, or Other Organizations

The Cedars of Chapel Hill Club, Inc. is a nonprofit corporation under the sole control of The Cedars of Chapel Hill Club Board. The Cedars of Chapel Hill Club Board appoints The Cedars of Chapel Hill Club, Inc.'s directors and exercises overall governance and financial oversight.

Neither The Cedars of Chapel Hill Club, Inc. nor The Cedars of Chapel Hill Club Board, has a relationship with a sponsoring religious denomination, faith-based community, or educational institution. 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

No other person or entity is responsible, directly or indirectly, for the financial or contractual obligations of The Cedars of Chapel Hill Club, Inc. under its continuing care contracts.

8. Obligated Groups

The Cedars of Chapel Hill Club, Inc. is not a member of an obligated group as defined under N.C. Gen. Stat. § 58-64-1 et seq.

9. Debt Covenants and Compliance

The Cedars of Chapel Hill Club, Inc. is not subject to any debt covenant compliance requirements beyond ordinary trade payables.

10. Third-Party Management Arrangements

The Cedars of Chapel Hill Club, Inc., employs an unrelated third-party manager to operate The Cedars of Chapel Hill Club, Inc. Day-to-day operations are carried out by the Executive Director and The DuBose Health Center Administrator employed by Life Care Services, Inc., an unrelated for profit organization.

11. Real Property Leases

The Cedars of Chapel Hill Club, Inc. does not lease any of the real property that makes up The Cedars of Chapel Hill Continuing Care Retirement Community.

12. Endowment Funds

The Cedars of Chapel Hill Club, Inc. does not maintain endowment funds directly. Residents are owners of their residences and may choose to use their equity to fund necessities.

13. Description and Location of the Community

The Cedars is a condominium Life Plan Community (licensed Continuing Care Retirement Community) designed to accommodate persons 62 years of age or older in an independent and active environment. The Cedars has a total of 306 homes. There are 50 cottage homes with one or two-car garages, six mid-rise Villa buildings containing 192 one and two-bedroom homes and five Veranda buildings containing 62 two-bedroom homes. There are two homes on the top floor of the Clubhouse. The campus also includes an approximately 46,000 square foot Clubhouse and DuBose Health Center, which has 78 beds for use as skilled or assisted living. The Cedars is currently utilizing 68 of those beds. The Clubhouse serves as the hub for community activities and includes formal and informal dining areas, ballroom, art studio and activities room, card and game room, private dining room, beauty and barber salon, exercise room, computer and classroom, library and reading room, bar and an indoor pool. Construction is underway to add an additional 10 new

condominium residences that should be completed in late 2026.

There are multiple floor plans with almost all homes containing two bedrooms. All homes are furnished with washers and dryers and have fully equipped kitchens. There is a campus-wide emergency call system (which is monitored 24 hours a day), smoke detectors and carbon monoxide monitors in each home.

DuBose Health Center has both private and semiprivate rooms, clinic, activities rooms, physical therapy room, arts and crafts therapy area, dining rooms and lounges. DuBose includes a secure special care unit for Members with cognitive impairment and related disorders who are at risk for wandering.

Emphasis in DuBose Health Center is on restorative care and wellness in order to return Members to independent living in their homes. A licensed Home Care Agency is operated by The Cedars out of DuBose Health Center to provide assistance and companion services to Members in their homes on a fee-for-service basis. A medical clinic staffed by gerontologists also is located in DuBose Health Center.

14. Living Units by Level of Care

As of December 31, 2025, The Cedars of Chapel Hill Club Continuing Care Retirement Community included:

- 306 independent living units (256 Villa and Veranda condominiums and 50 cottages)
- 4 assisted living accommodations.
- 64 skilled nursing accommodations.

15. Continuing Care at Home Program

The Cedars of Chapel Hill Club, Inc. does not offer a Continuing Care at Home (CCaH) program. The provider has not applied for, and does not hold, a license to operate a CCaH program under N.C. Gen. Stat. § 58-64-1 et seq. This section is not applicable to the provider.

16. Resident Population Served

As of December 31, 2025, the Member population served by The Cedars of Chapel Hill Club Continuing Care Retirement Community under continuing care contracts was as follows:

- 425 Members in independent living
- 4 Members in assisted living

- 53 Members in skilled nursing

As of December 31, 2025, the community maintained a waitlist for admission to independent living consisting of over 350 families. Families on the waitlist are Future Preferred Members and are not Members of the community unless and until they qualified and executed both a Purchase and Sale and Membership Agreement (continuing care contract) and taken possession of their condominium.

To join the Preferred Future Owners list, prospective applicants are required to submit a \$2,500 deposit. The deposit is partially refundable (\$2,000 is refundable) and is not considered a part of the purchase price. If the applicant later enters into a Purchase and Sale and Membership Agreement (continuing care contract), the refundable portion of the deposit (\$2,000) is applied toward the required Membership fee at that time.

Placement on the Preferred Future Owners list does not guarantee admission to the community or priority for a specific unit and does not create contractual rights.

17. Occupancy Rates

The 12-month daily average occupancy rates for The Cedars of Chapel Hill 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	100%	100%	89%
12/31/2024	100%	100%	86%
12/31/2023	100%	100%	86%
12/31/2022	100%	100%	88%
12/31/2021	100%	100%	71%

18. Semiannual Resident Meetings

The Cedars of Chapel Hill Club, Inc. holds meetings with members of the Cedars of Chapel Hill Continuing Care Retirement Community at least twice each year, as required by law.

Fiscal Year 2025 Meeting Dates

- July 21, 2025
- November 20, 2025

As required by law, an independent member of the provider's board of directors was present at each of the meetings (Perry Aycock on July 21, 2025 and November 20, 2025).

19. Resident Property Rights

Members hold ownership and property rights in the real estate of The Cedars of Chapel Hill Continuing Care Retirement Community.

20. Services Provided Under the Contract

The decision to move into a Life Plan Community involves careful consideration of many factors, including the services to be provided. A detailed description of the services provided by The Club is found below. Members, Trusts, relatives, etc. purchase a home for a Member's lifetime use. Members sign a Membership Agreement which, for a monthly payment, entitles the Members to the following services: (1) food service; (2) weekly housekeeping; (3) weekly flat laundry; (4) maintenance of the home and common areas; (5) grounds care; (6) Clubhouse activities; (7) transportation within a 12 mile radius; (8) security; and (9) certain utilities.

DuBose Health Center services are available to all Members of The Cedars as stated in the Membership Agreement and a Member may be admitted directly to DuBose Health Center from a Member's home with proper Physician's orders. The staff works with Members toward full recovery so they can return to independent living as soon as possible. Members who are unable to return to independent living have the benefit of access to permanent care in DuBose Health Center and Member rates even if they sell their home.

Those Members who do not require care in DuBose Health Center but need additional personal services to continue independent living may purchase home care services from The Cedars Home Care Agency. Home care services are provided by Cedars staff members. Services such as companion care, bathing, dressing, driver, dog walking, shopping, personal laundry, additional housekeeping and special transportation are available to Members at an additional cost.

The services available to Members are listed in the Purchase and Sale Agreement and Membership Agreement. To more fully explain the services, the following descriptions have been prepared. The procedures followed in furnishing these services may be modified by The Cedars from time to time to allow it to best meet the needs of the Members.

20.1 Health Care Services

Assisted living or skilled nursing care for Members is provided at DuBose Health Center. Upon admission, DuBose Health Center staff determine the appropriate level of care required by the Member. As a part of the determination the Member's potential to return to independent living is evaluated. The nursing staff prepares a personalized plan of care for

each Member, with the goal being to return the Member to independent living as soon as possible. Members may visit their homes with the assistance of family members or volunteers as a part of the rehabilitation if approved by the Member's physician.

Members who are unable to return to their home will have the benefit of permanent care in DuBose Health Center. When permanently assigned, a single occupancy Member will pay a reduced monthly payment plus the applicable Member DuBose Health Center fee after 90 lifetime free days. In cases of double occupancy, the remaining independent Member may remain in the home and the monthly payment for the person continuing to occupy the home is reduced to the first person rate. Members who are permanently assigned to DuBose Health Center may sell their homes and continue to pay the Member rate.

There are both private and semiprivate rooms. If a Member desires a private room, the Member may obtain one based on availability and upon agreement to pay the difference between the charge for semiprivate and private accommodations. Care in DuBose Health Center includes, but is not limited to, nursing care, food service, housekeeping and flat laundry service.

A physician is retained through UNC Hospitals to act as Medical Director for DuBose Health Center. Upon approval by the Medical Director, Members may be admitted directly from their homes and need not come from a hospital. If a Member desires special additional nursing staff while a patient in DuBose Health Center, arrangements may be made through DuBose Health Center at an additional cost to the Member. Friends, relatives, or spouses are encouraged to dine with DuBose Health Center residents and guest meal charges will apply, if applicable.

20.2 Continuing Care Retirement Community (CCRC) Contracts or Membership Agreements

Members living at The Cedars of Chapel Hill Club Continuing Care Retirement Community campus receive the following services as part of their monthly fees, with additional services available at an extra charge.

20.2.1 Services Included in Monthly Fees

- **EMERGENCY CALL SYSTEM**

The campus has a wireless emergency call system to summon help in an emergency. The emergency call system activates alarms carried by a nurse and a security officer which identifies the location from a triangulation model. Personnel with emergency training respond to calls to assist Members.

- **FLAT LAUNDRY**

Members' personal linens and towels are washed, dried, folded and returned on a weekly basis.

- **FOOD SERVICE**

Lunch and dinner are served by wait staff in the Clubhouse dining rooms except on Sunday when a buffet brunch is served. Special diets and vegetarian meals are readily available. Home delivery is available with no delivery charge.

- **GARDENING AREAS**

Gardening areas are available for Members' use.

- **HOME CARE SERVICES**

A program of personal services is available to serve the Members on a fee-for-service basis. The purpose of the home care program is to provide assistance to Members so that independent living can continue for as long as possible. Home care services are not provided by the DuBose nursing staff but by other Cedars staff members. Services such as companion care, bathing, dressing, driver, shopping, personal laundry, additional housekeeping and special transportation are available on a fee for service basis.

- **HOUSE KEEPING SERVICES**

Housekeeping services are provided to each Member on a weekly basis. These services include kitchen and bathroom cleaning, surface cleaning, dusting and vacuuming. Annually, window washing, carpet cleaning and other heavy housekeeping is done.

- **MAIL**

Mail is distributed to Members by the U.S. Postal Service to personal mailboxes in each building and mail is collected from the outgoing mailbox in the same area. Additional mail services are available in the administrative area of the Clubhouse.

- **MAINTENANCE OF HOMES AND THE COMMONS AREA**

Maintenance is provided for each home and the common areas. If a Member needs maintenance service, the Member may complete a maintenance request form at the concierge desk, place a call to the Facility Coordinator or complete a form online.

- **MONTHLY BILLING SERVICE**

Monthly statements are placed in the Member's internal mailbox on or before the fifth day of the month and are to be paid by the tenth day of each month. Payment may be made through a bank draft or may be paid at the accounting office, placed in the drop box in the Clubhouse or by mail.

- **PARKING FOR RESIDENTS AND GUESTS**

The Cedars has ample parking for both Members and their invited guests.

- **PRIVATE DINING ROOM**

A private dining room is available for use by Members and their guests for family or social occasions. Special meals and wait staff, if desired, are available at an extra cost. Advance reservations are required. In-home catering is available to Members as well as the Cedars Room for special events or parties.

- **SECURITY**

Around-the-clock security personnel are on campus. For Members' added safety, all Veranda and Villa entrance and exit doors require a key fob for access.

- **TRANSPORTATION**

Free transportation within a 12-mile radius of The Cedars is provided at no charge Monday through Friday during specified hours. On Saturdays, transportation is provided within a 5-mile radius. Twenty-four hours advance notice is required. Other trips, such as to

and from the Raleigh/Durham airport and weekend transportation, are provided at an additional charge. Special trips, such as to concerts or special events, may be scheduled at an additional cost to each participant.

20.2.2 Services Available at Additional Charge

Additional Charges. Certain optional services requested by a Member that are not included in the monthly payment are available for an additional charge. These additional services include, but are not limited to, additional meals, additional housekeeping, beauty parlor, barber and home care services. Additional charges also are made for special health care services and supplies. These special services include, but are not limited to, physical therapy, pharmacy, special duty nurses, and medical treatment by an attending physician or the Medical Director. The additional charges for optional services are payable on the tenth day of each month for the optional services obtained during the preceding month. For a list of services for which there is an additional charge, see Sections 8 and 9 of the Membership Agreement.

20.3 Delivery of Services

Core residential, assisted living, and skilled nursing services are provided directly by The Cedars of Chapel Hill Club, Inc. Certain therapies (physical, occupational, and speech) are furnished under contract with independent third parties. Some home health services may be delivered through The Cedars of Chapel Hill Club.

21. Resident Fees

Nonancillary fees at The Cedars of Chapel Hill Club Continuing Care Retirement Community consist of required, ongoing fees such as monthly service fees. The following tables show The Cedars of Chapel Hill Club, Inc.'s current fee schedules, along with historical information on monthly fee increases over the past five fiscal years.

Table 0.1: Current Member Monthly Fees (CCRC Contracts)

Unit Type	Single Occupant	Double Occupant
Independent Living – Apartment	\$5,255	\$7,133
Independent Living – Cottage	\$6,940	\$8,822
Assisted Living	\$6,000	\$12,000
Skilled Nursing	\$7,200	\$13,200

Independent Living Monthly fees above are averages. Monthly fees are influenced by square footage which range from 900 to 3,450 square feet. Assisted Living and Skilled Nursing Monthly fees show the semi-private rate referenced in the Membership Agreement. 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.

21.1 CCRC Contracts

CCRC contracts represent continuing care contracts for residents who live at The Cedars of Chapel Hill Club Continuing Care Retirement Community campus.

Table 21.1: Historical Increases in Monthly Fees (CCRC contracts)

Fiscal Year-End	Average % Increase	Average \$ Increase	Frequency
12/31/2025	3.5%	\$177	Annual
12/31/2024	4.0%	\$214	Annual
12/31/2023	5.0%	\$253	Annual
12/31/2022	8.2%	\$385	Annual
12/31/2021	3.9%	\$214	Annual

Table 21.2: Current Entrance Fees (CCRC Contracts)

Unit Type	Entrance Fee (Single)	Entrance Fee (Double)
Independent Living – Apartment	Market determined	No second person entrance fee
Independent Living – Cottage	Market determined	No second person entrance fee

21.2 Household Composition Changes

Adding a Member After Initial Occupancy. After initial occupancy of a home by a Member, circumstances can arise in which the Member wishes a second person to occupy the home or the owner may wish to designate another Member for the home after the death of the original Member. For example, the Member may get married and the couple may wish to make the Cottage, Veranda or Villa their home, or the owner may wish to have a close family member or other person move into the home. No such additional person may occupy a home without the express written approval of The Club.

The additional person must go through The Cedars' admission procedures, and the acceptance of any additional person will be in accordance with the current admission policies governing all other admissions. If the additional person is accepted for admission, he or she

shall pay a Membership Fee to the Company based on 10% of the fair market value of the home as agreed to among the parties or determined by an appraiser. In addition, the second person monthly fee shall be paid each month. A non-Member will not be permitted to occupy the home for more than 30 days per year (except with the express written approval of The Club) or the Membership Agreement of the Member may be terminated.

If two Members decide to move in together, no additional Membership Fee is required to be paid by either party. One Member would pay the single person monthly fee and the other would pay a second person fee for the new home after one of the homes is sold. Standard terms apply to disposition of the home of the vacating party.

21.1 Transfer Fees and Resale Fees

If a resident transfers to a different independent living unit, no transfer fee is charged. Resale fees are market based and governed by North Carolina real estate laws.

22. Refundable Entrance Fees

The Cedars of Chapel Hill Club, Inc. does not charge refundable entrance fees as defined under N.C. Gen. Stat. § 58-64-1 et seq. The condominium residences at The Cedars are owned by the respective Members through a real estate purchase transaction. Accordingly, no entrance fee escrow, surety bond, or other refund security mechanism is required or maintained. This section is not applicable to the provider.

23. Financial Hardship Policies

23.1 Policies for Residents Unable to Pay

It is The Club's policy to operate as a non-profit organization and to the extent possible to avoid termination of the Member's Membership Agreement solely because of the financial inability of the Member to pay the total monthly payment and other charges. The Member will be permitted to remain at The Cedars by paying a reduced monthly amount and deferring the balance of the monthly fee based on the Member's ability to pay if (i) The Club determines that the deferral of payment can be granted without impairing the ability of The Club to operate on a sound financial basis, (ii) the Member can justify the deferral of the charges, and (iii) the Member has the ability to provide security for repayment of the deferred charges.

In any event, the Member will be allowed to remain at The Cedars for 90 days after the date of failure to pay. The owner must agree to sign a note and mortgage on the home to secure repayment of the deferred amount. However, despite these provisions, if the Member's ability to meet his or her financial obligations has been impaired by making unapproved gifts or transfers, the Member's Membership may be terminated.

24. Contract Cancellation and Refund Policies

24.1 PURCHASE AND SALE AGREEMENT

Upon deciding to become a resident of The Cedars, a future Member will execute a Purchase and Sale Agreement to purchase the home selected, depositing an amount as negotiated with the seller as an initial deposit and earnest money deposit. The description and the terms of residency contained in this Disclosure Statement are qualified by reference to the Purchase and Sale Agreement and Membership Agreement, which shall prevail in the event of any conflict.

The basic terms and conditions for purchase of a home under the Agreement are summarized as follows:

1. **Purchase Price.** The purchase terms are negotiated with the seller and include price, amount of deposit and closing date. At the time a purchaser signs an Agreement, a deposit is normally paid that becomes an earnest money deposit after a 30-day rescission period that is required by law. The deposit is placed in a trust account until closing. Interest earned on the deposit is required by law to be paid to the North Carolina Real Estate Commission in accordance with its rules. At closing, the purchaser pays the balance of the purchase price for the home selected.
2. **Membership Fee.** At the time of closing, a purchaser must simultaneously acquire membership in The Club by signing a Membership Agreement or designating a person or persons for Membership. A non-refundable and non-transferable Membership Fee, which is equal to ten percent (10%) of the purchase price of the home, is payable at or prior to closing on the purchase of a home. The Membership Fee is non-refundable and non-transferrable.
3. **Deed.** The seller conveys good and marketable title to purchaser by delivering a General Warranty Deed, Trustee's Deed or Executor's Deed, as appropriate, at the time of closing.
4. **Monthly Payment.** On the closing date of the home, the Member is required to begin making monthly payments to The Club. The monthly payment covers the cost of various services provided by The Club including the monthly contribution to the Condominium Association (which includes a contribution to the Facilities Replacement Reserve) and an overhead payment collected on behalf of the Company.
5. **Operating Funds Deposit.** At closing, the purchaser is responsible for depositing with the Club \$15,000 for operating funds which is non-refundable.
6. **Taxes.** As a homeowner, the purchaser is responsible for real estate taxes, recycling fees and storm water drainage fees on the home.
7. **Purchaser's Right to Cancel.** A purchaser may cancel the Purchase and Sale

Agreement by sending written notice of purchaser's wish to cancel before midnight of the 30th day after signing the Purchase and Sale Agreement. If the purchaser cancels within the 30 days, all money paid is refunded, less those reasonable costs incurred by The Cedars at the Purchaser's request, such as painting, carpet, etc. The refund is made within 10 days of The Cedars receiving the cancellation notice.

8. Resale of Home. Upon resale of a home, the Company receives a Membership Fee from the purchaser as detailed in the Purchase and Sale Agreement. Sellers do not pay a second Membership Fee upon the sale of a home. If an owner purchases a second home at The Cedars for their use and sells their original home, the purchaser is required to pay an additional Membership Fee based on the excess of the price of the second home if it exceeds the price of the first home at the time of original purchase.

24.2 Provider-Initiated Cancellation

The Company may terminate a Membership Agreement after it has been accepted only for the reasons set forth in Section 12 of the Membership Agreement. The Company shall not terminate the Membership Agreement without just cause. Just cause shall exist if: (i) the Member fails to pay to The Club any charges due under the Membership Agreement other than for financial hardship in certain circumstances; (ii) the Member creates a disturbance within The Cedars which is detrimental to the health, safety, comfort, or peaceful lodging of the Member or other Members; (iii) the Member's condition cannot be cared for in the DuBose Health Center within the limits of its license; or (iv) the Member refuses medical treatment which is medically required.

Prior to termination of the Membership Agreement, The Club will give the Member notice in writing of the reasons for termination, and the Member will have 30 days thereafter to correct the problem. If the problem is corrected within 30 days, the Membership Agreement shall remain in effect. If the problem is not corrected within the 30 days, the Membership Agreement will be terminated, and the Member must leave The Cedars. However, if it is determined that the 30-day waiting period is detrimental to the Member, other Members, or the staff of The Cedars the Membership may be terminated sooner.

24.3 Member-Initiated Cancellation

The Member may terminate a Membership Agreement as set forth in Section 11 of the Membership Agreement. The Member may terminate the Membership Agreement at any time for any reason by giving the Company 30 days' written notice. The Member's obligations, including payment of the monthly payment under the Membership Agreement, shall continue until the home is resold or transferred or occupied by a successor who assumes the obligation of the monthly payment.

25. Re-occupancy of Units

N/A. The condominium residences at The Cedars are owned by the respective Members.

26. Resident Relocation

N/A. The condominium residences at The Cedars are owned by the respective Members.

27. Admission and Continuation Standards

Membership Agreements are subject to acceptance by the Company. At the time of signing a Purchase and Sale Agreement and a Membership Agreement, one Member must be 62 years of age or older. Members must be capable of independent living, free of communicable diseases, and meet financial qualifications. The Member must be able to pay the purchase price, Membership Fee and monthly payment. Member must also pay a non-refundable amount of \$15,000 for working capital and operating reserve requirements. After these payments, the Member must have sufficient financial resources to permit payment of the monthly payment plus other personal and medical expenses which may be reasonably expected and to meet anticipated increases in the cost of living, including increases in the monthly payment.

THE MEMBERSHIP AGREEMENT

In order to live in a home at The Cedars, a Member is required to purchase a nonrefundable and non-transferable Membership which entitles the Member to certain benefits and privileges and survives the sale of the home, provided the person is permanently assigned to DuBose Health Center at the time of the sale. At the time of contract execution for a home, the purchaser or purchaser's designee, Company and The Club enter into a Membership Agreement (see Appendix D). As outlined in the Membership Agreement, the membership entitles the purchaser or designee to use of the Clubhouse facilities, specific services and to be provided with health care in DuBose Health Center. The Membership Agreement requires a monthly payment which covers the cost of the services and facilities provided at The Cedars. In addition, the monthly payment includes the monthly contribution to the Condominium Association for the home (which includes a contribution to the Facilities Replacement Reserve) and an overhead payment collected on behalf of the Company.

27.1 Changes in Condition Before Occupancy or Commencement of Services

Membership Agreement: If a potential Member's health materially declines between signing the Membership Agreement and the date of possession, 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 potential Member no longer meets entry requirements, the Membership Agreement may be canceled and the applicable deposits refunded in accordance with Section 24 – Contract Cancellation and Refund Policies. If a material change in financial condition occurs before possession (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 agreement may be canceled and appropriate deposits refunded.

28. Age and Insurance Requirements

28.1 Age Requirements

- The minimum age for Membership The Cedars of Chapel Hill Club Continuing Care Retirement Community under a continuing care contract is 62 years.
- A younger spouse or partner may also be admitted if the primary applicant meets the minimum age requirement.
- There is no maximum age limit for admission, provided the applicant meets the health and financial eligibility standards.

28.2 Insurance Requirements

Members are not required to maintain specific health, medical or long term care insurance coverage.

29. Reserve Funding and Refund Security

29.1 Cash and Investments

As of December 31, 2025, The Cedars of Chapel Hill Club, Inc. held \$4,469,352 in cash, restricted cash and investments.

At year-end, restricted cash and investments supported a Days Cash on Hand of 81 days.

29.2 Investment Management and Oversight

- **Oversight Body:** The Board of Directors and Management of The Cedars of Chapel Hill Club, Inc.
- **Day-to-Day Management:** The Cedars of Chapel Hill Club finance leader.
- **Policy and Controls:** Investments are managed to emphasize liquidity and capital preservation.

29.3 Statutory Operating Reserve Requirement

As of December 31, 2025, The Cedars of Chapel Hill Club Continuing Care Retirement Community's 12-month rolling average independent living unit occupancy was 100%. Based on this level of occupancy, 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	\$19,116,032
Add: Debt service (principal and interest)	\$0
Less: Principal and interest (covered by Debt Service Reserve Fund)	(\$0)
Less: Depreciation and amortization	(\$0)
Net projected operating costs	\$19,116,032
Applicable reserve percentage based on occupancy	12.5%
Required operating reserve	\$2,389,504
Total cash & investments on hand	\$4,469,353
Excess above required reserve	\$2,079,849

Summary: The required statutory operating reserve was \$2.39 million. The Cedars of Chapel Hill Club, Inc. held \$4.47 million in total cash and investments, providing an excess cushion of \$2.08 million above the statutory minimum.

¹ Total cash and investments includes unrestricted cash and cash equivalents of \$1,258,667 and restricted cash of \$3,210,686 held in compliance with the NC CCRC statute (N.C.G.S. § 58-64). The restricted cash is legally designated as the statutory operating reserve and is not available for general operations. On an unrestricted cash-only basis, the Club held \$445,499.

Refund Security (Entrance Fee Refunds)

N/A. The condominium residences at The Cedars are owned by the respective Members.

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

Category	Amount	Notes
Total cash & investments (unrestricted + restricted)	\$4,469,353	Unrestricted cash \$445,499 + restricted operating reserve funds \$4,023,853
Less: Required operating reserve	(\$2,389,504)	Must be maintained; release requires regulatory approval
Excess above operating reserve	\$2,079,849	Available for operations and other needs

30. Expansion and Renovation Plans

Ten additional condominiums are under construction. Construction and closings are expected to be completed in late 2026.

This expansion will increase the number of independent living units from 306 to 316. It will not alter existing Member's contracts or current fee structures.

31.Audit Opinion and Timeliness

The consolidated financial statements of The Cedars of Chapel Hill Club, Inc. and its related companies, including The Cedars of Chapel Hill Condominium Association, Inc. and the Cedars of Chapel Hill, LLC, for the fiscal year ended December 31, 2025, were audited by Hawley C.P.A., P.A.

- **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 The Cedars of Chapel Hill Club, Inc. and its related entities, including The Cedars of Chapel Hill Condominium Association, Inc. and The Cedars of Chapel Hill, LLC. 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).

33.Five-Year Prospective Financial Statements

The five-year prospective financial statements of The Cedars of Chapel Hill Club, Inc. and its related entities, including The Cedars of Chapel Hill Condominium Association, Inc. and The Cedars of Chapel Hill, LLC, for the period 2026 through 2030 are attached hereto as Appendix B. These statements were prepared and compiled by Hawley C.P.A., P.A., 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 The Cedars of Chapel Hill Club, Inc. and its related entities, including The Cedars of Chapel Hill Condominium Association, Inc. and The Cedars of Chapel Hill, LLC against the prospective financial statements filed in the prior year. Small variances included both financial line items and key assumptions, used in preparing the projections. Any of those slight material variances are identified are noted for each of the related entities in their respective audits and are included in Appendix A.

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.

▪ 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. NO DEBT.

Table 35.1: Liquidity Ratios – Provider Only

Ratio	FY-2	FY-1	FY	FY+1	FY+2	FY+3
DCOH	72.7	81	88.1	112.9	131	155.4

Narrative – Provider Only:

Liquidity for The Cedars of Chapel Hill Club is significantly strong due to 100% occupancy and no debt.

▪ 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.

Table 35.2: Profitability Ratios – Provider Only

Ratio	FY-2	FY-1	FY	FY+1	FY+2	FY+3
OR	109.4%	99.2%	95.8%	94.9%	93.9%	91.2%
NOM	N/A	N/A	N/A	N/A	N/A	N/A

Narrative – Provider Only:

Margins strengthened beginning FY 2023.

Management projects continued modest improvement through FY 2028 as operating efficiencies and new monthly fee inflows support profitability.

▪ **Overall Summary**

The Cedars of Chapel Hill Club, The Cedars of Chapel Hill Condominium Association and the Cedars of Chapel Hill, LLC all demonstrate sound liquidity, improving profitability, and conservative leverage. Occupancy remains at 100% and liquidity remains comfortably above the required statutory operating reserve level. Projected performance indicates stable or modestly improving results through FY 2028, with sufficient capacity to fund operations.

36. Actuarial Opinion

An actuarial opinion regarding the adequacy of the provider's reserves and financial projections, prepared by a qualified actuary in accordance with N.C. Gen. Stat. § 58-64A-25, is pending. The actuarial opinion will be attached as Appendix C upon completion and will form an integral part of this Disclosure Statement.

37. Most Recent Department Examination Report

The North Carolina Department of Insurance has not conducted an examination of The Cedars of Chapel Hill Club, Inc. 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 The Cedars of Chapel Hill Club, Inc. 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

The Cedars of Chapel Hill Club, Inc. offers continuing care contracts in the form of Membership Agreements and real estate ownership through a resale Purchase and Sale Agreement. Representative forms are attached hereto as Appendix D.

All other terms and conditions of the independent living agreement 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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Appendix A — Audited Financial Statements

THE CEDARS OF CHAPEL HILL CLUB, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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INDEPENDENT AUDITOR'S REPORT

To the Members and Those Charged with Governance
The Cedars of Chapel Hill Club, Inc.

Opinion

We have audited the accompanying financial statements of The Cedars of Chapel Hill Club, Inc. (Club), which comprise the statements of assets, liabilities and net assets as of December 31, 2025, and the related statements of revenues, support expenses, and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Club as of December 31, 2024 were audited by other auditors, whose report dated April 30, 2025 expressed an unqualified opinion on those statements.

In our opinion, the 2025 financial statements referred to above present fairly, in all material respects, the financial position of the Club as of December 31, 2025, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Club and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Clubs'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 Club'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.



Hawley, C.P.A., P.A.
Angier, NC
April 16, 2026

THE CEDARS OF CHAPEL HILL CLUB, INC.
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS
DECEMBER 31,

	2025	2024
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 445,499	\$ 339,238
Restricted Cash	4,023,853	3,632,300
Accounts Receivable	2,285,705	5,290,123
Due from Related Parties	4,022,162	-
Inventory	169,375	143,770
Prepayments	95,928	106,243
Total Current Assets	<u>11,042,522</u>	<u>9,511,674</u>
Noncurrent Assets:		
Property and Equipment, net	<u>-</u>	<u>-</u>
Total Noncurrent Assets	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 11,042,522</u>	<u>\$ 9,511,674</u>
LIABILITIES & NET ASSETS		
Current Liabilities:		
Accounts Payable	\$ 1,470,979	\$ 1,248,037
Due to Related Parties	<u>-</u>	<u>44,998</u>
Total Current Liabilities	<u>1,470,979</u>	<u>1,293,035</u>
Noncurrent Liabilities:		
Deferred Revenue (Insurance Proceeds)	11,462	242,000
Operating Reserve and Other Deposits	<u>2,871,521</u>	<u>3,504,203</u>
Total Noncurrent Liabilities	<u>2,882,983</u>	<u>3,746,203</u>
Total Liabilities	4,353,962	5,039,238
Net Assets:		
Undesignated	<u>6,688,560</u>	<u>4,472,436</u>
Total Net Assets	<u>6,688,560</u>	<u>4,472,436</u>
Total Liabilities and Net Assets	<u>\$ 11,042,522</u>	<u>\$ 9,511,674</u>

The accompanying notes are an integral part of these statements.

THE CEDARS OF CHAPEL HILL CLUB, INC.
STATEMENTS OF REVENUES, SUPPORT EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31,

	2025	2024
Revenues:		
Residence Service Fees	\$ 9,784,776	\$ 9,321,342
Second Person Fees	2,548,653	2,444,559
Miscellaneous	(813)	(74,732)
	<u>12,332,616</u>	<u>11,691,169</u>
Health Center Revenue	6,929,289	6,500,241
Net Proceeds from Home Care/Clinic	190,503	132,050
Other Non-Operating Income	410,000	480,000
Interest Income	<u>988,415</u>	<u>4,204</u>
Total Revenues	\$ 20,850,823	\$ 18,807,664
Support Expenses:		
General and Administrative:		
Wages, Payroll Taxes and Benefits	949,079	820,164
General Insurance	42,570	47,401
Legal and Professional Fees	23,871	19,347
Management Fees	530,842	518,732
Salaries and Benefits (LCS)	291,677	261,716
Property Tax	1,623	4,250
Telephone	65,576	54,037
Other	406,051	360,162
Bad Debt	-	-
Total General and Administrative	<u>2,311,288</u>	<u>2,085,809</u>
Plant:		
Wages, Payroll Taxes and Benefits	136,558	131,860
Maintenance and Repairs	59,822	49,228
Utilities	227,265	239,382
Other	24,188	21,934
Total Plant	<u>447,831</u>	<u>442,404</u>
Environmental Services:		
Wages, Payroll Taxes and Benefits	1,807,253	1,840,897
Other	189,409	156,999
Total Environmental Services	<u>1,996,662</u>	<u>1,997,896</u>

The accompanying notes are an integral part of these statements.

THE CEDARS OF CHAPEL HILL CLUB, INC.
STATEMENTS OF REVENUES, SUPPORT EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31,

	2025	2024
Support Expenses (continued):		
Food and Beverage		
Wages, Payroll Taxes and Benefits	\$ 4,352,649	\$ 4,328,396
Food	1,861,315	1,723,071
Other	548,138	473,952
Total Food and Beverage	<u>6,762,102</u>	<u>6,525,419</u>
Health Center:		
Wages, Payroll Taxes and Benefits	5,462,956	5,284,458
Ancillaries	604,447	610,584
Other	199,613	207,641
Total Health Center	<u>6,267,016</u>	<u>6,102,683</u>
Resident Services:		
Wages, Payroll Taxes and Benefits	542,778	595,038
Other	183,034	140,028
Total Resident Services	<u>725,812</u>	<u>735,066</u>
Non Operating Capital Replacements	<u>123,987</u>	<u>286,268</u>
Total Expenses	<u>\$ 18,634,698</u>	<u>\$ 18,175,545</u>
Change in Undesignated Net Assets	\$ 2,216,124	\$ 632,119
Undesignated Net Assets, Beginning	<u>4,472,436</u>	<u>3,840,317</u>
Undesignated Net Assets, Ending	<u><u>\$ 6,688,560</u></u>	<u><u>\$ 4,472,436</u></u>

The accompanying notes are an integral part of these statements.

THE CEDARS OF CHAPEL HILL CLUB, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	2025	2024
Cash Flows From Operating Activities:		
Change in Undesignated Net Assets	\$ 2,216,124	\$ 632,119
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and Amortization	-	-
Decrease (Increase) in Accounts Receivable	3,004,418	(368,248)
Decrease (Increase) in Operating Reserve & Funds	(391,553)	(36,895)
(Increase) in Due from Related Parties	(4,022,162)	-
Decrease (Increase) in Other Assets	(15,290)	246,724
Increase (Decrease) in Accounts Payable	222,942	165,486
(Decrease) in Operating Reserve and Other Deposits	(632,682)	(452,963)
(Decrease) in Due to Related Parties	(44,998)	(239,812)
Increase (Decrease) in Deferred Revenue (Insurance)	(230,538)	242,000
Net Adjustments	<u>(2,109,863)</u>	<u>(443,708)</u>
Net Cash Used by Operating Activities	106,261	188,411
Cash Flows From Investing Activities		
Net Cash Used by Investing Activities	-	-
Cash Flows From Financing Activities		
Net Cash Used in Financing Activities	<u>-</u>	<u>-</u>
Net Change in Cash	\$ 106,261	\$ 188,411
Cash and Cash Equivalents, Beginning	<u>339,238</u>	<u>150,827</u>
Cash and Cash Equivalents, Ending	<u>\$ 445,499</u>	<u>\$ 339,238</u>

The accompanying notes are an integral part of these statements.

THE CEDARS OF CHAPEL HILL CLUB, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

1. ORGANIZATION AND OPERATIONS

The Cedars of Chapel Hill Club, Inc. is a non-profit 501(c)(4) corporation organized September 10, 1999, under the laws of the State of North Carolina. The Club is engaged in the business of providing services to its resident-members (Members) in The Cedars of Chapel Hill continuing-care retirement community in Chapel Hill, NC. The Club-provided services include the operation of the clubhouse and health center in addition to skilled nursing care, home health, housekeeping, maintenance, food services and more to its Members for which it receives a monthly fee, or fees for services rendered, in the case of skilled nursing care, home health and certain other services. The Club also provides management services to The Cedars of Chapel Hill Condominium Association (Association), a related party.

The Association is made up of owners of condominiums in The Cedars of Chapel Hill continuing care retirement community, who are also Members. The Association provides for the maintenance, repair, replacement and administration of The Association's property, which the Club operates on its behalf. All common property, including the clubhouse and health center, is owned by the condominium owners, and the Board of Directors is made up entirely of condominium owners.

The Cedars of Chapel Hill, LLC (Company), another related party, was responsible for all initial development, marketing and construction activities of The Cedars of Chapel Hill continuing care retirement community. The Company, as the original sponsor of the community, continues to provide management services to the Club and the Association. The Club collects from the Members and pays to the Company an Overhead Fee equal to ten percent of operating costs of the Club and the Association.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Club is presented to assist in understanding the Club's financial statements. The financial statements and notes are representations of the Club's management who is responsible for their integrity and objectivity.

Basis of Accounting – The accompanying financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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

Support Expenses – In lieu of a separate schedule of functional expenses, all functional expenses have been listed on the Statement of Revenues, Support Expenses and Changes in Net Assets. All functional expenses listed are considered support expenses by management.

Currency – The Club's functional and reporting currency is the United States (US) dollar. The financial position and the results of all operations are conducted using only the US dollar.

Revenue and Cost Recognition – Revenue is primarily derived from monthly service fees charged to Members. Services are provided to Members on an ongoing basis throughout each month, and as a result, revenue is recognized monthly at the time of billing. Expenses are recognized in the period they

THE CEDARS OF CHAPEL HILL CLUB, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

are incurred and are internally allocated based on whether they are incurred as a part of the maintenance, repair, replacement, and administration of the Association's property, or as a part of the operations of the Association's property. The Club collects condominium fees on behalf of the Association and pays all expenses and charges.

Cash, Cash Equivalents and Restricted Cash - The Club considers all checking accounts and money market accounts to be cash and cash equivalents. The Club maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. At December 31, 2025, cash deposits with financial institutions exceeded federally insured limits by approximately \$4,219,352. Cash deposits that are restricted as to withdrawal or use in compliance with the North Carolina Department of Insurance's Continuing Care Retirement Communities (CCRC) statute (Note 3) and internal policy are shown as restricted cash. The Club collects condominium fees on behalf of the Association and pays all expenses and charges from undesignated accounts. The Club retains any excess cash for the benefit of the Association. At December 31, 2025 and 2024, cash, cash equivalents and restricted cash held by the Club were as follows:

	2025	2024
Cash and Cash Equivalents	\$ 445,499	\$ 339,238
Restricted Cash (Operating Reserves)	3,210,686	3,132,300
Restricted Cash (Club-Assigned Funds)	813,167	500,000
Total Cash, Cash Equivalents & Restricted Cash	<u>\$ 4,469,352</u>	<u>\$ 3,971,538</u>

Accounts Receivable – Accounts receivable primarily represent Member obligations for services provided, or insurance billings in recognition of health, wellness or home care services provided to Members, and are stated at the amount billed. Accounts receivable also includes a provision for refundable Employee Retention Credits (ERC) that the Club expects to collect from the Internal Revenue Service, and other miscellaneous receives from related parties. The company uses the allowance method to account for uncollectible receivables. The Club estimates an allowance for doubtful accounts based on a combination of factors, including the Club's historical loss experience, specifically with Member insurance carriers, as well as management knowledge of the current accounts receivable. Delinquent accounts are written off when deemed uncollectible. At December 31, 2025 and 2024, accounts receivable recorded by the Club were as follows:

	2025	2024
Due from Members	\$ 449,107	\$ 523,909
Due from Member Insurance Carriers, net	978,647	1,031,737
Other Receivables from Affiliates	49,561	66,929
Refundable Employee Retention Credits	808,390	3,667,548
Total Accounts Receivable	<u>\$ 2,285,705</u>	<u>\$ 5,290,123</u>

Inventory – The Club values its inventories at the lower of cost (average cost method) or market.

Prepayments – Prepaid expenses consist of prepaid insurance, which is amortized over the periods to which it applies.

THE CEDARS OF CHAPEL HILL CLUB, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment – Property and equipment are stated at cost, net of depreciation. As of December 31, 2025 and 2024, all capitalized property and equipment were fully depreciated. Depreciation was calculated using straight line methods over the estimated useful lives of the respective assets. Expenditures for maintenance and repairs, which do not improve or extend the life of the respective assets, are charged to expense as incurred and disclosed separately on the statement of revenues and support expenses, and changes in net assets. Such expenditures for maintenance and repairs, which did not improve or extend the life of the respective assets, for the years ended December 31, 2025 and 2024 totaled \$123,987 and \$286,268, respectively.

Income Taxes – The Club has received a determination letter from the Internal Revenue Service that it is exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code. Accordingly, there is no provision for income taxes. The Internal Revenue Service has examined the Club's federal informational returns through 2024. The federal statute of limitations for IRS tax audits is generally three years from the date the tax return was filed or the due date, whichever is later; as such, tax years subsequent to 2022 remain subject to examination by major tax jurisdictions.

3. OPERATING RESERVES AND OWNER DEPOSITS

As of December 31, 2025 and 2024, the Club held \$2,871,521 and \$3,504,203, respectively, in operating reserves and owner deposits in compliance with the North Carolina Department of Insurance's Continuing Care Retirement Communities (CCRC) statute. The statute requires that as a facility maintaining an occupancy level in excess of ninety-percent (90%) and with approval of the Insurance Commissioner the Club shall be required to maintain operating reserves equal to twenty-five percent (25%) of the total operating costs forecasted for the twelve (12) month period following the period covered by the most recent annual statement filed with the Department of Insurance.

Depending on the year in which a condominium owner purchased and entered into a Membership Agreement with the Club, a refundable deposit of \$9,000 or \$12,000 held for operating reserves would have been required of the Member. The Club holds these deposits in a capital management account, with cumulative interest and dividends, less fees. If a Member who initially deposited \$9,000 or \$12,000 at the time of their original purchase chooses to sale their condominium, the original Operating Reserve deposit of either \$9,000 or \$12,000, will be refunded back to the Member upon sale of the condominium unit.

As of August 2023, new condominium owners who purchase a unit and enter into a Membership Agreement with the Club must pay a non-refundable amount of \$15,000 for working capital and operating reserve requirements. The Club holds these payments in a capital management account, with cumulative interest and dividends, less fees. These amounts are recognized as revenue in the year they are received, and shown on the statement of revenues, support expenses and changes in net assets, as other non-operating income. Such amounts recognized for the years ended December 31, 2025 and 2024 totaled \$410,000 and \$480,000, respectively.

4. NET ASSETS

The Club has undesignated net assets which are utilized for general operations.

THE CEDARS OF CHAPEL HILL CLUB, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

5. ALLOCATION OF EXPENSES

As referenced in Note 2, expenses are recognized in the period they are incurred and are internally allocated based on whether they are incurred as responsibilities of the Association for its role in the maintenance, repair, replacement, and administration of the Association's property, or incurred as responsibilities of the Club for its role in the operation of the Association's property. Each year management reviews the allocations of revenue and expense between the Club and Association. Therefore, some line items may be different from previous years due to changes in allocations.

6. RELATED PARTY TRANSACTIONS

On February 1, 2025, the Association and Club amended and renewed its Management Agreement with Life Care Services LLC (LCS) to manage the retirement community. In exchange for its services, LCS receives management fees and salary and benefits reimbursement for its assigned personnel. For the year ended December 31, 2025, total LCS management fees and salary and benefits costs were \$856,196 and 530,322, respectively, of which \$530,842 and \$291,677, were attributed to the management of the Club. For the year ended December 31, 2024, total LCS management fees and salary and benefits reimbursement were \$856,196 and 530,322, respectively, of which \$518,732 and \$261,716, were attributed to the management of the Club.

In accordance with the Membership Agreement signed with each Member, the Club collects fees from Members and remits to the Company (Note 1) overhead fees equal to 10% of the operating expenses of the Club and the Association. This amount is paid in return for the Company, as the sponsor of the community, retaining full responsibility for all debt related to the initial development, marketing and construction of the community. Such amounts are not reflected in the Statements of Operations and include \$2,569,841 and \$2,512,485 for 2025 and 2024, respectively.

As noted in Note 2, the Club collects condominium fees on behalf of the Association and pays all expenses on its behalf; any excess cash may be held for the benefit of the Association by the Club. As such, at various times of the year, depending on the balance of fees collected and expenses paid on its behalf, the Club may note a receivable from, or payable to, the Association. At December 31, 2025, the Club noted a balance due from the Association of \$4,022,162 for expenses processed on its behalf. As of December 31, 2024, the Club noted a balance due to the Association of \$44,998 for the excess cash it held for the Association's benefit.

7. SUBSEQUENT EVENTS

The Cedars of Chapel Hill Club, Inc. has evaluated subsequent events through April 16, 2026, the date the financial statements were available to be issued.

Variances of \$100,000 between actual and forecasted results are considered material variances which are explained below

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Net Assets:

Unrestricted	5,608,822	6,688,561	1,079,739	Payment of ERC with 3 years of interest
Temporarily Restricted	-	-	-	
Total Net Assets	<u>5,608,822</u>	<u>6,688,561</u>	1,079,739	
Total Liabilities and Net Assets	<u><u>10,569,339</u></u>	<u><u>11,042,523</u></u>		

	Forecast	Actual	Favorable (Unfavorable) Variance	
Cash Flow From Operating Activities:				
Increase(Decrease) in Unrestricted Net Assets	1,136,386	2,216,125	1,079,739	Payment of ERC with 3 years of interest
Adjustments to Reconcile to Actual Cash Flows:				
(Increase) Decrease in Accounts Receivable	585,494	3,004,418	2,418,924	Payment of ERC with 3 years of interest
(Increase) Decrease in Operating Reserve Funds	(108,969)	(391,553)	(282,584)	
(Increase) Decrease in Other Assets	(25,001)	(15,290)	9,711	
(Increase) Decrease in Cedars Interco	(1,836,347)	(4,067,160)		
Increase (Decrease) in Accounts Payable	312,480	222,942	(89,538)	
Increase (Decrease) in Deferred Revenue	(242,000)	(230,538)	11,462	
Operating Reserve and Other Member Deposits	(104,203)	(632,682)	(528,479)	2023 change to non refundable new owners
Net Change in Cedars Condo Assn Receivable/Payable	<u>(1,418,546)</u>	<u>(2,109,863)</u>	(691,317)	Higher than expected asset replacement needed in 2025
Net Cash Provided By (Used In) Operating Activities	<u>(282,160)</u>	<u>106,262</u>		
Net Change in Cash	(282,160)	106,262		
Cash, Beginning of Year	<u>339,238</u>	<u>339,238</u>		
Cash, End of Year	<u><u>57,078</u></u>	<u><u>445,500</u></u>		

THE CEDARS OF CHAPEL HILL CONDOMINIUM ASSOCIATION
FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Those Charged with Governance
The Cedars of Chapel Hill Condominium Association

Opinion

We have audited the accompanying financial statements of The Cedars of Chapel Hill Condominium Association (Association), which comprise the statements of assets, liabilities and net assets as of December 31, 2025, and the related statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Association as of December 31, 2024 were audited by other auditors, whose report dated April 30, 2025 expressed an unqualified opinion on those statements.

In our opinion, the 2025 financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2025, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Association'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 Association'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 financial statements as a whole. The 2025 schedule of estimated lives and estimated replacement costs on page 11 (Schedule 1) is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole. The 2024 schedule of estimated lives and estimated replacement costs on page 11 (Schedule 1) was subjected to the auditing procedures applied in the 2024 audit of the basic financial statements by other auditors, whose report on such information stated that it was fairly stated in all material respects in relation to the 2024 financial statements as a whole.

Hawley, C.P.A., P.A.

Hawley, C.P.A., P.A.
Angier, NC
April 16, 2026

THE CEDARS OF CHAPEL HILL CONDOMINIUM ASSOCIATION
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS
DECEMBER 31,

	2025	2024
ASSETS		
Current Assets:		
Restricted Cash	\$ 1,375,369	\$ 230,694
Due from Related Parties	-	44,998
Total Current Assets	<u>1,375,369</u>	<u>275,692</u>
Noncurrent Assets:		
Property and Equipment, net	\$ 7,713,674	5,719,130
Total Noncurrent Assets	<u>7,713,674</u>	<u>5,719,130</u>
Total Assets	<u>\$ 9,089,043</u>	<u>\$ 5,994,822</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Due to Related Parties	4,022,162	
Total Current Liabilities	<u>4,022,162</u>	-
Noncurrent Liabilities:		
Note Payable	3,936,197	4,261,404
Total Noncurrent Liabilities	<u>3,936,197</u>	<u>4,261,404</u>
Total Liabilities	7,958,359	4,261,404
Net Assets:		
Designated	1,375,369	230,694
Undesignated	(244,685)	1,502,724
Total Net Assets	<u>1,130,684</u>	<u>1,733,418</u>
Total Liabilities and Net Assets	<u>\$ 9,089,043</u>	<u>\$ 5,994,822</u>

The accompanying notes are an integral part of these statements.

THE CEDARS OF CHAPEL HILL CONDOMINIUM ASSOCIATION
STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31,

	2025	2024
Revenues:		
Residence Service Fees	\$ 8,066,237	\$ 7,726,217
Contributions from Related Party:		
The Cedars of Chapel Hill, LLC	135,127	131,689
Other	(8)	(755)
	<u>8,201,356</u>	<u>7,857,152</u>
Other Non Operating Income	-	400,000
Interest Income	-	2,577
	<u>-</u>	<u>2,577</u>
Total Revenues	<u>\$ 8,201,356</u>	<u>\$ 8,259,728</u>
Expenses:		
General and Administrative:		
Wages, Payroll Taxes and Benefits	776,520	671,044
Insurance	383,130	426,608
Legal and Professional Fees	23,871	19,347
Management Fees	325,354	317,932
Salaries and Benefits (LCS)	238,645	214,132
Other Taxes	1,623	4,250
Telephone	40,192	33,120
Other	496,285	440,197
Total General and Administrative	<u>2,285,619</u>	<u>2,126,629</u>
Plant:		
Wages, Payroll Taxes and Benefits	1,229,018	1,186,743
Maintenance and Repairs	1,136,613	935,335
Utilities	909,058	957,527
Other	217,688	197,403
Total Plant	<u>3,492,377</u>	<u>3,277,007</u>
Environmental Services:		
Wages, Payroll Taxes and Benefits	451,813	460,224
Other	47,352	39,250
Total Environmental Services	<u>499,165</u>	<u>499,474</u>

The accompanying notes are an integral part of these statements.

**THE CEDARS OF CHAPEL HILL CONDOMINIUM ASSOCIATION
STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31,**

	2025	2024
Expenses (continued):		
Capital Replacements	2,526,929	2,038,699
Total Expenses	<u>\$ 8,804,090</u>	<u>\$ 7,941,809</u>
Change in Undesignated Net Assets	<u><u>\$ (602,734)</u></u>	<u><u>\$ 317,919</u></u>
Transfer from (to) Designated Net Assets	(1,144,675)	559,733
Undesignated Net Assets, Beginning of Year	<u>1,502,724</u>	<u>625,072</u>
Undesignated Net Assets, End of Year	<u><u>\$ (244,685)</u></u>	<u><u>\$ 1,502,724</u></u>
 Designated Net Assets at Beginning of Year	 \$ 230,694	 \$ 790,427
Transfer from (to) Undesignated Net Assets	<u>1,144,675</u>	<u>(559,733)</u>
 Designated Net Assets at End of Year	 <u><u>\$ 1,375,369</u></u>	 <u><u>\$ 230,694</u></u>

The accompanying notes are an integral part of these statements.

THE CEDARS OF CHAPEL HILL CONDOMINIUM ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	2025	2024
Cash Flows From Operating Activities:		
Change in Unrestricted Net Assets	\$ (602,734)	\$ 317,919
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and Amortization	446,988	\$ -
Decrease in Due from Related Parties	44,998	-
Increase in Due to Related Parties	4,022,162	239,812
Net Adjustments	4,514,148	239,812
Net Cash Provided By Operating Activities	3,911,414	557,731
Cash Flows From Investing Activities:		
Property Remodel Costs Incurred	(2,441,532)	(3,766,053)
Net Cash Provided by Investing Activities	(2,441,532)	(3,766,053)
Cash Flows from Financing Activities:		
Increase (Decrease) in Note Payable	(325,207)	2,648,589
Net Cash Provided by Financing Activities	(325,207)	2,648,589
Net Change in Cash	\$ 1,144,675	\$ (559,733)
Cash - Replacement Reserve, Beginning of Year	230,694	790,427
Cash - Replacement Reserve, End of Year	\$ 1,375,369	\$ 230,694

The accompanying notes are an integral part of these statements.

**THE CEDARS OF CHAPEL HILL CONDOMINIUM ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024**

1. ORGANIZATION AND OPERATIONS

The Cedars of Chapel Hill Condominium Association (Association) is a non-profit association organized December 7, 2001, under the laws of the State of North Carolina. The Association is made up of owners of condominiums in The Cedars of Chapel Hill continuing care retirement community in Chapel Hill, NC. The Association provides for the maintenance, repair, replacement and administration of The Association's property. All common property, including the clubhouse and health center, is owned by the condominium owners, and the Board of Directors is made up entirely of condominium owners.

The Cedars of Chapel Hill Club, Inc. (Club), a related party, provides management services to the Association, and is engaged in the business of providing services to the condominium owners as resident-members (Members) of the Club. The Club-provided services include the operation of the Association's common property, including the clubhouse and health center, in addition to skilled nursing care, home health, housekeeping, maintenance, food services and more to its Members for which it receives a monthly fee, or fees for services rendered, in the case of skilled nursing care, home health and certain other services.

The Cedars of Chapel Hill, LLC (Company), another related party, was responsible for all initial development, marketing and construction activities of The Cedars of Chapel Hill continuing care retirement community. The Company continues to provide management services to the Club and the Association. The Club collects from Club members and pays to the Company an Overhead Fee equal to ten percent of operating costs of the Club and the Association.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Association is presented to assist in understanding the Association's financial statements. The financial statements and notes are representations of the Association's management who is responsible for their integrity and objectivity.

Basis of Accounting – The accompanying financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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

Currency – The Association's functional and reporting currency is the United States (US) dollar. The financial position and the results of all operations are conducted using only the US dollar.

Revenue and Cost Recognition – Revenue is primarily derived from monthly service fees charged to condominium owners. Services are provided to condominium owners on an ongoing basis throughout each month, and as a result, revenue is recognized monthly at the time of billing. Expenses are recognized in the period they are incurred and are internally allocated based on whether they are incurred as a part of the maintenance, repair, replacement, and administration of the Association's

THE CEDARS OF CHAPEL HILL CONDOMINIUM ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

property, or as a part of the operations of the Association's property. The Club collects condominium fees on behalf of the Association and pays all expenses and charges.

Cash, Cash Equivalents and Restricted Cash - The Association considers all checking accounts and money market accounts to be cash and cash equivalents. The Association maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. At December 31, 2025, cash deposits with financial institutions exceeded federally insured limits by approximately \$1,125,369. Cash deposits that are restricted as to withdrawal or use under the terms of the Association's common area maintenance and replacement requirements (Note 3) are shown as restricted cash. The Club collects condominium fees on behalf of the Association and pays all expenses and charges from undesignated accounts. The Club retains any excess cash for the benefit of the Association. At December 31, 2025 and 2024, cash, cash equivalents and restricted cash held by the Association were as follows:

	2025	2024
Restricted Cash (Replacement Reserves)	1,375,369	230,694
Total Cash, Cash Equivalents & Restricted Cash	<u>\$ 1,375,369</u>	<u>\$ 230,694</u>

Accounts Receivable – Accounts receivable represent condominium owner obligations and are stated at the amount billed to the condominium owner. The Association uses the allowance method to account for uncollectible receivables. At December 31, 2025 and 2024, there was no allowance for doubtful accounts.

Property and equipment – Property and equipment, including costs incurred during the construction, renewal or renovation phases of common area property not directly associated with condominium units, are stated at cost, net of depreciation. As of December 31, 2025 and 2024, property and equipment, net of accumulated depreciation, totaled \$7,713,674 and 5,719,130, respectively. Depreciation is calculated using straight line methods over the estimated useful lives of the respective assets. Expenditures for maintenance and repairs, which do not improve or extend the life of the respective assets, are charged to expense as incurred and disclosed separately on the statement of operations and changes in net assets. Depreciation expense was \$446,988 for the year ended December 31, 2025 and is grouped with other general and administrative expenses on the statements of operations and changes in net assets.

Income Taxes – The Association has been organized as a homeowners' association under Internal Revenue Code section 528(c)(1). The Association will elect on an annual basis to be taxed as a regular corporation, or as a homeowners' association. Any fees collected from condominium owners in excess of expenses may be deferred from taxation by an election approved by the membership.

The Association evaluates all tax positions individually without the possibility of offset or aggregation with other tax positions. At each statement of financial position date, the Association considers the related facts, the technical merits based on legislation, statute, and precedents with the assumption that it will be subject to evaluation by the appropriate taxing authority having full knowledge of all such information. The tax positions will be measured based on management's best judgment of the amount the taxpayer would ultimately accept in a settlement with the taxing authorities. The Association will

THE CEDARS OF CHAPEL HILL CONDOMINIUM ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

recognize a liability (or refund receivable) in the financial statements for any unrecognized tax benefit representing potential tax obligation based on such evaluation of the tax positions. The Association will accrue interest expense at the statutory rate of interest on the difference between the tax position recognized and the tax position taken in the tax return. In addition, The Association will recognize an expense for any statutory penalties, if applicable, with regard to unrecognized tax positions. Any liability related to this assessment will not be combined with deferred tax assets or liabilities, if applicable. The Association discloses in its financial statements the nature of uncertainties and events that may change the unrecognized benefits significantly from year-to-year, if applicable, and the tax years that remain subject to examination by tax jurisdictions. At December 31, 2025 and 2024, no unrecognized tax benefits representing potential tax obligations were recorded. The federal statute of limitations for IRS tax audits is generally three years from the date the tax return was filed or the due date, whichever is later; as such, tax years subsequent to 2022 remain subject to examination by major tax jurisdictions.

3. REPLACEMENT RESERVE

As of December 31, 2025 and 2024, the Association held \$1,375,369 and \$230,694, respectively, designated for future capital replacements. The Association's board of directors conducted a study in October 2017 to estimate the remaining useful lives and the replacement costs of the components of common property to assist in planning for future replacements. Currently, replacement expenses are paid from amounts on hand (held at the Club in undesignated accounts on the Association's behalf) and once exhausted, from designated funds. Capital replacements for the years ended December 31, 2025 and 2024, were \$2,526,929 and \$2,038,699, respectively. Of these amounts, \$134,261 and \$559,733 for the years ended December 31, 2025 and 2024, respectively, were expended from replacement reserves for a specified project at the board's approval and direction.

4. NOTES PAYABLE

On September 10, 2021, the Association executed a loan agreement with Truist in the amount of \$5,000,000. The funds were disbursed over time, as needed for the renovation of the clubhouse. The loan provides for periodic drawdowns as the work is completed. Interest accrues on the outstanding balance at a rate equal to 3.49% per annum. The Association has an obligation of \$49,539 per month, which results in an obligation for interest and principal of \$594,468 per year. The loan matures on September 20, 2033. As of December 31, 2025 and 2024, the outstanding balance on the loan was \$3,936,197 and \$4,261,404, respectively.

As of December 31, 2025, the Association's future minimum payments related to notes payable are summarized as follows:

Payable on or before December 31, 2026	594,468
Payable on or before December 31, 2027	594,468
Payable on or before December 31, 2028	594,468
Payable on or before December 31, 2029	594,468
Thereafter	1,558,325
	\$ 3,936,197

THE CEDARS OF CHAPEL HILL CONDOMINIUM ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

5. NET ASSETS

The Association has undesignated net assets which are utilized for general operations. Designated net assets are designated by the Board of Directors to be set aside for use in funding the Replacement Reserve, as discussed in Note 3, and further referenced in Schedule 1.

6. ANNUAL CONTRIBUTION FROM THE CEDARS OF CHAPEL HILL, LLC

In 2011, the Cedars of Chapel Hill, LLC (the Company), a related party, together with affiliated entities, was named in a lawsuit filed by children of former condominium owners and Club members contesting the collection of (1) membership fees when new people move into The Cedars of Chapel Hill community, and (2) the collection of annual overhead fees totaling 10% of the operating expenses of the Club and Association. In 2013, the suit was settled with a one-time payment of \$1,450,000 to the class, plus a stipulation that the Company would make an annual contribution to the Association in the amount of \$100,000 per year beginning in 2016. The annual contribution is required to increase each year by the same percentage increase in overhead fees paid to the Company by the Club and Association. The amount paid in 2025 and 2024 was \$135,127 and \$131,689, respectively.

7. ALLOCATION OF EXPENSES

As referenced in Note 2, expenses are recognized in the period they are incurred and are internally allocated based on whether they are incurred as responsibilities of the Association for its role in the maintenance, repair, replacement, and administration of the Association's property, or incurred as responsibilities of the Club for its role in the operation of the Association's property. Each year management reviews the allocations of revenue and expense between the Club and Association. Therefore, some line items may be different from previous years due to changes in allocations.

8. RELATED PARTY TRANSACTIONS

On February 1, 2025, the Association and Club amended and renewed its Management Agreement with Life Care Services LLC (LCS) to manage the retirement community. In exchange for its services, LCS receives management fees and salary and benefits reimbursement for its assigned personnel. For the year ended December 31, 2025, total LCS management fees and salary and benefits costs were \$856,196 and 530,322, respectively, of which \$325,354 and \$238,645, were attributed to the management of the Association. For the year ended December 31, 2024, total LCS management fees and salary and benefits reimbursement were \$856,196 and 530,322, respectively, of which \$317,932 and \$214,132, were attributed to the management of the Association.

As noted in Note 2, the Club collects condominium fees on behalf of the Association and pays all expenses on its behalf; any excess cash may be held for the benefit of the Association by the Club. As such, at various times of the year, depending on the balance of fees collected and expenses paid on its behalf, the Association may note a receivable from, or payable to, the Club. At December 31, 2025, the Association noted a balance due to the Club of \$4,022,162 for expenses processed on its behalf. As of December 31, 2024, the Association noted a balance due from the Club of \$44,998 for the excess cash it held for the Association's benefit.

**THE CEDARS OF CHAPEL HILL CONDOMINIUM ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024**

9. SUBSEQUENT EVENTS

The Cedars of Chapel Hill Condominium Association has evaluated subsequent events through April 16, 2026, the date the financial statements were available to be issued.

THE CEDARS OF CHAPEL HILL CONDOMINIUM ASSOCIATION
SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
SCHEDULE 1

The Association's Board of Directors conducted a study in October 2017 to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. Estimated current replacement costs have not been revised since that date and do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement. The following information is based on the study and presents significant information about the components of common property. Funds designated for capital replacements are held as restricted cash and may only be expended as such at the direction and approval of the Board of Directors.

Components	Estimated Remaining Useful Life	Total Estimated Replacement Cost	Repairs & Replacements 12/31/25	Repairs & Replacements 12/31/24
Site Improvements	1 to 30	\$ 1,325,170	\$ 58,887	\$ 69,884
Building Structure & Systems	3 to 30	13,645,865	701,478	644,151
Building MEP	4 to 40	10,084,940	299,874	288,221
Common Area Interiors & Finishes	7 to 35	4,024,891	589,993	623,559
Unit Improvements	1 to 15	616,666	21,473	18,417
Furniture, Fixtures & Equipment	3 to 30	<u>10,337,692</u>	<u>260,761</u>	<u>280,545</u>
Total(s)		<u>\$ 40,035,224</u>	<u>\$ 1,932,466</u>	<u>\$ 1,924,777</u>

See Auditor's Report.

The accompanying notes are an integral part of these statements.

The Cedars of Chapel Hill Condominium Association
Narrative of Material Differences Between 2025 Forecast and Actual

Variances of \$100,000 between actual and forecasted results are considered material variances which are explained below

	Forecast	Actual	Favorable (Unfavorable) Variance	
Revenues:				
Residence Service Fees	7,602,925	8,066,237	463,312	% increased to cover Condo increased costs
Developer and Office Condo Fees	-	-	-	
Contributions from Related Party	137,615	135,127	(2,488)	
Transfer from Club Improvement Fund	-	-	-	
Other	939	(7)	(946)	
Total Revenues	7,741,479	8,201,357		
Other Non Operating Income	-	-	-	
Interest Income	1,140	-	(1,140)	
Total Revenues	7,742,619	8,201,357		
Expenses:				
General and Administrative:				
Wages and Benefits	531,126	776,520	(245,394)	increased condo - club distribution amount
Insurance - General	389,038	383,130	5,908	
Legal and Professional	374,741	23,871	350,870	increased condo - club distribution amount
Management Fees	233,604	325,354	(91,750)	
Management Salaries and Benefits	152,657	238,645	(85,988)	
Other	519,880	538,099	(18,219)	
Total General and Administrative	2,201,046	2,285,619		
Plant:				
Wages and Benefits	1,200,967	1,229,018	(28,051)	
Maintenance and Repairs	926,638	1,136,613	(209,975)	increased condo - club distribution amount
Utilities	965,680	909,058	56,622	
Other	195,948	217,688	(21,740)	
Total Plant	3,289,233	3,492,377		
Environmental Services:				
Wages and Benefits	473,490	451,813	21,677	
Other	43,894	47,352	(3,458)	
Total Environmental Services	517,384	499,165		
Resident Services:				
Wages and Benefits	-	-	-	
Other	-	-	-	
Total Resident Services	-	-		
Capital Replacement	1,500,000	2,526,929	(1,026,929)	Increased asset replacement needed in 2025
Total Expenses	7,507,663	8,804,090		
Increase (Decrease) in Unrestricted Net Assets	234,956	(602,733)		

	Forecast	Actual	Favorable (Unfavorable) Variance	
Assets				
Current Assets:				
Replacement Reserve	480,694	1,375,369	894,675	Payment of ERC with 3 years of interest
Receivable from Cedars Club	-	-	-	
Property Remodel	7,209,130	7,713,674		
Total Assets	7,689,824	9,089,043		

Liabilities and Net Assets

Payable to Club	1,791,349	<u>4,022,162</u>	2,230,813	Payment of ERC with 3 years of interest
Note Payable	<u>3,930,102</u>	<u>3,936,197</u>		
Total Liabilities	<u>5,721,451</u>	<u>7,958,359</u>		
Net Assets:				
Restricted	480,694	1,375,369	894,675	Payment of ERC with 3 years of interest
Unrestricted	<u>1,487,679</u>	<u>(244,686)</u>	<u>(1,732,365)</u>	Increased asset replacement needed in 2025
Total Net Assets	<u>1,968,373</u>	<u>1,130,683</u>	<u>(837,690)</u>	
Total Liabilities and Net Assets	<u>7,689,824</u>	<u>9,089,043</u>	<u>1,399,219</u>	
Cash Flow From Operating Activities:				
Increase(Decrease) in Unrestricted Net Assets	234,956	(602,733)	(837,689)	Increased asset replacement needed in 2025
Adjustments to Reconcile to Actual Cash Flows:				
Net Change in Cedars Club Receivable/Payable	<u>1,836,346</u>	<u>4,067,160</u>	<u>2,230,814</u>	Payment of ERC with 3 years of interest
Net Cash Provided By (Used In) Operating Activities	2,071,302	3,464,428	<u>1,393,126</u>	
Cash Flow From Investing Activities:				
Increase in Property Remodel	<u>(1,490,000)</u>	<u>(1,994,544)</u>	<u>(504,544)</u>	Added cost to Clubhouse Refurbishment
Cash Flow From Financing Activities:				
Increase in Note Payable	<u>(331,302)</u>	<u>(325,207)</u>	<u>6,095</u>	
Net Change in Cash	250,000	1,144,677	<u>894,677</u>	
Cash, Beginning of Year	<u>230,694</u>	<u>230,694</u>		
Cash, End of Year	<u>480,694</u>	<u>1,375,372</u>	<u>894,678</u>	Payment of ERC with 3 years of interest

THE CEDARS OF CHAPEL HILL, LLC
FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

INDEPENDENT AUDITOR'S REPORT

To the Member and Those Charged with Governance
The Cedars of Chapel Hill, LLC

Opinion

We have audited the accompanying financial statements of The Cedars of Chapel Hill, LLC (Company), which comprise the balance sheet as of December 31, 2025, and the related statements of operations and changes in member's equity and cash flows for the years then ended, and the related notes to the financial statements. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Company as of December 31, 2024 were audited by other auditors, whose report dated April 30, 2025 expressed an unqualified opinion on those statements.

In our opinion, the 2025 financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2025, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 10 to the financial statements, the Company adopted Standards Update (ASU) 2016-02, Leases (Topic 842), effective January 1, 2025, using the modified retrospective transition method. As a result of the adoption of this new standard, the 2024 comparative financial statements have been restated to recognize right-of-use assets and lease liabilities on the balance sheet, changing how lease expense is recognized. Our opinion is not modified with respect to this matter.

As discussed in Note 10 to the financial statements, the Company has restated its comparative financial statements to reflect a reclassification of certain other income to revenues. We draw attention to this matter as it is fundamental to a proper understanding of the restatement of the comparative financial statements. Our opinion is not modified in respect of this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 financial statements are available to be issued.

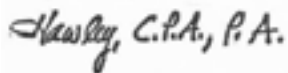
Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 generally accepted auditing standards 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 generally accepted auditing standards, 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.



Hawley, C.P.A., P.A.
Angier, NC
April 16, 2026

THE CEDARS OF CHAPEL HILL, LLC
BALANCE SHEETS
DECEMBER 31,

	2025	AS RESTATED 2024
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 437,485	\$ 760,270
Restricted Cash	-	325,000
Accounts Receivable	480,089	452,864
Total Current Assets	<u>917,574</u>	<u>1,538,134</u>
Noncurrent Assets:		
Operating Lease Right-of-Use Asset	29,642	87,124
Development Costs	6,135,962	1,640,132
Note Receivable	600,000	600,000
Total Noncurrent Assets	<u>6,765,604</u>	<u>2,327,256</u>
Total Assets	<u>\$ 7,683,178</u>	<u>\$ 3,865,390</u>
LIABILITIES & MEMBERS' EQUITY		
Current Liabilities:		
Accounts Payable	40,460	140,752
Deposits in Escrow	-	325,000
Current Portion of Operating Lease Liability	29,642	57,482
Total Current Liabilities	<u>70,102</u>	<u>523,234</u>
Noncurrent Liabilities:		
Note Payable	4,519,970	-
Preferred Future Owner Deposits	1,943,500	1,610,250
Noncurrent Portion of Operating Lease Liability	-	29,642
Total Noncurrent Liabilities	<u>6,463,470</u>	<u>1,639,892</u>
Total Liabilities	6,533,572	2,163,126
Member's Equity	<u>1,149,606</u>	<u>1,702,264</u>
Total Liabilities and Member's Equity	<u>\$ 7,683,178</u>	<u>\$ 3,865,390</u>

The accompanying notes are an integral part of these statements.

THE CEDARS OF CHAPEL HILL, LLC
STATEMENTS OF REVENUE AND EXPENSES & CHANGES IN MEMBER'S EQUITY
FOR THE YEARS ENDING DECEMBER 31,

	2025	AS RESTATED 2024
Revenue:		
Sale of Homes	\$ -	\$ 450,000
Commissions	1,374,400	1,276,220
Membership Fees	2,294,900	2,282,675
Overhead Fees	2,570,410	1,909,585
Wait List Fees	29,000	37,250
Total Revenue	6,268,710	5,955,730
Cost of Sales	233,746	530,536
Gross Profit (Loss)	6,034,964	5,425,193
Operating Expenses:		
Marketing Compensation	885,542	727,237
Direct Marketing Costs	123,394	224,083
General and Administrative	841,690	803,966
Depreciation and Amortization	-	322,059
Total Operating Expenses	1,850,626	2,077,345
Income (Loss) from Operations	4,184,337	3,347,848
Other Income (Expense)		
Other Income	63,000	65,452
Interest Expense	-	(46,947)
Total Other Income (Expense)	63,000	18,505
Net Income (Loss)	4,247,337	3,366,354
Beginning Member's Equity	1,702,264	735,910
Member Distributions	(4,799,996)	(2,400,000)
Ending Member's Equity	\$ 1,149,606	\$ 1,702,264

The accompanying notes are an integral part of these statements.

THE CEDARS OF CHAPEL HILL, LLC
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDING DECEMBER 31,

	2025	AS RESTATED 2024
Cash Flow from Operating Activities:		
Net Income	\$ 4,247,337	\$ 3,366,354
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and Amortization	-	322,059
Changes in Assets and Liabilities:		
(Increase) Decrease in:		
Restricted Cash	325,000	102,050
Accounts Receivable	(27,225)	(6,651)
Operating Lease Right-of-Use Asset	57,482	(87,124)
Sale of Marketing Office	-	312,072
Increase (Decrease) in:		
Accounts Payable	(100,292)	37,176
Deposits in Escrow	(325,000)	(100,000)
Operating Lease Liability	(57,482)	87,124
Net Adjustments	<u>(127,517)</u>	<u>666,706</u>
Net Cash Provided by Operating Activities	4,119,820	4,033,060
Cash Flow from Investing Activities:		
Note Receivable Issued	-	(600,000)
Development Costs Incurred	(4,495,829)	(1,640,132)
Preferred Future Owner Deposits Received	333,250	1,610,250
Net Cash Used in Investing Activities	<u>(4,162,579)</u>	<u>(629,882)</u>
Cash Flow from Financing Activities:		
Proceeds from Issuance of Notes Payable	4,519,970	-
Repayment of Notes Payable	-	(729,961)
Distributions to the Member	(4,799,996)	(2,400,000)
Net Cash Used in Financing Activities	<u>(280,026)</u>	<u>(3,129,961)</u>
Net Increase (Decrease) in Cash	(322,784)	273,217
Cash at Beginning of Year	<u>760,270</u>	<u>487,053</u>
Cash at End of Year	<u>\$ 437,485</u>	<u>\$ 760,270</u>

The accompanying notes are an integral part of these statements.

THE CEDARS OF CHAPEL HILL, LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

1. ORGANIZATION AND OPERATIONS

The Cedars of Chapel Hill, LLC (Company) is a limited liability company organized August 6, 1999, under the laws of the State of North Carolina. The Company is engaged in the business of managing a continuing care retirement community in Chapel Hill, NC, the resale of retirement community homes through its wholly-owned subsidiary, The Cedars of Chapel Hill Realty Company, LLC (Realty), and the future development and expansion of the community.

The Company was responsible for all initial development, marketing and construction activities. As each residence was sold, fee simple title to the residence as a condominium, along with an undivided interest in the common areas, was transferred to the purchaser. A provision in the purchase agreement provides that when the residence is resold, the new buyer will pay the Company a membership fee equal to ten percent of the purchase price of the home. In addition, if the Company sells the residence, the seller agrees to pay a real estate commission, which is currently six percent.

The Company provides management services to The Cedars of Chapel Hill Club, Inc. (Club) and The Cedars of Chapel Hill Condominium Association (Association). The Club is a North Carolina not-for-profit corporation created to provide services to its members (Club members). These services include the operation of the clubhouse, the DuBose Health Center and the Home Care Agency. The Club collects from Club members and pays to the Company an Overhead Fee equal to ten percent of operating costs of the Club and the Association. The Association is organized as a North Carolina Homeowner's Association. All common property, including the clubhouse and health center, is owned by the condominium owners, and the Board of Directors is made up entirely of condominium owners. The Club serves as the administrative agent for The Association. The Association provides for the maintenance, repair, replacement and administration of common property.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Company is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management who is responsible for their integrity and objectivity.

Basis of Accounting – The accompanying financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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

Currency – The Company's functional and reporting currency is the United States (US) dollar. The financial position and the results of all operations are conducted using only the US dollar.

Revenue and Cost Recognition – Revenue is primarily derived from membership fees paid by each buyer of a condominium unit, or the person designated as the member by the buyer. An overhead fee

THE CEDARS OF CHAPEL HILL, LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

equal to 10% of the total unreimbursed Club and Association expenses is collected by the Club from its members and paid to the Company throughout the year. Additionally, at the time of a unit sale, previously deposited wait list fees are released and recognized as income, and commissions are earned on units sold directly by Realty. Costs are internally allocated based on whether they are incurred to sell a unit, further develop and market the retirement community, or manage operations.

Cash, Cash Equivalents and Restricted Cash - The Company considers all checking accounts and money market accounts to be cash and cash equivalents. The Company maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. At December 31, 2025, cash deposits with financial institutions exceeded federally insured limits by approximately \$187,485. Cash deposits that are restricted as to withdrawal or use under the terms of real estate escrow agreements are included as restricted cash (with a corresponding liability) on the accompanying balance sheet. Escrow deposits are made by purchasers at the time of signing a Resale Purchase and Sale Agreement. The deposits are refundable during a thirty (30) day rescission period. After this thirty-day period, the deposit becomes an earnest money deposit. At December 31, 2025 and 2024, cash, cash equivalents and restricted cash were as follows:

	2025	2024
Cash and Cash Equivalents	\$ 437,485	\$ 760,270
Restricted Cash (Deposits in Escrow)	-	325,000
Total Cash, Cash Equivalents & Restricted Cash	<u>\$ 437,485</u>	<u>\$ 1,085,270</u>

Accounts Receivable – Accounts receivable represent customer and affiliate obligations and are stated at the amount billed to the customer or affiliate. The company uses the allowance method to account for uncollectible receivables. At December 31, 2025 and 2024, there was no allowance for doubtful accounts and accounts receivable were as follows:

	2025	2024
Due from Affiliates and Related Parties	\$ 462,485	\$ 442,464
Condo Refurbishment Receivables	17,117	10,400
Total Accounts Receivable	<u>\$ 480,089</u>	<u>\$ 452,864</u>

Property and equipment – Property and equipment are stated at cost, net of depreciation. Depreciation is calculated using straight line methods over the estimated useful lives of the respective assets.

Income Taxes – The Company has elected and its members have consented to be treated as a partnership for income tax purposes. The members report the Company's taxable income, losses, and other pass-through items on its income tax returns. Accordingly, no provision for income taxes has been provided. The federal statute of limitations for IRS tax audits is generally three years from the date the tax return was filed or the due date, whichever is later; as such, tax years subsequent to 2022 remain subject to examination by major tax jurisdictions.

THE CEDARS OF CHAPEL HILL, LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

3. MARKETING OFFICE

In 2014, the Company converted one of the condominium units into a marketing office and began depreciated it over 39 years. During 2024, the marketing office was sold for \$450,000 and the unamortized cost of \$312,072 was written off to Cost of Sales, resulting in a net gain of \$137,928.

4. DEVELOPMENT COSTS

As a part of its original agreement with condominium buyers, the Company agreed to expand Dubose Health Center to 84 beds, when needed. The expansion officially opened in August 2019. The cost of the expansion to 78 beds was \$8,668,767 and was amortized on a straight-line basis over 7 years beginning April 2017. The development cost of the expansion was fully amortized during 2024.

In 2024, the Company purchased land at a cost of \$2,000,000 for the construction of 10 additional units (Overlook at the Cedars). A payment of \$1,000,000 was paid at closing, and an additional \$1,000,000 payment is contingent on the profitability of the project. As of December 31, 2025 and 2024, unamortized development costs totaled \$6,135,962 and \$1,640,132, respectively.

	2025	2024
Dubose Health Center Expansion	8,668,767	8,668,767
Less: Accumulated Amortization	(8,668,767)	(8,668,767)
Overlook at the Cedars	6,135,962	1,640,132
Total Development Costs	<u>\$ 6,135,962</u>	<u>\$ 1,640,132</u>

5. DEFERRED REVENUE

The Company offers prospective buyers the option to enter into a Preferred Future Owners Agreement and be placed on a confidential wait list, which requires a \$1,000 deposit and a \$500 non-refundable application fee. If a buyer on the Preferred Future Owners Agreement later completes the purchase of a condominium, the \$1,000 deposit is credited towards the purchase. In the early development stages of the Company, these deposits were required to be placed in escrow by the North Carolina Department of Insurance under the Continuing Care Retirement Communities (CCRC) statute. The Company is no longer required to hold these deposits in escrow. The Company did not elect to fully recategorize these deposits until 2025. As of December 31, 2024, deposits noted as in escrow totaled \$325,000.

In conjunction with the Overlook at the Cedars project (Note 4), the Company offered Preferred Future Owners the option to join a Priority List, to select a proposed residence type, and if desired, enter into a 10% deposit agreement, equal to 10% of the purchase price (excluding the cost of Membership). During 2024, the Company executed agreements with prospective buyers for the 10 units at a total projected purchase price of \$17,710,000. As of December 31, 2025 and 2024, the Company held Preferred Future Owner Deposits totaling \$1,943,500 and \$1,610,250, respectively.

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THE CEDARS OF CHAPEL HILL, LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

6. NOTES PAYABLE

During 2018 and 2019, the Company borrowed \$7,000,000 to expand DuBose Health Center as described in Note 4. The loan carried a fixed interest rate of 4.32% and matured on April 1, 2024 at which time the Company paid off the remaining balance.

On March 14, 2025, the Company entered into a secured loan agreement with Pinnacle Bank in the amount of \$14,000,000, collateralized by land, improvements and other rights, title and interests as specified in the agreement. The funds are being disbursed over time, as needed for the construction of the Overlook at the Cedars project described in Notes 4 and 5. Interest accrues on the outstanding principal balance at a rate equal to SOFR plus 2.10%. As of December 31, 2025, the applicable interest rate was approximately 5.85%. The loan matures and is payable in full on March 14, 2027. As of December 31, 2025, the outstanding balance on the loan was \$4,519,970.

As of December 31, 2025, the Company's future minimum payments related to notes payable are summarized as follows:

2026	\$	-
2027		4,519,970
	\$	<u>4,519,970</u>

7. RELATED PARTY TRANSACTIONS

In April 2024, the Company loaned Roger Perry, manager of the Company and a partner in the company that founded the Company, \$600,000 to purchase a condominium from a third party. The loan carries an interest rate of 10%. The Company subsequently entered into an 18-month agreement to lease the condominium from Perry at a rate of \$5,000 per month to use for a Marketing Office. Perry reserves the right to sell the condominium to the Company for \$600,000, and the Company may use the note to offset the purchase price of the condominium. The accompanying financial statements for 2024 and 2025 reflect interest income of \$60,000 and lease expense of \$60,000.

The Company has recognized overhead fees totaling \$2,570,410 and \$1,909,585 in 2025 and 2024, respectively, for management services rendered to the Club and Association. These are in accordance with the Membership Agreement whereby the Club collects from the Club members and pays to the Company an overhead fee equal to ten percent of operating costs of the Club and the Association.

The Company has expensed management fees totaling \$413,076 and \$397,188 in 2025 and 2024, respectively, for services provided by Meadowmont Retirement Community, LLC.

(continue to next page)

THE CEDARS OF CHAPEL HILL, LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

8. LEASE

The Company determines if an arrangement is a lease at its inception. Operating lease right-of-use assets (ROU) and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term.

The Company leases a condominium unit to be used as a Marketing Office from a related party as discussed in note 8. As of December 31, 2025 and 2024, the right-of-use (ROU) and lease liability related to this operating lease are as follows:

	<u>2025</u>	<u>2024</u>
Assets		
Operating Lease Right-of-Use Asset	\$ 29,642	\$ 87,124
Liabilities		
Current Portion of Operating Lease Liability	29,642	57,482
Noncurrent Portion of Operating Lease Liability	-	29,642
	<u>\$ 29,642</u>	<u>\$ 87,124</u>

The following table presents supplemental cash flow and other information related to the leases for the year ended December 31, 2025 and 2024:

Cash paid for amounts in the measurements of		
lease liabilities	\$ 60,000	\$ 60,000
Lease assets obtained in exchange for new lease liabilities	-	142,284
Weighted average remaining lease term, in years	0.50	1.50
Weighted average discount rate	4.13%	4.13%

The following table presents the future maturity of the Company's operating leases and reconciles the undiscounted cash flows for these leases to the lease liability recognized on the accompany balance sheets as of December 31, 2025:

	2026	30,000
	Thereafter	-
		<u>30,000</u>
Less, effect of discounting		(358)
		<u>\$ 29,642</u>

9. ANNUAL CONDOMINIUM CONTRIBUTION

In 2011, the Company, together with affiliated entities, was named in a lawsuit filed by children of former Club members contesting the collection of (1) membership fees when new people move into the Cedars of Chapel Hill, and (2) the annual overhead fees totaling 10% of the operating expenses of the Club and Association. In 2013, the suit was settled with a one-time payment of \$1,450,000 to the class, plus a stipulation that the Company would make an annual contribution to the Association in the amount of \$100,000 per year beginning in 2016. The annual contribution is required to increase each year by the same percentage increase in overhead fees collected by the Company. The amount paid in 2025 and 2024 was \$135,127 and \$131,689, respectively, and is included in General and Administrative Expenses.

THE CEDARS OF CHAPEL HILL, LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

10. RESTATEMENT OF PRIOR YEAR PRESENTATION

The Company adopted Standards Update (ASU) 2016-02, Leases (Topic 842), effective January 1, 2025, using the modified retrospective transition method. As a result of the adoption of this new standard, the Company has restated its 2024 financial statements to recognize right-of-use assets and lease liabilities on the balance sheet, changing how lease expense is recognized. The effect of the restatement increased ROU assets by \$87,124 and lease liabilities by \$87,124 as of December 31, 2024, and had no effect on previously reported net income or equity.

Additionally, certain prior year amounts have been reclassified for consistency with the current year presentation. These changes were made to improve the clarity of the financial statements and had no effect on previously reported net income or equity.

The following table summarizes the adjustments made to the balance sheets and statements of revenue and expenses & changes in member's equity as of December 31, 2024:

	AS RESTATED	ADJUSTMENT	AS PREVIOUSLY REPORTED
Assets			
Operating Lease Right-of-Use Asset	87,124	87,124	-
Liabilities			
Current Portion of Operating Lease Liability	57,482	57,482	-
Current Portion of Operating Lease Liability	29,642	29,642	-
Revenue			
Wait List Fees	37,250	37,250	-
Other Income (Expense)			
Other Income	65,452	(37,250)	102,702

11. SUBSEQUENT EVENTS

The Cedars of Chapel Hill, LLC has evaluated subsequent events through April 16, 2026, the date the financial statements were available to be issued.

The Cedars of Chapel Hill, L.L.C.
Narrative of Material Differences Between 2023 Forecast and Actual

Variances of \$100,000 or greater between actual and forecasted results are considered material variances which are explained below

	<u>Forecast</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Revenues:			
Membership Fees	\$ 2,060,372	\$ 2,294,900	234,528 Greater number of re-sales than forecasted.
Overhead Fees	2,840,712	2,570,410	(270,302) Costs on which Overhead Fees are calculated less than expected
Commissions	1,195,016	1,374,400	179,384 Greater number of resales than forecasted.
Wait List Fees	<u>45,783</u>	<u>29,000</u>	
Total Revenues	6,141,883	6,268,710	
Cost of Sales	<u>235,000</u>	<u>233,746</u>	(1,254)
Gross Profit	<u>5,906,883</u>	<u>6,034,964</u>	
Operating Expenses:			
Marketing Compensation	752,690	885,542	(132,852)
Direct Marketing Costs	230,805	123,394	107,411
General and Administrative	428,085	841,690	(413,605) Leasing office space rather than purchase
Depreciation and Amortization	300	-	300
Maintenance, Laundry and Housekeeping	<u>-</u>	<u>-</u>	
Total Operating Expenses	<u>1,411,880</u>	<u>1,850,626</u>	
Income (Loss) From Operations	<u>4,495,003</u>	<u>4,184,337</u>	
Other Income (Expense):			
Interest Expense	<u>-</u>	<u>-</u>	-
Interest Income	60,000	63,000	3,000
Other Income (Expense)	<u>45,783</u>	<u>-</u>	(45,783)
Total Other Income (Expense)	<u>105,783</u>	<u>63,000</u>	
Net Income (Loss)	<u>\$ 4,600,786</u>	<u>\$ 4,247,337</u>	
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 1,109,073	\$ 437,485	(671,588) More funds spent on development costs rather than borrowing.
Restricted Cash - Deposits in Escrow	330,000	-	(330,000) Deposit checks sent to closing attorney rather than held in escrow.
Accounts Receivable	<u>462,864</u>	<u>480,089</u>	17,225
Total Current Assets	<u>1,901,937</u>	<u>917,574</u>	
Other Assets:			
Marketing Office/Note receivable	600,000	600,000	-
Property and Equipment	1,300	-	(1,300)
Operating Lease Right-of-Use LEASE	-	29,642	
Deferred Development Costs	<u>12,740,132</u>	<u>6,135,962</u>	(6,604,170) Was not able to start construction due to approval delays.
Total Noncurrent Assets	<u>13,341,432</u>	<u>6,765,604</u>	
Total Assets	<u>\$ 15,243,369</u>	<u>\$ 7,683,178</u>	
Liabilities and Member's Equity			
Accounts Payable and Accrued Expenses	\$ 145,752	\$ 40,460	105,292
Deposits in Escrow	330,000	-	330,000 Deposit checks sent to closing attorney rather than held in escrow.
Current Portion of Operating Lease Liability	<u>-</u>	<u>29,642</u>	(29,642) Miscalculated principle payments due to Covid deferral.
Total Current Liabilities	475,752	70,102	
Preferred Future Owner Deposits	1,610,000	1,943,500	333,500 Greater deposits than anticipated.
Notes Payable to Affiliated Companies	-	-	-
Construction Loan Payable	<u>11,100,000</u>	<u>4,519,970</u>	6,580,030 Was not able to start construction due to approval delays.
Total Liabilities	<u>13,185,752</u>	<u>6,533,572</u>	
Members' Equity:			
Member's Equity - Unrestricted	2,057,267	1,149,606	(907,661) See above items.
Member's Equity - Restricted	<u>-</u>	<u>-</u>	
Total Member's Equity	<u>2,057,267</u>	<u>1,149,606</u>	
Total Liabilities and Member's Equity	<u>\$ 15,243,019</u>	<u>\$ 7,683,178</u>	

	<u>Forecast</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u> <u>Variance</u>	
CASH FLOW FROM OPERATING ACTIVITIES:				
Net Income (Loss)	\$ 4,555,003	\$ 4,247,338	307,665	Greater number of resales than forecasted.
Adjustments to Reconcile to Actual Cash Flows				
Depreciation and Amortization	300	-	300	
Changes in Assets and Liabilities				
(Increase) Decrease in:				
Accounts Receivable	(5,000)	(56,168)	51,168	Delay in collecting overhead payment from The Cedars Club.
Deposits in Escrow	(10,000)	325,000	(335,000)	Deposit checks sent to closing attorney rather than held in escrow.
(Increase) Decrease in:				
Accounts Payable and Accrued Expenses	5,000	(71,350)	76,350	
Deposits in Escrow	5,000	(325,000)	330,000	Deposit checks sent to closing attorney rather than held in escrow.
Net Adjustments	<u>(4,700)</u>	<u>(127,518)</u>		
Net Cash Provided by Operating Activities	<u>4,550,303</u>	<u>4,119,820</u>		
CASH FLOW FROM INVESTING ACTIVITIES:				
Purchases of Property and Equipment	(1,500)	-	(1,500)	
Wait List Deposits		332,750		
Deferred Revenue		500		
Deferred Development Costs	<u>(11,100,000)</u>	<u>(4,495,829)</u>	(6,604,171)	Was not able to start construction due to approval delays.
Net Cash Used in Investing Activities	<u>(11,101,500)</u>	<u>(4,162,579)</u>		
CASH FLOW FROM FINANCING ACTIVITIES:				
Member Distributions	(4,200,000)	(4,799,996)	599,996	Greater net income allowed larger distributions than forecasted.
Notes Payable Proceeds	<u>11,100,000</u>	<u>4,519,970</u>	6,580,030	Was not able to start construction due to approval delays.
Net Cash Used in Financing Activities	<u>6,900,000</u>	<u>(280,026)</u>		
Net (Decrease) Increase in Cash	348,803	(322,785)		
Cash at Beginning of Year	<u>760,270</u>	<u>760,270</u>		
Cash at End of Year	<u>\$ 1,109,073</u>	<u>\$ 437,485</u>		

Appendix B — Five-Year Prospective Financial Statements

THE CEDARS OF CHAPEL HILL CLUB, INC.
FORECASTED FINANCIAL STATEMENTS
FOR THE YEARS ENDING DECEMBER 31, 2026 THROUGH 2030

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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To the Members and Those Charged with Governance
The Cedars of Chapel Hill Club, Inc.

Management is responsible for the accompanying forecast of The Cedars of Chapel Hill Club, Inc., which comprises the forecasted statement of assets, liabilities and net assets as of December 31, 2026 through 2030, and the related forecasted statements of revenues and support expenses and changes in net assets, and cash flows for the years then ending, and the related summaries of significant assumptions and accounting policies in accordance with guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants (AICPA). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the forecast nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on this forecast.

The forecasted results may not be achieved, as there will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and these differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The accompanying forecast and this report were prepared pursuant to North Carolina Statute 58-64-20(a)(12) and should not be used for any other purpose.

Hawley, C.P.A., P.A.

Hawley, C.P.A., P.A.
Angier, NC
April 16, 2026

THE CEDARS OF CHAPEL HILL CLUB, INC.
FORECASTED STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS
FOR THE YEARS ENDING DECEMBER 31, 2026 THROUGH 2030

SEE ACCOMPANYING SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES
AND FORECASTED ASSUMPTIONS AND INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

	2026	2027	2028	2029	2030
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 1,755,232	\$ 2,739,341	\$ 4,136,609	\$ 5,986,583	\$ 8,087,598
Restricted Cash	4,144,569	4,310,352	4,482,766	4,662,077	4,848,560
Accounts Receivable	2,354,276	2,424,904	2,497,652	2,572,581	2,649,759
Due from Related Parties	3,849,390	4,092,925	4,346,362	4,606,815	4,771,320
Inventory & Prepayments	291,833	321,016	353,118	388,430	427,273
Total Current Assets	12,395,301	13,888,539	15,816,507	18,216,486	20,784,509
Noncurrent Assets:					
Property and Equipment, net	-	-	-	-	-
Total Other Assets	-	-	-	-	-
Total Assets	\$ 12,395,301	\$ 13,888,539	\$ 15,816,507	\$ 18,216,486	\$ 20,784,509
LIABILITIES & NET ASSETS					
Current Liabilities:					
Accounts Payable	1,485,689	1,500,546	1,515,551	1,530,707	1,546,014
Total Current Liabilities	1,485,689	1,500,546	1,515,551	1,530,707	1,546,014
Noncurrent Liabilities:					
Operating Reserve & Other Deposits	2,750,000	2,500,000	2,000,000	1,750,000	1,500,000
Total Noncurrent Liabilities	2,750,000	2,500,000	2,000,000	1,750,000	1,500,000
Total Liabilities	4,235,689	4,000,546	3,515,551	3,280,707	3,046,014
Net Assets:					
Undesignated	8,159,612	9,887,993	12,300,956	14,935,779	17,738,495
Designated	-	-	-	-	-
Total Net Assets	8,159,612	9,887,993	12,300,956	14,935,779	17,738,495
Total Liabilities and Net Assets	\$ 12,395,301	\$ 13,888,539	\$ 15,816,507	\$ 18,216,486	\$ 20,784,509

The accompanying notes are an integral part of these statements.

THE CEDARS OF CHAPEL HILL CLUB, INC.
FORECASTED STATEMENTS OF REVENUES, SUPPORT EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDING DECEMBER 31, 2026 THROUGH 2030

SEE ACCOMPANYING SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES
AND FORECASTED ASSUMPTIONS AND INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

	2026	2027	2028	2029	2030
Revenues:					
Residence Service Fees	\$ 10,127,243	\$ 10,582,969	\$ 11,506,288	\$ 11,966,539	\$ 12,385,368
Second Person Fees	2,637,856	2,756,559	2,853,039	2,952,895	3,056,246
Miscellaneous	1,000	1,035	1,071	1,108	1,147
	<u>12,766,099</u>	<u>13,340,563</u>	<u>14,360,398</u>	<u>14,920,542</u>	<u>15,442,761</u>
Health Center Revenue	7,171,814	7,422,828	7,682,627	7,951,519	8,229,822
Net Proceeds from Home Care/Clinic	197,171	204,072	211,214	218,607	226,258
Other Non Operating Income	450,000	450,000	450,000	450,000	450,000
Interest Income	2,000	2,000	2,000	8,370	8,370
	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>
Total Revenues	\$ 20,587,084	\$ 21,419,463	\$ 22,706,239	\$ 23,549,038	\$ 24,357,211
Support Expenses:					
General and Administrative:					
Wages, Payroll Taxes and Benefits	977,551	1,006,878	1,037,084	1,068,197	1,100,243
General Insurance	43,847	48,232	53,055	58,360	64,197
Management Fees	546,767	563,170	580,065	597,467	615,391
Salaries and Benefits (LCS)	300,427	309,440	318,723	328,285	338,134
Other	512,034	527,395	543,217	559,514	576,299
Total General and Administrative	<u>2,380,627</u>	<u>2,455,115</u>	<u>2,532,144</u>	<u>2,611,823</u>	<u>2,694,264</u>
Plant:					
Wages, Payroll Taxes and Benefits	140,655	144,874	149,220	153,697	158,308
Maintenance and Repairs	61,617	63,465	65,369	67,330	69,350
Utilities	234,083	241,105	248,338	255,788	263,462
Other	24,912	25,659	26,429	27,222	28,039
Total Plant	<u>461,266</u>	<u>475,103</u>	<u>489,356</u>	<u>504,037</u>	<u>519,159</u>
Environmental Services:					
Wages, Payroll Taxes and Benefits	1,861,471	1,917,315	1,984,421	2,053,876	2,125,762
Other	195,091	200,944	206,972	213,181	219,576
Total Environmental Services	<u>2,056,562</u>	<u>2,118,259</u>	<u>2,191,393</u>	<u>2,267,057</u>	<u>2,345,338</u>
Food and Beverage					
Wages, Payroll Taxes and Benefits	4,483,228	4,617,725	4,756,257	4,898,945	5,045,913
Food	1,917,154	1,974,669	2,033,909	2,094,926	2,157,774
Other	564,582	581,520	598,966	616,935	635,443
Total Food & Beverage	<u>6,964,965</u>	<u>7,173,914</u>	<u>7,389,132</u>	<u>7,610,806</u>	<u>7,839,130</u>
Health Center:					
Wages, Payroll Taxes and Benefits	5,626,845	5,795,650	5,969,520	6,148,606	6,333,064
Other	828,182	853,027	878,618	904,977	932,126
Total Health Center	<u>6,455,026</u>	<u>6,648,677</u>	<u>6,848,138</u>	<u>7,053,583</u>	<u>7,265,190</u>

The accompanying notes are an integral part of these statements.

THE CEDARS OF CHAPEL HILL CLUB, INC.
FORECASTED STATEMENTS OF REVENUES, SUPPORT EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDING DECEMBER 31, 2026 THROUGH 2030

SEE ACCOMPANYING SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES
AND FORECASTED ASSUMPTIONS AND INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

	2026	2027	2028	2029	2030
Resident Services:					
Wages, Payroll Taxes and Benefits	559,061	575,833	593,108	610,901	629,228
Other	188,525	194,181	200,006	206,006	212,186
Total Resident Services	747,586	770,014	793,114	816,907	841,414
Non-operating Capital Replacements	50,000	50,000	50,000	50,000	50,000
Total Expenses	\$ 19,116,032	\$ 19,691,082	\$ 20,293,276	\$ 20,914,214	\$ 21,554,495
Increase in Undesignated Net Assets	1,471,051	1,728,381	2,412,963	2,634,823	2,802,716
Undesignated Net Assets, Beginning	6,688,560	8,159,612	9,887,993	12,300,956	14,935,779
Undesignated Net Assets, Ending	\$ 8,159,612	\$ 9,887,993	\$ 12,300,956	\$ 14,935,779	\$ 17,738,495

The accompanying notes are an integral part of these statements.

THE CEDARS OF CHAPEL HILL CLUB, INC.
FORECASTED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDING DECEMBER 31, 2026 THROUGH 2030

SEE ACCOMPANYING SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES
AND FORECASTED ASSUMPTIONS AND INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

	2026	2027	2028	2029	2030
Cash Flows From Operating Activities					
Decrease in Undesignated Net Assets	\$ 1,471,051	\$ 1,728,381	\$ 2,412,963	\$ 2,634,823	\$ 2,802,716
Adjustments to reconcile net income to net cash used in operating activities:					
(Increase) in Accounts Receivable	(68,571)	(70,628)	(72,747)	(74,930)	(77,177)
(Increase) in Operating Reserve & Funds	(120,716)	(165,783)	(172,414)	(179,311)	(186,483)
(Increase) in Due from Related Parties	-	(243,535)	(253,437)	(260,453)	(164,505)
(Increase) in Other Assets	(26,530)	(29,183)	(32,102)	(35,312)	(38,843)
Increase in Accounts Payable	14,710	14,857	15,005	15,156	15,307
(Decrease) in Operating Reserve and Other Deposits	(121,521)	(250,000)	(500,000)	(250,000)	(250,000)
Increase in Due to Related Parties	172,772	-	-	-	-
(Decrease) in Deferred Revenue	(11,462)	-	-	-	-
Net Adjustments	(161,318)	(744,272)	(1,015,695)	(784,850)	(701,701)
Net Cash Used by Operating Activities	1,309,733	984,109	1,397,268	1,849,974	2,101,015
Cash Flows From Investing Activities					
Net Cash Used by Investing Activities	-	-	-	-	-
Cash Flows From Financing Activities					
Net Cash Used in Financing Activities	-	-	-	-	-
Net Change in Cash	\$ 1,309,733	\$ 984,109	\$ 1,397,268	\$ 1,849,974	\$ 2,101,015
Cash and Cash Equivalents, Beginning	445,499	1,755,232	2,739,341	4,136,609	5,986,583
Cash and Cash Equivalents, Ending	\$ 1,755,232	\$ 2,739,341	\$ 4,136,609	\$ 5,986,583	\$ 8,087,598

The accompanying notes are an integral part of these statements.

THE CEDARS OF CHAPEL HILL CLUB, INC.
SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES
AND FORECASTED ASSUMPTIONS
FOR THE YEARS ENDING DECEMBER 31, 2026 THROUGH 2030

1. NATURE OF THE FORECASTS

These financial forecasts present, to the best of management's knowledge and belief, the expected financial position, results of operations and cash flows for the forecast periods. Accordingly, the forecasts reflect management's judgment as of April 16, 2026, the date of these forecasts, of the expected conditions and management's expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecasts. There will usually be differences between forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

The accompanying forecasted financial statements include the accounts of The Cedars of Chapel Hill Club, Inc. (Club), a non-profit corporation organized under the laws of the State of North Carolina to operate a continuing care retirement community. The Club is organized to manage the various membership functions that are included in each owner's Membership Agreement. Life Care Services LLC, specialists in managing continuing care communities, has been retained to manage the daily operations of the Club.

2. ORGANIZATION AND OPERATIONS

The Cedars of Chapel Hill Club, Inc. is a non-profit 501(c)(4) corporation organized September 10, 1999, under the laws of the State of North Carolina. The Club is engaged in the business of providing services to its resident-members (Members) in The Cedars of Chapel Hill continuing-care retirement community in Chapel Hill, NC. The Club-provided services include the operation of the clubhouse and health center in addition to skilled nursing care, home health, housekeeping, maintenance, food services and more to its Members for which it receives a monthly fee, or fees for services rendered, in the case of skilled nursing care, home health and certain other services. The Club also provides management services to The Cedars of Chapel Hill Condominium Association (Association), a related party.

The Association is made up of owners of condominiums in The Cedars of Chapel Hill continuing care retirement community, who are also Members. The Association provides for the maintenance, repair, replacement and administration of The Association's property, which the Club operates on its behalf. All common property, including the clubhouse and health center, is owned by the condominium owners, and the Board of Directors is made up entirely of condominium owners.

The Cedars of Chapel Hill, LLC (Company), another related party, was responsible for all initial development, marketing and construction activities of The Cedars of Chapel Hill continuing care retirement community. The Company, as the original sponsor of the community, continues to provide management services to the Club and the Association. The Club collects from the Members and pays to the Company an Overhead Fee equal to ten percent of operating costs of the Club and the Association.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Club is presented to assist in understanding the Club's forecasted financial statements. The forecasted financial statements and notes are representations of the Club's management who is responsible for their integrity and objectivity.

Basis of Accounting – The accompanying financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

THE CEDARS OF CHAPEL HILL CLUB, INC.
SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES
AND FORECASTED ASSUMPTIONS
FOR THE YEARS ENDING DECEMBER 31, 2026 THROUGH 2030

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Support Expenses – In lieu of a separate schedule of functional expenses, all functional expenses have been listed on the Statement of Revenues, Support Expenses and Changes in Net Assets. All functional expenses listed are considered support expenses by management.

Currency – The Club’s functional and reporting currency is the United States (US) dollar. The financial position and the results of all operations are conducted using only the US dollar.

Revenue and Cost Recognition – Revenue is primarily derived from monthly service fees charged to Members. Services are provided to Members on an ongoing basis throughout each month, and as a result, revenue is recognized monthly at the time of billing. Expenses are recognized in the period they are incurred and are internally allocated based on whether they are incurred as a part of the maintenance, repair, replacement, and administration of the Association’s property, or as a part of the operations of the Association’s property. The Club collects condominium fees on behalf of the Association and pays all expenses and charges.

Cash, Cash Equivalents and Restricted Cash - The Club considers all checking accounts and money market accounts to be cash and cash equivalents. The Club maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. Cash deposits that are restricted as to withdrawal or use in compliance with the North Carolina Department of Insurance’s Continuing Care Retirement Communities (CCRC) statute (Note 3) and internal policy are shown as restricted cash. The Club collects condominium fees on behalf of the Association and pays all expenses and charges from undesignated accounts.

Accounts Receivable – Accounts receivable primarily represent Member obligations for services provided, or insurance billings in recognition of health, wellness or home care services provided to Members, and are stated at the amount billed. Accounts receivable also includes a provision for refundable Employee Retention Credits (ERC) that the Club expects to collect from the Internal Revenue Service, and other miscellaneous receives from related parties. The Club uses the allowance method to account for uncollectible receivables. The Club estimates an allowance for doubtful accounts based on a combination of factors, including the Club’s historical loss experience, specifically with Member insurance carriers, as well as management knowledge of the current accounts receivable. Delinquent accounts are written off when deemed uncollectible.

Inventory – The Club values its inventories at the lower of cost (average cost method) or market.

Prepayments – Prepaid expenses consist of prepaid insurance, which is amortized over the periods to which it applies.

Property and equipment – Property and equipment are stated at cost, net of depreciation. Depreciation is calculated using straight line methods over the estimated useful lives of the respective assets. Expenditures for maintenance and repairs, which do not improve or extend the life of the respective

THE CEDARS OF CHAPEL HILL CLUB, INC.
SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES
AND FORECASTED ASSUMPTIONS
FOR THE YEARS ENDING DECEMBER 31, 2026 THROUGH 2030

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

assets, are charged to expense as incurred and disclosed separately on the statement of revenues and support expenses, and changes in net assets.

Income Taxes – The Club has received a determination letter from the Internal Revenue Service that it is exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code. Accordingly, there is no provision for income taxes. The Internal Revenue Service has examined the Club’s federal informational returns through 2024. The federal statute of limitations for IRS tax audits is generally three years from the date the tax return was filed or the due date, whichever is later.

4. OPERATING RESERVES AND OWNER DEPOSITS

The Club holds operating reserves and owner deposits in compliance with the North Carolina Department of Insurance’s Continuing Care Retirement Communities (CCRC) statute. The statute requires that as a facility maintaining an occupancy level in excess of ninety-percent (90%) and with approval of the Insurance Commissioner the Club shall be required to maintain operating reserves equal to twenty-five percent (25%) of the total operating costs forecasted for the twelve (12) month period following the period covered by the most recent annual statement filed with the Department of Insurance.

Depending on the year in which a condominium owner purchased and entered into a Membership Agreement with the Club, a refundable deposit of \$9,000 or \$12,000 held for operating reserves would have been required of the Member. The Club holds these deposits in a capital management account, with cumulative interest and dividends, less fees. If a Member who initially deposited \$9,000 or \$12,000 at the time of their original purchase chooses to sale their condominium, the original Operating Reserve deposit of either \$9,000 or \$12,000, will be refunded back to the Member upon sale of the condominium unit.

As of August 2023, new condominium owners who purchase a unit and enter into a Membership Agreement with the Club must pay a non-refundable amount of \$15,000 for working capital and operating reserve requirements. The Club holds these payments in a capital management account, with cumulative interest and dividends, less fees. These amounts are recognized as revenue in the year they are received, and shown on the statement of revenues, support expenses and changes in net assets, as other non-operating income.

5. NET ASSETS

The Club has undesignated net assets which are utilized for general operations.

6. BASIS OF ESTIMATION

The revenue and expense estimates have been calculated based upon expected occupancy. Service fees, second person fees and health center fees are based on the expected fill rate during the forecasted periods and have been determined based on the weighted average service fees and second person fees for the villa, veranda and cottage homes.

THE CEDARS OF CHAPEL HILL CLUB, INC.
SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES
AND FORECASTED ASSUMPTIONS
FOR THE YEARS ENDING DECEMBER 31, 2026 THROUGH 2030

6. BASIS OF ESTIMATION (CONTINUED)

Salaries and wages have been projected based on anticipated staffing needs for the Club. When employees are shared between the Club and the Association, the compensation and benefits are allocated based on the anticipated time spent on respective activities of each.

Management fees represent a prorated amount of the cost for Life Care Services, LLC, which will manage the daily operations of the Club and the Association. Maintenance, repairs and utilities have been projected based on anticipated need and usage. Food services and health center costs are based on anticipated usage of supplies and materials in delivering services. Non-operating capital replacements are estimated based on historical trends and replacement cycles.

7. ALLOCATION OF EXPENSES

As referenced in Note 2, expenses are recognized in the period they are incurred and are internally allocated based on whether they are incurred as responsibilities of the Association for its role in the maintenance, repair, replacement, and administration of the Association's property, or incurred as responsibilities of the Club for its role in the operation of the Association's property. Each year management reviews the allocations of revenue and expense between the Club and Association. Therefore, some line items may be different from previous years due to changes in allocations.

8. RELATED PARTY TRANSACTIONS

On February 1, 2025, the Association and Club amended and renewed its Management Agreement with Life Care Services LLC (LCS) to manage the retirement community. In exchange for its services, LCS receives management fees and salary and benefits reimbursement for its assigned personnel.

In accordance with the Membership Agreement signed with each Member, the Club collects fees from Members and remits to the Company (Note 2) overhead fees equal to 10% of the operating expenses of the Club and the Association. This amount is paid in return for the Company, as the sponsor of the community, retaining full responsibility for all debt related to the initial development, marketing and construction of the community.

As noted in Note 3, the Club collects condominium fees on behalf of the Association and pays all expenses on its behalf; any excess cash may be held for the benefit of the Association by the Club. As such, at various times of the year, depending on the balance of fees collected and expenses paid on its behalf, the Club may note a receivable from, or payable to, the Association.

THE CEDARS OF CHAPEL HILL CONDOMINIUM ASSOCIATION
FORECASTED FINANCIAL STATEMENTS
FOR THE YEARS ENDING DECEMBER 31, 2026 THROUGH 2030

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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To the Board of Directors and Those Charged with Governance
The Cedars of Chapel Hill Condominium Association

Management is responsible for the accompanying forecast of The Cedars of Chapel Hill Condominium Association, which comprises the forecasted statement of assets, liabilities and net assets as of December 31, 2026 through 2030, and the related forecasted statements of operations and changes in net assets, and cash flows for the years then ending, and the related summaries of significant assumptions and accounting policies in accordance with guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants (AICPA). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the forecast nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on this forecast.

The forecasted results may not be achieved, as there will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and these differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The accompanying forecast and this report were prepared pursuant to North Carolina Statute 58-64-20(a)(12) and should not be used for any other purpose.

Hawley, C.P.A., P.A.

Hawley, C.P.A., P.A.
Angier, NC
April 16, 2026

**THE CEDARS OF CHAPEL HILL CONDOMINIUM ASSOCIATION
FORECASTED STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS
FOR THE YEARS ENDING DECEMBER 31, 2026 THROUGH 2030**

SEE ACCOMPANYING SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES
AND FORECASTED ASSUMPTIONS AND INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

	2026	2027	2028	2029	2030
ASSETS					
Current Assets:					
Restricted Cash	\$ 1,725,369	\$ 2,425,369	\$ 2,825,369	\$ 3,325,369	\$ 3,825,369
Total Current Assets	1,725,369	2,425,369	2,825,369	3,325,369	3,825,369
Noncurrent Assets:					
Property and Equipment, net	7,257,680	6,785,515	6,296,605	5,790,356	5,284,107
Total Noncurrent Assets	7,257,680	6,785,515	6,296,605	5,790,356	5,284,107
Total Assets	\$ 8,983,049	\$ 9,210,884	\$ 9,121,974	\$ 9,115,725	\$ 9,109,476
LIABILITIES & NET ASSETS					
Current Liabilities:					
Due to Related Parties	3,849,389	4,092,924	4,346,361	4,606,814	4,771,319
Total Current Liabilities	3,849,389	4,092,924	4,346,361	4,606,814	4,771,319
Noncurrent Liabilities:					
Note Payable	3,480,203	3,008,038	2,519,128	2,012,879	1,506,630
Total Noncurrent Liabilities	3,480,203	3,008,038	2,519,128	2,012,879	1,506,630
Total Liabilities	7,329,592	7,100,962	6,865,489	6,619,693	6,277,949
Net Assets:					
Undesignated	(71,912)	184,553	(68,884)	(329,337)	(493,842)
Designated	1,725,369	1,925,369	2,325,369	2,825,369	3,325,369
Total Net Assets	1,653,457	2,109,922	2,256,485	2,496,032	2,831,527
Total Liabilities and Net Assets	\$ 8,983,049	\$ 9,210,884	\$ 9,121,974	\$ 9,115,725	\$ 9,109,476

The accompanying notes are integral part of these statements.

THE CEDARS OF CHAPEL HILL CONDOMINIUM ASSOCIATION
FORECASTED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEARS ENDING DECEMBER 31, 2026 THROUGH 2030

SEE ACCOMPANYING SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES
AND FORECASTED ASSUMPTIONS AND INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

	2026	2027	2028	2029	2030
Revenues:					
Residence Service Fees	\$ 8,348,555	\$ 8,640,755	\$ 8,943,181	\$ 9,256,192	\$ 9,580,159
Contributions from Related Party:					
The Cedars of Chapel Hill, LLC	137,615	142,432	147,417	152,577	157,917
Non Operating Income	-	-	100,000	100,000	100,000
Interest Income	1,140	1,140	1,140	1,140	1,140
Other	939	-	-	-	-
Total Revenues	\$ 8,488,249	\$ 8,784,327	\$ 9,191,738	\$ 9,509,909	\$ 9,839,216
Expenses:					
General and Administrative:					
Wages and Benefits	799,816	827,809	856,782	886,769	917,806
Insurance - General	394,624	406,463	418,657	431,217	444,154
Management Fees	335,115	345,168	355,523	366,189	377,175
Salaries and Benefits	245,804	253,178	260,773	268,596	276,654
Interest	-	137,040	120,869	104,124	86,785
Other	578,829	596,194	614,080	632,502	651,477
Total General and Administrative	2,354,188	2,565,852	2,626,684	2,689,397	2,754,051
Plant:					
Wages and Benefits	1,265,889	1,310,195	1,356,052	1,403,514	1,452,637
Maintenance and Repairs	1,170,711	1,205,833	1,242,008	1,279,268	1,317,646
Utilities	936,330	983,146	1,032,303	1,083,918	1,138,114
Other	224,219	230,945	237,873	245,009	252,359
Total Plant	3,597,148	3,730,119	3,868,236	4,011,709	4,160,756
Environmental Services:					
Wages and Benefits	465,367	481,655	498,513	515,961	534,020
Other	48,773	50,236	51,743	53,295	54,894
Total Environmental Services	514,140	531,891	550,256	569,256	588,914
Capital Replacements	1,500,000	1,500,000	2,000,000	2,000,000	2,000,000
Total Expenses	\$ 7,965,476	\$ 8,327,862	\$ 9,045,176	\$ 9,270,362	\$ 9,503,721
Change in Undesignated Net Assets	522,773	456,465	146,562	239,547	335,495
Transfer to Designated Net Assets	(350,000)	(200,000)	(400,000)	(500,000)	(500,000)
Undesignated Net Assets, Beginning	(244,685)	(71,912)	184,553	(68,884)	(329,337)
Undesignated Net Assets, Ending	\$ (71,912)	\$ 184,553	\$ (68,884)	\$ (329,337)	\$ (493,842)

The accompanying notes are integral part of these statements.

**THE CEDARS OF CHAPEL HILL CONDOMINIUM ASSOCIATION
FORECASTED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEARS ENDING DECEMBER 31, 2026 THROUGH 2030**

SEE ACCOMPANYING SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES
AND FORECASTED ASSUMPTIONS AND INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

	2026	2027	2028	2029	2030
Designated Net Assets, Beginning	\$ 1,375,369	\$ 1,725,369	\$ 1,925,369	\$ 2,325,369	\$ 2,825,369
Transfer from Undesignated Net Assets	<u>350,000</u>	<u>200,000</u>	<u>400,000</u>	<u>500,000</u>	<u>500,000</u>
Designated Net Assets, Ending	<u>\$ 1,725,369</u>	<u>\$ 1,925,369</u>	<u>\$ 2,325,369</u>	<u>\$ 2,825,369</u>	<u>\$ 3,325,369</u>

The accompanying notes are integral part of these statements.

**THE CEDARS OF CHAPEL HILL CONDOMINIUM ASSOCIATION
FORECASTED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDING DECEMBER 31, 2026 THROUGH 2030**

SEE ACCOMPANYING SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES
AND FORECASTED ASSUMPTIONS AND INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

	2026	2027	2028	2029	2030
Cash Flows From Operating Activities					
Change in Unrestricted Net Assets	\$ 522,773	\$ 456,465	\$ 146,562	\$ 239,547	\$ 335,495
Adjustments to reconcile net income to net cash used in operating activities:					
Depreciation and Amortization	455,994	472,165	488,910	506,249	506,249
Increase (Decrease) in Due to Related Parties	(172,773)	243,535	253,437	260,453	164,505
Net Adjustments	283,221	715,700	742,347	766,702	670,754
Net Cash Provided By Operating Activities	805,994	1,172,165	888,909	1,006,249	1,006,249
Cash Flow From Investment Activities					
Net Cash Provided by Investing Activities	-	-	-	-	-
Cash Flows From Financing Activities					
Net Change in Loan Payable	(455,994)	(472,165)	(488,910)	(506,249)	(506,249)
Net Cash Used in Financing Activities	(455,994)	(472,165)	(488,910)	(506,249)	(506,249)
Net Change in Cash	\$ 350,000	\$ 700,000	\$ 399,999	\$ 500,000	\$ 500,000
Restricted Cash, Beginning	1,375,369	1,725,369	2,425,369	2,825,369	3,325,369
Restricted Cash, Ending	\$ 1,725,369	\$ 2,425,369	\$ 2,825,369	\$ 3,325,369	\$ 3,825,369

The accompanying notes are integral part of these statements.

**THE CEDARS OF CHAPEL HILL CONDOMINIUM ASSOCIATION
SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES
AND FORECASTED ASSUMPTIONS
FOR THE YEARS ENDING DECEMBER 31, 2026 THROUGH 2030**

1. NATURE OF THE FORECASTS

These financial forecasts present, to the best of management's knowledge and belief, the expected financial position, results of operations and cash flows for the forecast periods. Accordingly, the forecasts reflect management's judgment as of April 16, 2026, the date of these forecasts, of the expected conditions and management's expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecasts. There will usually be differences between forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

The accompanying forecasted financial statements include the accounts of The Cedars of Chapel Hill Condominium Association (Association), a non-profit association organized under the laws of the State of North Carolina to operate as the governing body for all issues related to the real estate aspects of the cottage, veranda, villa and penthouse homes and common properties in The Cedars of Chapel Hill.

2. ORGANIZATION AND OPERATIONS

The Cedars of Chapel Hill Condominium Association (Association) is a non-profit association organized December 7, 2001, under the laws of the State of North Carolina. The Association is made up of owners of condominiums in The Cedars of Chapel Hill continuing care retirement community in Chapel Hill, NC. The Association provides for the maintenance, repair, replacement and administration of The Association's property. All common property, including the clubhouse and health center, is owned by the condominium owners, and the Board of Directors is made up entirely of condominium owners.

The Cedars of Chapel Hill Club, Inc. (Club), a related party, provides management services to the Association, and is engaged in the business of providing services to the condominium owners as resident-members (Members) of the Club. The Club-provided services include the operation of the Association's common property, including the clubhouse and health center, in addition to skilled nursing care, home health, housekeeping, maintenance, food services and more to its Members for which it receives a monthly fee, or fees for services rendered, in the case of skilled nursing care, home health and certain other services.

The Cedars of Chapel Hill, LLC (Company), another related party, was responsible for all initial development, marketing and construction activities of The Cedars of Chapel Hill continuing care retirement community. The Company continues to provide management services to the Club and the Association. The Club collects from Club members and pays to the Company an Overhead Fee equal to ten percent of operating costs of the Club and the Association.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Association is presented to assist in understanding the Association's forecasted financial statements. The forecasted financial statements and notes are representations of the Company's management who is responsible for their integrity and objectivity.

Basis of Accounting – The accompanying financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**THE CEDARS OF CHAPEL HILL CONDOMINIUM ASSOCIATION
SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES
AND FORECASTED ASSUMPTIONS
FOR THE YEARS ENDING DECEMBER 31, 2026 THROUGH 2030**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Currency – The Club’s functional and reporting currency is the United States (US) dollar. The financial position and the results of all operations are conducted using only the US dollar.

Revenue and Cost Recognition – Revenue is primarily derived from monthly service fees charged to condominium owners. Services are provided to condominium owners on an ongoing basis throughout each month, and as a result, revenue is recognized monthly at the time of billing. Expenses are recognized in the period they are incurred and are internally allocated based on whether they are incurred as a part of the maintenance, repair, replacement, and administration of the Association’s property, or as a part of the operations of the Association’s property. The Club collects condominium fees on behalf of the Association and pays all expenses and charges.

Cash, Cash Equivalents and Restricted Cash - The Association considers all checking accounts and money market accounts to be cash and cash equivalents. The Association maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. Cash deposits that are restricted as to withdrawal or use under the terms of the Association’s common area maintenance and replacement requirements (Note 3) are shown as restricted cash. The Club collects condominium fees on behalf of the Association and pays all expenses and charges from undesignated accounts. The Club retains any excess cash for the benefit of the Association.

Accounts Receivable – Accounts receivable represent condominium owner obligations and are stated at the amount billed to the condominium owner. The Association uses the allowance method to account for uncollectible receivables.

Property and equipment – Property and equipment, including costs incurred during the construction, renewal or renovation phases of common area property not directly associated with condominium units, are stated at cost, net of depreciation. Depreciation is calculated using straight line methods over the estimated useful lives of the respective assets. Expenditures for maintenance and repairs, which do not improve or extend the life of the respective assets, are charged to expense as incurred and disclosed separately on the statement of operations and changes in net assets

Income Taxes – The Association has been organized as a homeowners’ association under Internal Revenue Code section 528(c)(1). The Association will elect on an annual basis to be taxed as a regular corporation, or as a homeowners’ association. Any fees collected from condominium owners in excess of expenses may be deferred from taxation by an election approved by the membership.

The Association evaluates all tax positions individually without the possibility of offset or aggregation with other tax positions. At each statement of financial position date, the Association considers the related facts, the technical merits based on legislation, statute, and precedents with the assumption that it will be subject to evaluation by the appropriate taxing authority having full knowledge of all such

**THE CEDARS OF CHAPEL HILL CONDOMINIUM ASSOCIATION
SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES
AND FORECASTED ASSUMPTIONS
FOR THE YEARS ENDING DECEMBER 31, 2026 THROUGH 2030**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

information. The tax positions will be measured based on management's best judgment of the amount the taxpayer would ultimately accept in a settlement with the taxing authorities. The Association will recognize a liability (or refund receivable) in the financial statements for any unrecognized tax benefit representing potential tax obligation based on such evaluation of the tax positions. The Association will accrue interest expense at the statutory rate of interest on the difference between the tax position recognized and the tax position taken in the tax return. In addition, The Association will recognize an expense for any statutory penalties, if applicable, with regard to unrecognized tax positions. Any liability related to this assessment will not be combined with deferred tax assets or liabilities, if applicable. The Association discloses in its financial statements the nature of uncertainties and events that may change the unrecognized benefits significantly from year-to-year, if applicable, and the tax years that remain subject to examination by tax jurisdictions. At December 31, 2025 and 2024, no unrecognized tax benefits representing potential tax obligations were recorded. The federal statute of limitations for IRS tax audits is generally three years from the date the tax return was filed or the due date, whichever is later; as such, tax years subsequent to 2022 remain subject to examination by major tax jurisdictions.

4. REPLACEMENT RESERVE

The Association designates funding for future capital replacements. The Association's board of directors conducted a study in October 2017 to estimate the remaining useful lives and the replacement costs of the components of common property to assist in planning for future replacements. Currently, replacement expenses are paid from amounts on hand (held at the Club in undesignated accounts on the Association's behalf) and once exhausted, from designated funds.

5. NOTES PAYABLE

On September 10, 2021, the Association executed a loan agreement with Truist in the amount of \$5,000,000. The funds were disbursed over time, as needed for the renovation of the clubhouse. The loan provides for periodic drawdowns as the work is completed. Interest accrues on the outstanding balance at a rate equal to 3.49% per annum. The Association has an obligation of \$49,539 per month, which results in an obligation for interest and principal of \$594,468 per year. The loan matures on September 20, 2033.

6. NET ASSETS

The Association has undesignated net assets which are utilized for general operations. Designated net assets are designated by the Board of Directors to be set aside for use in funding the Replacement Reserve, as discussed in Note 4.

7. ANNUAL CONTRIBUTION FROM THE CEDARS OF CHAPEL HILL, LLC

In 2011, the Cedars of Chapel Hill, LLC (the Company), a related party, together with affiliated entities, was named in a lawsuit filed by children of former condominium owners and Club members contesting the collection of (1) membership fees when new people move into The Cedars of Chapel Hill community, and (2) the collection of annual overhead fees totaling 10% of the operating expenses of the Club and Association. In 2013, the suit was settled with a one-time payment of \$1,450,000 to the class, plus a stipulation that the Company would make an annual contribution to the

**THE CEDARS OF CHAPEL HILL CONDOMINIUM ASSOCIATION
SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES
AND FORECASTED ASSUMPTIONS
FOR THE YEARS ENDING DECEMBER 31, 2026 THROUGH 2030**

7. ANNUAL CONTRIBUTION FROM THE CEDARS OF CHAPEL HILL, LLC (CONTINUED)

Association in the amount of \$100,000 per year beginning in 2016. The annual contribution is required to increase each year by the same percentage increase in overhead fees paid to the Company by the Club and Association.

8. BASIS OF ESTIMATION

The revenue and expense estimates have been calculated based on the weighted average service fees and second person fees for the villa, veranda and cottage homes.

Salaries and wages have been projected based on anticipated staffing needs for the Association. When employees are shared between the Club and the Association, the compensation and benefits are allocated based on the anticipated time spent on respective activities of each.

Management fees represent a prorated amount of the cost for Life Care Services, LLC, which will manage the daily operations of the Club and the Association. Maintenance, repairs and utilities have been projected based on anticipated need and usage. Food services and health center costs are based on anticipated usage of supplies and materials in delivering services. Capital replacements are estimated based on historical trends and replacement cycles, while allocations to the Replacement Reserve are intended to provide funds for the future replacement of common property, as necessary.

9. ALLOCATION OF EXPENSES

As referenced in Note 3, expenses are recognized in the period they are incurred and are internally allocated based on whether they are incurred as responsibilities of the Association for its role in the maintenance, repair, replacement, and administration of the Association's property, or incurred as responsibilities of the Club for its role in the operation of the Association's property. Each year management reviews the allocations of revenue and expense between the Club and Association. Therefore, some line items may be different from previous years due to changes in allocations.

10. RELATED PARTY TRANSACTIONS

On February 1, 2025, the Association and Club amended and renewed its Management Agreement with Life Care Services LLC (LCS) to manage the retirement community. In exchange for its services, LCS receives management fees and salary and benefits reimbursement for its assigned personnel.

As noted in Note 2, the Club collects condominium fees on behalf of the Association and pays all expenses on its behalf; any excess cash may be held for the benefit of the Association by the Club. As such, at various times of the year, depending on the balance of fees collected and expenses paid on its behalf, the Association may note a receivable from, or payable to, the Club.

THE CEDARS OF CHAPEL HILL, LLC
FORECASTED FINANCIAL STATEMENTS
FOR THE YEARS ENDING DECEMBER 31, 2026 THROUGH 2030

HAWLEY, C.P.A., P.A.
Certified Public Accountant

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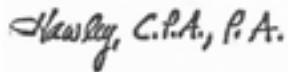
INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To the Member and Those Charged with Governance
The Cedars of Chapel Hill, LLC

Management is responsible for the accompanying forecast of The Cedars of Chapel Hill, LLC, which comprises the forecasted balance sheets as of December 31, 2026 through 2030, and the related forecasted statements of operations and changes in member's equity, and cash flows for the years then ending, and the related summaries of significant assumptions and accounting policies in accordance with guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants (AICPA). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the forecast nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on this forecast.

The forecasted results may not be achieved, as there will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and these differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The accompanying forecast and this report were prepared pursuant to North Carolina Statute 58-64-20(a)(12) and should not be used for any other purpose.



Hawley, C.P.A., P.A.
Angier, NC
April 16, 2026

THE CEDARS OF CHAPEL HILL, LLC
FORECASTED BALANCE SHEETS
FOR THE YEARS ENDING DECEMBER 31, 2026 THROUGH 2030

SEE ACCOMPANYING SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES
AND FORECASTED ASSUMPTIONS AND INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

	2026	2027	2028	2029	2030
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 651,056	\$ 630,778	\$ 688,044	\$ 629,221	\$ 560,908
Restricted Cash	-	-	-	-	-
Accounts Receivable	519,032	529,032	539,032	549,032	559,032
Total Current Assets	1,170,088	1,159,810	1,227,076	1,178,253	1,119,940
Noncurrent Assets:					
Development Costs	-	-	-	-	-
Note Receivable	600,000	600,000	600,000	600,000	600,000
Total Other Assets	600,000	600,000	600,000	600,000	600,000
Total Assets	\$ 1,770,088	\$ 1,759,810	\$ 1,827,076	\$ 1,778,253	\$ 1,719,940
LIABILITIES & MEMBER'S EQUITY					
Current Liabilities:					
Accounts Payable	\$ 74,402	\$ 79,402	\$ 84,402	\$ 89,402	\$ 94,402
Deposits in Escrow	-	-	-	-	-
Total Current Liabilities	74,402	79,402	84,402	89,402	94,402
Noncurrent Liabilities					
Preferred Future Owner Deposits	332,750	332,750	332,750	332,750	332,750
Notes Payable	-	-	-	-	-
Total Noncurrent Liabilities	332,750	332,750	332,750	332,750	332,750
Total Liabilities	407,152	412,152	417,152	422,152	427,152
Member's Equity:					
Member's Equity	1,362,936	1,347,658	1,409,924	1,356,101	1,292,788
Total Member's Equity	1,362,936	1,347,658	1,409,924	1,356,101	1,292,788
Total Liabilities and Member's Equity	\$ 1,770,088	\$ 1,759,810	\$ 1,827,076	\$ 1,778,253	\$ 1,719,940

The accompanying notes are an integral part of these statements.

THE CEDARS OF CHAPEL HILL, LLC
FORECASTED STATEMENTS OF OPERATIONS & CHANGES IN MEMBER'S EQUITY
FOR THE YEARS ENDING DECEMBER 31, 2026 THROUGH 2030

SEE ACCOMPANYING SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES
AND FORECASTED ASSUMPTIONS AND INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

	2026	2027	2028	2029	2030
Revenues:					
Membership Fees	\$ 2,666,000	\$ 2,759,310	\$ 2,855,886	\$ 2,955,842	\$ 3,059,296
Overhead Fees	2,660,374	2,753,487	2,849,860	2,949,605	3,052,841
Commissions	1,546,280	1,600,400	1,656,414	1,714,388	1,774,392
Home Sales	16,105,000	-	-	-	-
Total Revenues	22,977,654	7,113,197	7,362,159	7,619,835	7,886,529
Cost of Sales	14,846,927	250,395	259,158	268,229	277,617
Gross Profit (Loss)	8,130,727	6,862,803	7,103,001	7,351,606	7,608,912
Operating Expenses:					
Marketing Compensation	872,069	902,592	934,182	966,879	1,000,720
Direct Marketing Costs	173,600	178,808	184,173	189,698	195,389
General and Administrative	864,688	890,629	917,348	944,868	973,214
Depreciation and Amortization	-	-	-	-	-
Total Operating Expenses	1,910,358	1,972,029	2,035,703	2,101,445	2,169,322
Income (Loss) From Operations	6,220,370	4,890,774	5,067,298	5,250,161	5,439,590
Other Income (Expense):					
Interest and Other Miscellaneous	92,960	93,949	94,967	96,016	97,097
Total Other Income (Expense)	92,960	93,949	94,967	96,016	97,097
Net Income (Loss)	6,313,330	4,984,723	5,162,265	5,346,178	5,536,686
Beginning Member's Equity	1,149,606	1,362,936	1,347,658	1,409,924	1,356,101
Member Distributions	(6,100,000)	(5,000,000)	(5,100,000)	(5,400,000)	(5,600,000)
Ending Member's Equity	\$ 1,362,936	\$ 1,347,658	\$ 1,409,924	\$ 1,356,101	\$ 1,292,788

The accompanying notes are an integral part of these statements.

THE CEDARS OF CHAPEL HILL, LLC
FORECASTED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDING DECEMBER 31, 2026 THROUGH 2030

SEE ACCOMPANYING SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES
AND FORECASTED ASSUMPTIONS AND INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

	2026	2027	2028	2029	2030
Cash Flow From Operating Activities					
Net Income (Loss)	\$ 6,313,330	\$ 4,984,723	\$ 5,162,265	\$ 5,346,178	\$ 5,536,686
Adjustments to reconcile net income to net cash used in operating activities:					
Depreciation and Amortization	-	-	-	-	-
Changes in Assets and Liabilities					
(Increase) Decrease in:					
Accounts Receivable	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
Increase (Decrease) in:					
Accounts Payable	5,000	5,000	5,000	5,000	5,000
Net Adjustments	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)
Net Cash Provided by Operating Activities	6,308,330	4,979,723	5,157,265	5,341,178	5,531,686
Cash Flow From Investing Activities					
Preferred Future Owner Deposits Released	(1,610,750)	-	-	-	-
Development Costs Incurred	(8,469,039)	-	-	-	-
Development Assets Sold (Overlook)	14,605,000	-	-	-	-
Net Cash Used in Investing Activities	4,525,211	-	-	-	-
Cash Flow From Financing Activities					
Member Distributions	(6,100,000)	(5,000,000)	(5,100,000)	(5,400,000)	(5,600,000)
Notes Payable Proceeds	9,480,030	-	-	-	-
Notes Payable Repayments	(14,000,000)	-	-	-	-
Net Cash Used in Financing Activities	(10,619,970)	(5,000,000)	(5,100,000)	(5,400,000)	(5,600,000)
Net (Decrease) Increase in Cash	213,571	(20,277)	57,265	(58,822)	(68,314)
Cash at Beginning of Year	437,485	651,056	630,778	688,044	629,221
Cash at End of Year	\$ 651,056	\$ 630,778	\$ 688,044	\$ 629,221	\$ 560,908

The accompanying notes are an integral part of these statements.

THE CEDARS OF CHAPEL HILL, LLC
SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES
AND FORECASTED ASSUMPTIONS
FOR THE YEARS ENDING DECEMBER 31, 2026 THROUGH 2030

1. NATURE OF THE FORECASTS

These financial forecasts present, to the best of management's knowledge and belief, the expected financial position, results of operations and cash flows for the forecast periods. Accordingly, the forecasts reflect management's judgment as of April 16, 2026, the date of these forecasts, of the expected conditions and management's expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecasts. There will usually be differences between forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

The accompanying forecasted financial statements include the accounts of The Cedars of Chapel Hill, LLC and its wholly owned subsidiary, The Cedars of Chapel Hill Realty Company, LLC, both limited liability companies organized under the laws of the State of North Carolina to engage in the business of developing, marketing and managing a residential community and health care center in Chapel Hill, North Carolina, and marketing resale homes.

2. ORGANIZATION AND OPERATIONS

The Cedars of Chapel Hill, LLC (Company) is a limited liability company organized August 6, 1999, under the laws of the State of North Carolina. The Company is engaged in the business of managing a continuing care retirement community in Chapel Hill, NC, the resale of retirement community homes through its wholly-owned subsidiary, The Cedars of Chapel Hill Realty Company, LLC (Realty), and the future development and expansion of the community.

The Company was responsible for all initial development, marketing and construction activities. As each residence was sold, fee simple title to the residence as a condominium, along with an undivided interest in the common areas, was transferred to the purchaser. A provision in the purchase agreement provides that when the residence is resold, the new buyer will pay the Company a membership fee equal to ten percent of the purchase price of the home. In addition, if the Company sells the residence, the seller agrees to pay a real estate commission, which is currently six percent.

The Company provides management services to The Cedars of Chapel Hill Club, Inc. (the Club) and The Cedars of Chapel Hill Condominium Association (the Association). The Club is a North Carolina not-for-profit corporation created to provide services to its members (Club members). These services include the operation of the clubhouse, the DuBose Health Center and the Home Care Agency. The Club collects from Club members and pays to the Company an Overhead Fee equal to ten percent of operating costs of the Club and the Association. The Association is organized as a North Carolina Homeowner's Association. All common property, including the clubhouse and health center, is owned by the condominium owners, and the Board of Directors is made up entirely of condominium owners. The Club serves as the administrative agent for The Association. The Association provides for the maintenance, repair, replacement and administration of common property.

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THE CEDARS OF CHAPEL HILL, LLC
SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES
AND FORECASTED ASSUMPTIONS
FOR THE YEARS ENDING DECEMBER 31, 2026 THROUGH 2030

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Company is presented to assist in understanding the Company's forecasted financial statements. The forecasted financial statements and notes are representations of the Company's management who is responsible for their integrity and objectivity.

Basis of Accounting – The accompanying financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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

Currency – The Company's functional and reporting currency is the United States (US) dollar. The financial position and the results of all operations are conducted using only the US dollar.

Revenue and Cost Recognition – Revenue is primarily derived from membership fees paid by each buyer of a condominium unit, or the person designated as the member by the buyer. An overhead fee equal to 10% of the total unreimbursed Club and Association expenses is collected by the Club from its members and paid to the Company throughout the year. Additionally, at the time of a unit sale, previously deposited wait list fees are released and recognized as income, and commissions are earned on units sold directly by Realty. Costs are internally allocated based on whether they are incurred to sell a unit, further develop and market the retirement community, or manage operations.

Cash, Cash Equivalents and Restricted Cash - The Company considers all checking accounts and money market accounts to be cash and cash equivalents. The Company maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. Cash deposits that are restricted as to withdrawal or use under the terms of real estate escrow agreements are included as restricted cash (with a corresponding liability) on the accompanying forecasted balance sheets. Escrow deposits are made by purchasers at the time of signing a Resale Purchase and Sale Agreement. The deposits are refundable during a thirty (30) day rescission period. After this thirty-day period, the deposit becomes an earnest money deposit.

Accounts Receivable – Accounts receivable represent customer and affiliate obligations and are stated at the amount billed to the customer or affiliate. The company uses the allowance method to account for uncollectible receivables.

Property and equipment – Property and equipment are stated at cost, net of depreciation. Depreciation is calculated using straight line methods over the estimated useful lives of the respective assets.

Income Taxes – The Company has elected and its members have consented to be treated as a partnership for income tax purposes. The members report the Company's taxable income, losses, and other pass-through items on its income tax returns. Accordingly, no provision for income taxes has been provided. The federal statute of limitations for IRS tax audits is generally three years from the date the tax return was filed or the due date, whichever is later.

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THE CEDARS OF CHAPEL HILL, LLC
SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES
AND FORECASTED ASSUMPTIONS
FOR THE YEARS ENDING DECEMBER 31, 2026 THROUGH 2030

4. DEVELOPMENT COSTS

As a part of its original agreement with condominium buyers, the Company agreed to expand Dubose Health Center to 84 beds, when needed. The expansion officially opened in August 2019. The cost of the expansion to 78 beds was amortized on a straight-line basis over 7 years beginning April 2017. The development cost of the expansion was fully amortized during 2024.

During 2024, the Company purchased land for the construction of 10 additional units (Overlook at the Cedars). Construction of the 10 units and related sales are expected to be completed in 2026.

5. DEFERRED REVENUE

The Company offers prospective buyers the option to enter into a Preferred Future Owners Agreement and be placed on a confidential wait list, which requires a \$1,000 deposit and a \$500 non-refundable application fee. If a buyer on the Preferred Future Owners Agreement later completes the purchase of a condominium, the \$1,000 deposit is credited towards the purchase. In the early development stages of the Company, these deposits were required to be placed in escrow by the North Carolina Department of Insurance under the Continuing Care Retirement Communities (CCRC) statute. The Company is no longer required to hold these deposits in escrow. The Company recategorized these deposits in 2025 but continues to hold them as a refundable deposit.

In conjunction with the Overlook at the Cedars project (Note 4), the Company offered Preferred Future Owners the option to join a Priority List, to select a proposed residence type, and if desired, enter into a 10% deposit agreement, equal to 10% of the purchase price (excluding the cost of Membership). During 2024, the Company executed agreements with prospective buyers for the 10 units. The realization of these deposits will coincide with the completion of sales in 2026.

6. NOTES PAYABLE

On March 14, 2025, the Company entered into a secured loan agreement with Pinnacle Bank in the amount of \$14,000,000, collateralized by land, improvements and other rights, title and interests as specified in the agreement. The funds are being disbursed over time, as needed for the construction of the Overlook at the Cedars project described in Notes 4 and 5. Interest accrues on the outstanding principal balance at a rate equal to SOFR plus 2.10%. The loan matures on March 14, 2027, but the Company plans to pay the loan off early upon the completion and sale of the 10 units in 2026.

7. RELATED PARTY TRANSACTIONS

In April 2024, the Company loaned Roger Perry, manager of the Company and a partner in the company that founded the Company, \$600,000 to purchase a condominium from a third party. The loan carries an interest rate of 10%. The Company subsequently entered into an agreement to lease the condominium from Perry to use for a Marketing Office. Perry reserves the right to sell the condominium to the Company for \$600,000, and the Company may use the note to offset the purchase price of the condominium.

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THE CEDARS OF CHAPEL HILL, LLC
SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES
AND FORECASTED ASSUMPTIONS
FOR THE YEARS ENDING DECEMBER 31, 2026 THROUGH 2030

7. RELATED PARTY TRANSACTIONS (CONTINUED)

The Company recognizes overhead fees for management services rendered to the Club and Association. These are in accordance with the Membership Agreement whereby the Club collects from the Club members and pays to the Company an overhead fee equal to ten percent of operating costs of the Club and the Association.

The Company expenses management fees, which are included in General and Administrative Expenses, for services provided by Meadowmont Retirement Community, LLC, a majority owner.

8. LEASE

The Company determines if an arrangement is a lease at its inception. Operating lease right-of-use assets (ROU) and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term.

The Company leases a condominium unit to be used as a Marketing Office from a related party as discussed in Note 7. The lease expires during 2026 at which time the Company will re-evaluate its lease or purchase options. As such, a future right-of-use (ROU) asset or lease liability has not been determined or presented in the forecasted financial statements.

9. ANNUAL CONDOMINIUM CONTRIBUTION

In 2011, the Company, together with affiliated entities, was named in a lawsuit filed by children of former Club members contesting the collection of (1) membership fees when new people move into the Cedars of Chapel Hill, and (2) the annual overhead fees totaling 10% of the operating expenses of the Club and Association. In 2013, the suit was settled with a one-time payment of \$1,450,000 to the class, plus a stipulation that the Company would make an annual contribution to the Association in the amount of \$100,000 per year beginning in 2016. The annual contribution is required to increase each year by the same percentage increase in overhead fees collected by the Company. These amounts are included in General and Administrative Expenses.

10. BASIS OF ESTIMATION

The revenue and expense estimates have been calculated based upon management expertise and Company history. Membership fee and commission estimates are based on expected condominium resales and trends in the resale market. Overhead fee revenue for management services rendered to the Club and Association are based on historical averages the Company has previously recognized. Marketing compensation has been estimated based on the anticipated staffing needs of Realty. Direct marketing and other costs are based on historical averages, adjusted for inflation.

Appendix C — Actuarial Opinion

An actuarial opinion regarding the adequacy of the provider's reserves and financial projections, prepared by a qualified actuary in accordance with N.C. Gen. Stat. § 58-64A-25, is pending. The actuarial opinion will be attached as Appendix C upon completion and will form an integral part of this Disclosure Statement.

Appendix D — Representative Agreements



MEMBERSHIP AGREEMENT

THIS AGREEMENT is executed as of the ____ day of _____, 20__, by and between THE CEDARS OF CHAPEL HILL, L.L.C., a North Carolina limited liability company, whose address is 100 Cedar Club Circle, Chapel Hill, NC 27517 (hereinafter referred to as “the Company”), THE CEDARS OF CHAPEL HILL CLUB, INC. (hereinafter referred to as “the Club”) and

Whose address is _____

(hereinafter referred to as the “Member”).

THIS AGREEMENT IS PART OF PURCHASE AND SALE AGREEMENT

WHEREAS, Member has entered into a Purchase and Sale Agreement for the purchase of _____

(hereinafter referred to as “Residence”) located in The Cedars of Chapel Hill Life Plan Community (also Continuing Care Retirement Community) located in Chapel Hill, Durham County and Orange County, North Carolina; or has been designated as a Member by a Purchaser and

THIS AGREEMENT OUTLINES MEMBERSHIP RIGHTS AND SERVICES

WHEREAS, the purchase of this Residence requires that it be coupled with the rights, privileges and responsibilities of Membership in The Club at The Cedars as hereinafter more fully described, to be utilized by the Owner or by the designee approved by The Club; and

WHEREAS, this Agreement outlines the Membership rights, obligations and services derived from the Membership.



NOW, THEREFORE, the parties hereby agree as follows:

DEFINED TERMS

1. Definitions. The following terms used herein are defined as follows:
 - a. “The Cedars” shall mean and refer to The Cedars of Chapel Hill, a Life Plan Community (also Continuing Care Retirement Community) consisting of a club facility, health care facility and three types of residences which include detached cottages, veranda and villa residences, all being located upon property in Chapel Hill, Durham and Orange County, North Carolina.
 - b. “The Club” shall mean and refer to The Cedars of Chapel Hill Club, Inc., a 501(c)(4) non-profit corporation, as the entity to carry out the plan of Membership as hereinafter set forth.
 - c. “The Club Facilities” shall mean and refer to the Clubhouse, an approximately 40,000 square foot building including, but not limited to, a ballroom, kitchen, dining areas, game, craft and reading rooms, exercise areas, pool, limited offices and commercial leasable areas, and DuBose Health Center located on the site of and comprising an integral part of The Cedars.
 - d. “Company” shall mean and refer to The Cedars of Chapel Hill, LLC, a North Carolina limited liability company.
 - e. “Condominium” shall mean and refer to The Cedars of Chapel Hill Condominiums described in the Declaration of Condominium creating same.
 - f. “DuBose Health Center” shall mean and refer to the approximate 35,000 square foot building



consisting of 78 assisted living and skilled nursing beds located on the site of and comprising an integral part of The Cedars.

- g. “Member” shall mean and refer to the non-corporate party to this Agreement as hereinabove identified and shall likewise refer, in its generic context, to a person who has acquired a Membership, as hereinafter defined, and is therefore eligible for all rights of access to the Club Facilities.
- h. “Membership” shall mean and refer to that certain license or collection of rights, coupled with the corresponding responsibilities and obligations, associated with permanent residency within The Cedars which is available to persons age sixty two (62) and over who meet the various requirements set forth in this Membership Agreement.
- i. “Membership Fee” shall mean and refer to that certain fee paid by a purchaser for a Membership as more particularly described in Paragraph 3.
- j. “Monthly Payment” shall mean and refer to the payment which covers the cost of the various services provided to Members by The Club as more particularly described herein, and also includes the monthly contribution for The Cedars of Chapel Hill condominium fees.
- k. “Owner” shall mean and refer to a person, firm, corporation, partnership, association, trust or other legal entity which owns a Residence in The Cedars.
- l. “Qualified Appraisal” shall mean and refer to an appraisal conducted by a qualified appraiser agreed upon by the Company and the Owner. In



the event the Company and the Owner cannot agree upon the selection of an appraiser, each party shall designate an appraiser and the appraisers so designated shall select a third appraiser and all three appraisers shall set a value for the Residence in question. In the event there is disagreement as to value among the appraisers, the value shall be set at the greater of

(i) the original purchase price of the Residence; or (ii) the average of the three appraisals.

- m. "Residence" shall mean and refer to that certain veranda, villa or cottage in the Condominium and, when used in its generic sense, denoting any cottage, veranda or villa located within The Cedars.

**CEDARS IS A LIFE
PLAN
(CONTINUING
CARE
RETIREMENT)
COMMUNITY**

2. Statement of Background. The Cedars is a Life Plan Community (also known as Continuing Care Retirement Community) located in Chapel Hill, North Carolina, which offers the opportunity of ownership of real property in a villa, veranda or cottage Residence for use by persons age sixty (62) and older, accompanied by a Membership which allows the Member access to the Club Facilities located on-site. The Cedars is not affiliated with any religious, charitable or other non-profit organizations.

**ALL CEDARS
RESIDENTS MUST
BE MEMBERS**

3. Required Membership: Membership Fee. All Owners of Residences at The Cedars are required to purchase a non-refundable and non-transferable Membership for their use or for use by their approved designee simultaneously with the purchase of the Residence. The Residence Owner or the designee, as applicable, shall be the holder of the Membership. The Membership entitles the Member to use the Club Facilities and gives the Member the right to live in the nursing care facility when no longer capable of independent living as hereinafter more fully provided. The cost of Membership (herein referred to as the Membership Fee) is equal to ten percent (10%) of the Purchase Price of the Residence as stated in the Purchase and Sale Agreement and is payable to the Company at or prior to closing on the purchase of a Residence. The Membership Fee is

**MEMBERSHIP FEE
IS 10% OF
PURCHASE PRICE
OF RESIDENCE**



**WILL BE
ADDITIONAL
MEMBERSHIP FEE**

solely for the Member's personal participation in The Club and does not provide Membership in The Club for any Purchaser of Member's Residence except as provided in Paragraph 5 or any subsequent user of the Residence. In the event that a person who is not the original or original designated Member (including any subsequent spouse of the designated Member) wishes to reside in the Residence, they will be required to apply for Membership in The Club, and must pay an additional Membership Fee to the Company at the then current rates in accordance with Paragraph 13 (c) below. See Schedule A for the Membership Fee for this Member.

**MEMBERSHIP IS
NON-REFUNDABLE
AND NON-
TRANSFERABLE**

4. Membership Non-Refundable and Non-Transferable. The Membership is personal to the Owner or an approved designee and is non-refundable and non-transferable. In those circumstances where an Owner is the occupant of a Residence in The Cedars, the Membership will expire when that person or those persons sell or otherwise dispose of the Residence or no longer occupy the Residence. In the case of an Owner who acquires a Residence to be used by someone else, that circumstance is governed by the provisions of Paragraph 6 hereinafter.

**RESALE OF
RESIDENCE
REQUIRES
MEMBERSHIP FEE
TO BE PAID BY
BUYER**

5. Resale of Residences. Upon resale of a Residence, a Membership Fee for the Purchaser of that Residence will be assessed based on the purchase price of the Residence. The Membership Fee is separate from the purchase price of the Residence and shall be paid to the Company at closing pursuant to the terms of the purchase agreement. Any real estate commission due in connection with the resale of a Residence shall be based upon the purchase price of the Residence.

In the event the Owner gives or wills the Residence to a family member, or to anyone else, the Membership Fee to be paid to the Company shall be agreed upon between the Owner and the Company or be based on the fair market value of the Residence determined by a Qualified Appraisal when the gift or devise is made and the Residence is transferred, with the cost of the appraisal being borne solely by the transferring Member.



**WHEN MEMBER IS
NOT THE OWNER**

6. Provisions Applicable Where Member is Not the Owner.

In those circumstances where an Owner has acquired a Residence to be used by someone else, that Owner must designate the person or persons who shall use the Membership and it must be done at the time the Residence is purchased. A Membership Fee must be paid by or on behalf of the designee. The designee must meet the eligibility requirements for Membership in The Cedars, must be approved by The Club and must have complied with the provisions of Paragraph 7 hereof regarding assurances with respect to the Monthly Payment. In this instance the Membership expires when the designee ceases to use the Membership by no longer occupying the Residence or DuBose Health Center. Any subsequent users of the Residence, including the Owner, must acquire a Membership for their use prior to occupying such Residence. Since under these circumstances there is no sales price to use in establishing what the cost of the Membership would be, The Membership Fee shall be agreed upon by the Owner and the Company or the value of the Residence shall be established by determining the gross fair market value of the Residence by a Qualified Appraisal as defined herein, with the cost of any appraisals being borne solely by the transferring Member. If appraisal method is used, the Membership Fee will be assessed at 10% of the fair market value of the Residence.

This procedure regarding change of Member due to circumstances other than a sale of the Residence shall be followed with regard to each subsequent user until there is a resale of the Residence, in which event the provisions of Paragraph 5 shall apply.

If the Member is not the Owner of the Residence, the Member shall be considered jointly and severally responsible for the Monthly Payment and the Owner shall likewise be jointly and severally responsible for the Monthly Payment with the Member. In such circumstance the Owner shall execute a guaranty agreement in a form approved by The Club further evidencing this joint and several responsibility.

The provisions of this Paragraph 6 also apply to individuals who qualify for Membership and move into a Residence with an existing Member, whether through marriage or other arrangements.



**MONTHLY
PAYMENT
INCLUDES CEDARS
SERVICES AND
CONDOMINIUM
FEES**

7. Monthly Payment. All Members shall be responsible for a Monthly Payment which covers the cost of the various services provided to Members by The Club as more particularly described herein, and also includes the monthly contribution for The Cedars of Chapel Hill Condominium for the Residence owned or occupied by the Member (the “Condominium Fee”). See attached Schedule A for Monthly Fee for the current year,

**MONTHLY
PAYMENT HAS
MAXIMUM
INCREASE**

The Monthly Payment includes the Condominium Fee of the Residence owned or occupied by the Member and the costs of services and facilities provided to Members by The Club as described herein. There will be a cap on future increases in the cost of services and features provided by The Club for operating costs. With respect to services provided by The Club, the formula for determining the maximum increase permitted for that portion of the Monthly Payment will be based on the higher of: (1) the annual percentage increase of the Consumer Price Index, U.S. City Average, All Items (1967-100)(hereinafter “C.P.I.”) issued by the U.S. City Average, Labor Statistics in its monthly report entitled “The Consumer Price Index, U.S. City Average and Selected Areas,” or (2) the annual percentage increase of the Medical Care Component of the C.P.I. An additional three (3%) percent may be added to the higher of the annual percentages. The Member shall receive sixty (60) days advance notice of any Monthly Payment adjustment.

OVERHEAD FEE

The annual gross operating costs include a corporate overhead payment to the Company which will be limited to ten percent (10%) of the actual total operating and administrative costs of The Club and the Condominium.

**CONDOMINIUM
FEE**

As mentioned above, one component of the Monthly Payment is the monthly Condominium Fee due to the Condominium Association for the Residence owned or occupied by the Member. The Condominium Fee will be based on budgeted costs as shown in the annual operating budget of the Condominium formulated and adopted in accordance with the Bylaws of the Condominium Association. Each Member of the Club resides in a Residence which is a part of the Condominium. The monthly Condominium Fee will be assessed as a cost of operation based on the percentage of interest ownership in the common elements of the Condominium. The Condominium Fee is an additional charge which is a separate cost from the operation of The



Club and is made a part of the Monthly Payment as previously indicated as a convenience to the Members so that the Members will have to make only one payment.

**OPTIONAL
SERVICES
AVAILABLE FOR
ADDITIONAL COST**

The Monthly Payment encompasses payment for the services and features outlined herein which are available to all Members. Members will be required to pay additional charges for any repair and/or maintenance of “custom changes” including “non-standard” appliances as set forth in the Declaration of Condominium, and for optional services requested as provided in Sections 8 and 9 herein. The Monthly Payment will be payable on the first day of each month, in advance, and it, together with additional charges for optional services obtained during the preceding month, will be due by the tenth day of the month. The Member’s responsibility for the Monthly Payment shall commence on the closing date for purchase of the Residence.

**SERVICES
INCLUDED IN
MONTHLY
PAYMENT**

The following services and features are included in the Monthly Payment:

MEALS

a. Meals. A declining balance meal plan is available for all new Members.

HOUSEKEEPING

b. Weekly Housekeeping. Housekeeping services will include cleaning and dusting the interior of the Residence, with vacuuming, on a weekly basis.

LAUNDRY

c. Weekly Flat Laundry. The weekly flat laundry service includes sheets, pillowcases, towels, face cloths and dishcloths. The flat laundry will be washed, dried, folded and returned at the next scheduled housekeeping visit.

GROUNDS CARE

d. Grounds Care. The Club’s lawns, trees and shrubs will be maintained as well as the parking areas, walks and exercise trails.

CLUB ACTIVITIES

e. Club Activities. Activities of The Club will include social, cultural and recreational activities for those who



wish to participate. The Director of Programs will be responsible for scheduling group events and publishing newsletters. Arts, crafts and activities in The Club will be under the supervision of The Club's Director of Programs.

TRANSPORTATION

f. Transportation. Scheduled local bus and other transportation services will be provided.

SECURITY

g. Security. The Club will provide security personnel on site 24/7.

UTILITIES

h. Utilities. Utilities (except telephone) will be included in the Monthly Payment for owners of Villa and Veranda Residences. Owners of cottage homes are required to pay a separate charge for electricity and gas.

DUBOSE HEALTH CENTER

i. DuBose Health Center. The Company has 78 beds licensed by the North Carolina Department of Health and Human Services, Division of Facility Services. The skilled nursing care and assisted living facility is collectively referred to as DuBose Health Center. For a period of ninety (90) lifetime cumulative days, each Member will be entitled to receive nursing or assisted living care in a semi-private room (unless the Member makes arrangements to pay the extra charge for private accommodations which are provided on an "as-available" basis) without extra charge except as follows. During the 90-day period, the Member will continue to pay the Monthly Payment plus the cost of two (2) extra meals per day, nursing supply charges and those costs outlined in Paragraph 9 of this Agreement. If the Member needs additional care after they receive ninety (90) cumulative lifetime days of care, then the Member will pay the applicable Member rate in addition to the Monthly Payment. This amount will include meals and will be provided in semi-private accommodations (unless the Member makes arrangements to pay the extra charge for private accommodations which are provided on an "as-available" basis). Member will be charged the assisted living or skilled nursing rate depending on the level of care required as determined by the staff and Medical Director.



In the event there are two Members who occupy a Residence together and one of the Members becomes a permanent resident of DuBose Health Center and has utilized their ninety lifetime days, then the Monthly Payment for the Member continuing to occupy the Residence will be reduced to the single occupancy rate. The Member residing in DuBose Health Center will pay the applicable Member rate. If a Member, or Owner in the case of a designated Member, sells their home, the Member who is in residence at DuBose will continue to pay the Member rates.

In the unlikely event accommodations are not immediately available in DuBose Health Center, the Member agrees to relocate to another health care facility with which the Medical Director of The Cedars arranges to provide such care until accommodations at DuBose Health Center are available. The Club shall be responsible for any increased charge associated with the alternative health care accommodations.

LICENSING STANDARDS

j. Licensing Standards. The operation of DuBose Health Center of The Club shall be governed by the applicable regulations and licensing standards of the North Carolina Department of Health and Human Services (“NCDHHS”).

ABSENCE CREDIT

k. Absence Credit. Whenever a Member is absent from the Residence for fourteen (14) consecutive days or more, the Member is entitled to a per diem credit (absence credit) in an amount determined at the sole discretion of the Club.

CLUB FACILITIES REPLACEMENT RESERVE

The Monthly Payment includes an amount to be added to a Replacement Reserve to provide funds for future replacement of Club Facilities, such as new roofs, mechanical equipment and major renovations. This amount will be in addition to the budgeted items for operating costs provided for above. These funds may not be used for annual maintenance items which will be provided for in the annual operating budget.

ADDITIONAL SERVICES

8. Additional Amenities and Services. Additional amenities and services available to Members at an additional cost include additional meals, additional housekeeping, beauty parlor, barber, personal transportation and assistance-in-living services in the



Member's Residence.

**ADDITIONAL
HEALTH SERVICES**

9. Additional Health Services. Special services and supplies which may include physical therapy, pharmacy, special duty nurses, personal hygiene, personal laundry, rental of equipment, home health care and other services upon special arrangement will be available at an extra charge. These services and supplies are not included in the charges for care outlined in Section 7 above.

**HEALTH CENTER
HAS MEDICAL
DIRECTOR**

A physician will be designated as the Medical Director of The Club (herein referred to as "Medical Director") and will have oversight responsibilities for DuBose Health Center. The Medical Director will not be an employee of The Club. A Member is at liberty to engage the services of the DuBose Wellness Clinic for physician services or may use any other physician, all at the Member's expense. The Club will not be responsible for the cost of medical treatment by the Medical Director nor will the Club be responsible for the cost of medicine, drugs, prescribed therapy and similar treatments.

**MEMBER MUST BE
CAPABLE OF
INDEPENDENT
LIVING TO
REMAIN IN
RESIDENCE**

10. Duration of Member's Right to Occupy the Residence. The Member can live in the Residence for as long as the Member is capable of independent living and so long as independent living is practical. If, in the opinion of the Member's attending physician, or the Medical Director of The Club, the Member's physical or mental health requires that nursing care be given, the Member agrees to relocate to DuBose Health Center, which is licensed to provide such care, or to some other health facility of the Member's choice.

**MEMBER'S
VOLUNTARY
TERMINATION
RIGHTS**

11. Member's Termination Rights. The Member (including both of them if there are two Members) may terminate this Agreement at any time for any reason by giving the Company thirty (30) days' written notice signed by the Member (or both of them if there are two Members). The Member's obligations as provided herein shall continue until the Residence is resold, otherwise transferred or properly occupied by a successor Member and the new Member thereby assumes the obligation of the Monthly Payment. Transfer under the will of a deceased Member, other than to his/her estate, is a conveyance upon which a new Membership Fee must be paid in the event the devisee or beneficiary qualifies and elects to become a Member of The Club. In the event of death, the estate of the Member



will retain all Membership obligations provided herein until the Member's Residence is sold. As previously stated, if the Member is not also the Owner, the Owner and the Member's estate shall be jointly and severally responsible for said obligations.

**THE COMPANY
AND/OR THE CLUB
MAY TERMINATE
MEMBERSHIP FOR
CAUSE**

12. Termination Rights of the Company and/or Club.

a. The Company and/or Club shall not terminate this Agreement except for just cause. The Member agrees to be obligated to vacate and use best effort to market and sell the Residence in the event the Company and/or Club terminates this Agreement for just cause. Just cause includes, but is not limited to, the following:

**FAILURE TO PAY
CHARGES DUE**

i. except as set forth below, failure to pay to the Club any charges due hereunder;

**DETRIMENTAL
DISTURBANCES**

ii. creation by the Member of a disturbance within The Cedars which in the judgment of The Club or the Company is detrimental to the health, safety, comfort and peaceful lodging of the other Members, e.g., loud noises, harassing other residents.

**INFECTION WITH
DANGEROUS OR
CONTAGIOUS
DISEASE**

iii. the Member becomes infected with a dangerous and contagious disease or becomes mentally or emotionally disturbed, the Medical Director determines that the Member's condition is detrimental to the health, safety or welfare of other residents or the staff of The Cedars and the Member's condition cannot be cared for in DuBose Health Center within the limits of its license from the State of North Carolina; or

**MEMBER REFUSES
MEDICAL
TREATMENT**

iv. the Member refuses medical treatment which, in the opinion of the attending physician or the Medical Director, is medically required for the Member's health or the health or safety of other Members or staff.



**CEDARS POLICY
TO NOT
TERMINATE
SOLELY BY
REASON OF
INABILITY TO PAY
MONTHLY
CHARGES**

b. Because it is and shall continue to be the declared policy of The Club to endeavor to avoid termination of this Agreement solely by reason of a Member's financial inability to pay the total Monthly Payment and other charges, the Member shall be permitted to remain at The Cedars at a reduced Monthly Payment and deferral of the balance based on the Member's ability to pay for so long as: (i) they provide information to justify deferral of the usual charges; (ii) they establish the ability to secure repayment of such deferred charges; and (iii) the determination is made that the deferral of such charges can, in the sole discretion of The Club, be granted without impairing the ability of The Club to operate on a sound financial basis. The deferral of revenue to The Club will be borne by The Club until repaid.

**IF THE MEMBER
HAS FINANCIAL
DIFFICULTIES**

c. If the Member encounters financial difficulties making it impossible to pay the Monthly Payment and other charges appropriate for the Residence or for care in DuBose Health Center, then:

i. the Member may remain until any applicable Title XVIII Medicare benefits and/or third party insurance benefits received by The Club on the Member's behalf have been exhausted. The Member shall continue to have the obligation to pay the amount of the Monthly Payment and other charges which are not covered by Medicare benefits or insurance benefits.

ii. the Member shall in any case be permitted to remain at The Cedars after the date of failure to pay until such time as other arrangements can be made for the Member's care; and

**POLICY NOT
APPLICABLE IN
CASES WHERE
MEMBER MAKES
UNAPPROVED
GIFTS OR OTHER
TRANSFERS**

Notwithstanding the above, the provisions of Sections 12(b) and (c) shall be rendered inoperative and inapplicable if the Member has impaired the ability to meet the financial obligations hereunder by making unapproved gifts or other transfers.

Any charges deferred as herein contemplated will be



offset by The Club against the proceeds from the sale of the Member's Residence when such sale occurs and The Club shall have a first priority claim against said proceeds, subject only to existing first mortgage liens, if any, and subject to the lien of the Condominium for Condominium assessments. The Member agrees that the financial obligations to The Club constitute a debt which must be repaid. The Member agrees to execute a note and a deed of trust on the Residence, and any other documents required by The Club as security for the repayment of this debt. If the Member is not the Owner, then the Member shall cause the Owner to give a deed of trust on the Residence occupied by the Member. It is understood and acknowledged that the lien shall be subordinate to the lien of the Condominium for Condominium assessments and any deed of trust must expressly so provide. The note shall bear interest at the prime rate as published in the Wall Street Journal or a lower rate negotiated among the parties.

**CEDARS WILL
GIVE 30 DAYS
NOTICE AND
MEMBERS HAVE 30
DAYS TO CORRECT
PROBLEM**

d. Prior to any termination of the Agreement by The Club, The Club will give the Member notice in writing of the reasons for termination and the Member will have thirty (30) days thereafter within which the problem may be corrected. If the problem is corrected within such specified time, the Agreement shall not be then terminated. If the problem is not corrected within such time, this Agreement will be terminated and the Member must leave The Cedars. Notwithstanding such termination, however, the Member will be obligated for the Monthly Payment and other charges, whether for the Residence or for nursing care until the Residence has been sold, transferred or otherwise conveyed to a new Owner who assumes the ownership rights and obligations of the Member with respect to the Residence and the Monthly Payment.

**MEDICAL
DIRECTOR MAY
WAIVE NOTICE
PERIOD**

e. If the Medical Director determines that either the giving of notice or the lapse of time as above provided might be detrimental to the Member or other residents or staff of The Cedars, then such notice and/or waiting period, prior to termination and relocation to an appropriate hospital or other facility, shall not be required and termination of this Agreement shall be deemed to have occurred when the



Member is relocated. In such event, The Club is expressly authorized to transfer the Member to an appropriate hospital or other facility and will promptly notify the Member's representative or the Member's attending physician. However, the Member will retain all ownership rights and obligations in the Residence until it is sold, transferred or otherwise conveyed to a new Owner who assumes the rights and obligations of the Member with respect to the Residence and the Monthly Payment. If the Member is not the Owner, then the Member and the Owner shall be jointly and severally responsible for all such obligations until a new Owner and/or Member assumes all such rights and obligations of the Member with respect to the Residence and the Monthly Payment.

13. Miscellaneous Provisions with Respect to the Member's Residence.

**RESIDENCES ARE
FOR RESIDENTIAL
PURPOSES ONLY**

a. All Residences are for living purposes only and shall not be used for carrying on any business or profession, nor in any manner in violation of zoning restrictions or applicable covenants and restrictions.

**PETS ARE
PERMITTED
WITHIN CERTAIN
GUIDELINES**

b. Pets may be permitted provided the prior consent of The Club Administrator has been obtained. Pets must be on a leash at all times. Pets must be healthy, have current shots and rabies immunization, and be free of fleas and other parasites. The Member owning the pet is responsible for any costs expended by The Club for the failure of the Member to adhere to The Cedars pet policy, including, but not limited to the cost of disinfection, cleaning and fumigation. Pets are prohibited in the dining facilities. Any Member having a pet understands and agrees that the pet will be removed from the Residence in the event the pet becomes a nuisance to other Members as determined in the sole discretion of the administrator of The Club. The Club will provide the Member with fourteen (14) days written notice that the pet must be removed from the Residence.

**OCCUPANCY OF
RESIDENCES**

c. Except as hereinafter provided, no person other than a Member may occupy the Residence except with the



express written approval of The Club. In the event that another person who is not a party to this Agreement (including any subsequent spouse of the Member) is accepted for residency under this Agreement at a time subsequent to the date hereof (said acceptance to be in accordance with admission policies governing all other admissions), an additional Membership Fee and an additional Monthly Payment will be charged for this resident in accordance with Paragraph 6 above. The amount of the Membership Fee paid to the Company shall be an amount agreed upon between the Owner and the Company or be based on the then current percentage being charged and the fair market value of the Residence at the time of acceptance of this additional Member as determined by a Qualified Appraisal. The applicable Monthly Payment shall be paid for each month thereafter that this Member remains in residency in the Residence. Provided, however, if such person does not meet the requirements for residency they will not be permitted to occupy the Residence for more than thirty (30) days (except with the express written approval of The Club) and this Agreement may be terminated as provided herein if the Member continues to allow such unapproved occupancy of the Residence.

**CEDARS MAY
MODIFY UNITS TO
MEET LEGAL
REQUIREMENTS**

d. The Club or the Company may effect changes in any Residence in The Cedars at any time to meet the requirements of applicable law. The Member agrees to temporarily relocate to other facilities provided by The Club at its cost if it becomes necessary to vacate the Residence in order to make such changes.

**MEMBER MUST
OBTAIN
INSURANCE FOR
PERSONAL
PROPERTY**

e. Each Member must obtain adequate insurance for their dwelling, personal property (furniture, clothing, jewelry, etc.), and personal liability. Furnishings provided by the Member shall not interfere with the health, safety and general welfare of other Members.

**FUTURE
PURCHASER MUST
MEET CEDARS
RESIDENCY
REQUIREMENTS**

14. Resale. The Member acknowledges that the resale of a Residence in The Cedars must be made to an individual or individuals that meet The Cedars requirements for Membership or who is purchasing a Residence for or on behalf of a person (or persons) who meets The Cedars requirements for Membership. The determination



that the individual or individuals meets the requirement for Membership shall be made by the Company. The Member also acknowledges and agrees that in the event they move out of the Residence prior to its sale, the Member will be responsible for paying the Monthly Payment until the Residence is sold, transferred or otherwise conveyed to a new Owner who assumes the ownership rights and obligations of the Member with respect to the Residence and the Monthly Payment.

ASSOCIATE MEMBERSHIPS

15. Associate Memberships. The Company anticipates that there will be a large demand for membership in The Club. The Company shall have the option, at its sole discretion, to create Associate Members who are not residents of The Cedars to have secondary priority access to the Club facilities.

AMENDMENTS TO AGREEMENT

16. Amendments.

a. Except as expressly provided herein, no amendment or modification of this Agreement shall be made.

MUST BE IN WRITING

b. No Amendment of this Agreement shall be valid unless in writing executed by the Member (or both of them if there are two) and the Company or approved and made effective in the manner set forth herein. Changes in the Monthly Payment and the Membership Fee are outside the scope of the amendment process and may only be made by the Company pursuant to the terms and conditions provided herein.

MAY BE AMENDED WITH 51% VOTE OF MEMBERS AND APPROVAL BY COMPANY

c. Further, this Agreement may be amended only by written approval of not less than fifty-one percent (51%) of the Members, and the Company, provided, however, that no such amendment shall:

i. reduce the aforesaid percentage of Members which is required to consent to any such amendment; or

ii. permit the preference or priority of any Member over any other Member without the consent of



each Member.

**MEMBER HAS 30
DAYS FROM DATE
OF EXECUTION TO
RESCIND THIS
AGREEMENT**

17. Cancellation Rights.

a. This Agreement may be rescinded by the Member within thirty (30) days following the later of the execution of this Agreement by Member or the receipt of a Disclosure Statement prepared in accordance with North Carolina law, and the Member will not be required to close on the purchase of the Residence or move into the Residence before the expiration of the thirty (30) day period. If this Agreement is rescinded, all amounts deposited plus interest earned thereon will be refunded to Member within thirty (30) days of such rescission.

b. If the designated Member dies before closing on the purchase of a Residence, then this Agreement will be automatically canceled. In such event, all amounts deposited plus interest earned thereon will be refunded to Member's estate or the Member.

Furthermore, if a Member sells the Residence and does not reside in the Residence as a Member, or within DuBose Health Center, the Membership is automatically canceled.

18. Miscellaneous Legal Provisions.

a. This Agreement will be interpreted according to the laws of the State of North Carolina.

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

c. This Agreement has been executed on behalf of the Company by its duly authorized agent, and no officer, director, agent or employee of the Company shall have any personal liability hereunder to the Member under any circumstances.

**AUTOMATIC
TERMINATION OF
AGREEMENT**

**NORTH CAROLINA
LAW GOVERNS**

**INVALIDITY OF
CERTAIN
PROVISIONS**

**AGENTS OF THE
CEDARS NOT
PERSONALLY
LIABLE**



**OBLIGATIONS ARE
JOINT AND
SEVERAL**

d. When Member consists of more than one person, the rights and obligations of each are joint and several, except as the context otherwise requires.

**MAY NOT BE
ASSIGNED**

e. This Agreement is binding upon and shall inure to the benefit of the heirs, legal representatives, successors and assigns of the parties. The rights of a Member pursuant to this Agreement may not be assigned or transferred. Any attempt by Member to assign this Agreement may be deemed a default of Member, and neither the Company nor the Club shall be bound by any such assignment.

**HEALTH AND
FINANCIAL
REPRESENTATION**

f. Member's Representations. By executing this Agreement the Member represents and warrants that they are capable of independent living, free of communicable disease, and have assets and monthly income which have been represented to The Cedars in writing through a preliminary application which are sufficient under foreseeable circumstances and after provision for payment of the Member's obligations under the Agreement to meet ordinary and customary living expenses after assuming Membership and occupancy. The Member further warrants that they will continue to carry the applicable Title XVIII Medicare benefits and Medicare Supplement and/or third party insurance policies listed on the preliminary application and that all written representations made with respect to such matters are true and correct.

**MEMBER AGREES
TO EXECUTE A
POWER OF
ATTORNEY**

g. Durable Power of Attorney. Each Member agrees to execute and deliver to The Club at or before assuming residency in The Cedars a Durable Health Care Power of Attorney and a Durable General Power of Attorney ("Powers of Attorney") in compliance with North Carolina law, in a form acceptable to The Club, naming a person of Member's choice to act on Member's behalf in the capacity of attorney-in-fact in the event it shall become necessary that a third party representative act on behalf of the Member. The Powers of Attorney shall grant the power and authority to



make personal care decisions and health care decisions for the Member. The Powers of Attorney shall not be affected by physical disability or mental incompetence of the Member which renders the Member incapable of managing their own affairs. Each Member shall keep such Powers of Attorney in full force and effect throughout the term of this Agreement. The attorney-in-fact, trustee or other representative named in any such Durable Powers of Attorney shall in no event be a person employed by The Club, the Company, the Condominium or any entity engaged in the management of The Cedars.

RECEIPT OF CERTAIN DOCUMENTS

19. Acknowledgment and Receipt of Documents. The Member hereby certifies that he/she has received a copy of Condominium Documents, Management Agreements and The Cedars Disclosure Statement.

EXECUTION

20. This Agreement may be signed in multiple originals or counterparts, all of which together constitute one and the same instrument. In addition, pursuant to NCGS § 66, Article 40, the parties to this Agreement agree and consent to be bound by the use of electronic signatures and acknowledge that electronic signatures shall be treated as original signatures. This Agreement becomes effective upon the purchase of a Residence by signatories, purchase of a Residence by someone who designates the signatories as Members, or designation of signatories as Members by the current owner of a Residence.

NOTICE: Because the authority to enter into continuing care contracts granted by the North Carolina Department of Insurance is neither a guarantee of performance by the provider nor an endorsement of any continuing care contract provision, prospective residents must carefully consider the risks, benefits, and costs before signing a continuing care contract and are strongly encouraged to seek financial and legal advice before doing so.



SIGNED and SEALED BY PURCHASER in duplicate originals as of the day and year first above written.

WITNESS: **PURCHASER OR DESIGNATED MEMBER(S):**
(If more than one, each should sign.)

_____ (SEAL)

_____ (SEAL)

SIGNED and SEALED BY MANAGER in duplicate originals this _____ day of _____, 20____.

WITNESS: THE CEDARS OF CHAPEL HILL, L.L.C.
a North Carolina limited liability company

_____ By: _____
Manager

WITNESS: THE CEDARS OF CHAPEL HILL CLUB, INC.

_____ By: _____
President



SCHEDULE A

Membership Fee \$ _____

Monthly Fee for Floor plan: _____

First Person \$ _____

Second Person \$ _____

Total Monthly Payment \$ _____

Rev: 5.23.2025



PURCHASE AND SALE AGREEMENT

PURCHASER

PURCHASER: _____,

_____.
Note: If Title to the Unit is to be taken in a Trust, provide the full name of the Trust.

Whose address is _____

_____.
(hereinafter called "Purchaser")

SELLER

SELLER: _____

_____.
Note: If Title to the Unit is vested in a Trust, provide the full name of the Trust and current Trustees. If title to the Unit is vested in an Estate, provide the full name of the Estate and name of the Personal Representative.

Whose address is _____.
(hereinafter called "Seller").

THIS PURCHASE AND SALE AGREEMENT (hereinafter

"Agreement") is entered into by Purchaser and Seller this _____

day of _____, 20____.

WITNESSETH:

**THE CEDARS
INCLUDES PRIVATE
UNITS, CLUBHOUSE
AND DUBOSE
HEALTH CENTER**

The Life Plan Community (also Continuing Care Retirement Community) known as **THE CEDARS OF CHAPEL HILL**, consisting of a Clubhouse, DuBose Health Center, and three types of living units (detached cottages, villas and verandas) ("The Cedars") have been developed by The Cedars of Chapel Hill, L.L.C. (the "Company"); and

**RESIDENTIAL UNITS
ARE
CONDOMINIUMS**

All of the residential living units are condominium units (hereinafter referred to as "Units" which shall refer to villas, verandas and cottages) known as **THE CEDARS OF CHAPEL HILL** and Seller is the owner of one of said Units; and

**PURCHASE OF UNIT
REQUIRES
PAYMENT OF
MEMBERSHIP FEE**

The Club Facilities consisting of the Clubhouse, and DuBose Health Center are operated by the Cedars of Chapel Hill Club, Inc., a not-for-profit and non-proprietary corporation (hereinafter referred to as "The Club"). The purchase of a Unit requires that it be coupled with the rights, privileges and responsibilities of membership in The Club to be utilized by the Unit Owner or by a designee approved by The Club who meets the various requirements set forth in The Cedars Membership Agreement. Each Unit Owner or an approved designee must acquire Membership simultaneously with the purchase of a Unit and each Member shall execute The Cedars Membership Agreement and become eligible for permanent residency and all rights of access to the Club Facilities upon closing of the purchase.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises contained in this Agreement, Purchaser and Seller hereby covenant and agree as follows:

1. **PURCHASE/SALE:** Purchaser hereby agrees to purchase the Property hereinafter described for the purchase price hereinafter set forth and Seller agrees to sell the Property in accordance with the terms and conditions set forth herein.

**SPECIFIC UNIT TO
BE ACQUIRED**

2. **PROPERTY:** The address of the Unit which is the subject of this Agreement is:

as more fully described in the Declaration of Condominium (the "Declaration") recorded in the Offices of the Durham and Orange County Registers of Deeds, together with an undivided fractional interest in and to the common elements included in the aforesaid Condominium (herein referred to as the "Property").

**MEMBERSHIP IN
THE CLUB
INTEGRAL PART OF
PURCHASE**

3. **CEDARS MEMBERSHIP AGREEMENT:** Purchaser hereby expressly acknowledges the responsibility to enter into the Cedars Membership Agreement simultaneously with the closing under this Agreement. This Membership Agreement is subject to the approval of the Company. Purchaser further acknowledges that in the event a designee is chosen and this designee is approved by The Club, then the designee will be required to enter into the Cedars Membership Agreement.

The Membership Fee due under said Membership Agreement will be paid to the Company. It is noted that the Membership Agreement has a 30 day right of cancellation pursuant to the N. C. Department of Insurance regulations. This Contract is subject to said rescission period expiring without exercise by Purchaser and Purchaser being able to obtain approval of, and execution by, the Company of the Membership Agreement.

**PURCHASE PRICE
OF UNIT**

4. **PURCHASE PRICE OF UNIT:** The Purchase Price of the Unit is:

_____ DOLLARS

(\$ _____)

Purchase Price of Unit is payable as follows:

(a) \$ _____, upon the execution hereof by Purchaser, as an initial earnest money deposit which shall be held by the Company as Escrow Agent.

(b) \$ _____, the balance of Purchase Price due at Closing.

**NO FINANCING
CONTINGENCY**

5. **CASH PURCHASE:** This Agreement does not contain a financing contingency.

**DEVELOPER MAY
ADD ADDITIONAL
UNITS OR
EXPANSIONS**

6. **PHASED DEVELOPMENT:** The Company, or its assigns, may develop further Units and/or expand or develop additional common facilities in the future. The total number of Units for all phases shall be no greater than three hundred twenty five (325). Whether such additional phases are added, the number and architectural design of the condominiums in such phases and the order of any such expansion, shall be solely in the discretion of the Company. Reference is made to the Declaration for specific discussion of the Future Phase Property. A copy of the Declaration has been provided to Purchaser, the receipt of which is expressly acknowledged by Purchaser.

**CLOSING DATE
AND SPECIAL
WARRANTY,
TRUSTEE OR
EXECUTOR DEED
GIVEN**

7. **CLOSING DATE:** Closing of the purchase of the Property and payment of Membership Fee (hereinafter referred to as "Closing") shall

occur on or before _____, 20__ at a mutually agreed-upon location. Seller shall deliver at Closing a properly executed and acknowledged Special Warranty Deed, Trustee's Deed or Executor's Deed as appropriate.

**SELLER AND
PURCHASER
RESPONSIBLE FOR
CERTAIN CLOSING
EXPENSES**

8. **CLOSING EXPENSES:** Each party shall bear responsibility for those closing costs customary for sellers and buyers in Durham County and Orange County, North Carolina. For example, Seller shall be responsible for paying the tax stamps on the Deed as well as for preparation of the Deed. Purchaser shall be responsible for recording fees for the Deed, Purchaser's attorney's fees for closing, any Transfer fees, and for any costs associated with financing aspects of the Closing including title examination, closing and loan documentation preparation, mortgage recording fees, and the title insurance cost, if applicable.

PRORATIONS

9. **PRORATIONS:** Property taxes, the Monthly Payment and applicable assessments shall be prorated between Purchaser and Seller as of the date of Closing.

TITLE CONDITIONS

10. **CONVEYANCE OF TITLE:** The Property shall be conveyed free and clear of all encumbrances save and except:

- (a) taxes and assessments not yet due;
- (b) the recorded Declaration, By-Laws and related documents establishing THE CEDARS OF CHAPEL HILL CONDOMINIUM, and all amendments thereto (hereinafter referred to as the "Condominium");
- (c) all facts and conditions which may be shown by survey and physical examination of the Property;
- (d) any applicable zoning and/or development laws and ordinances, including those of Durham County and the City of Chapel Hill;
- (e) usual and customary utility easements.

**PURCHASER
ACCEPTS UNIT "AS
IS"**

11. **ACCEPTANCE OF UNIT:** Purchaser has inspected and accepts the Unit "as is" except as otherwise stated in this Agreement. All appliances, heating, plumbing and air conditioning systems shall be in good working order as of the date of closing.

**CEDARS MEMBER
HAS ACCESS TO
DUBOSE HEALTH
CENTER**

12. **CLUBHOUSE AND DUBOSE HEALTH CENTER:** The Cedars Clubhouse, consisting of the dining facilities, activity rooms, ballroom, library, and beauty and barber shop and DuBose Health Care Center housing seventy eight (78) beds are complete.

The Clubhouse and 78-bed DuBose Health Center are part of the Condominium and therefore are owned by the members as common elements of the Condominium. The Company may negotiate and execute management agreements for the Club and DuBose Health Center with a qualified operator. Pursuant to the terms of the Membership Agreement the Purchaser, or the designee approved for Membership by The Club, as a benefit and Membership right under the Membership will be entitled to admission to DuBose Health Center so long as their attending physician or the Medical Director determine that this type of care is needed.

**SELLER HAS OPTION
TO REPAIR DAMAGE
OR CANCEL
AGREEMENT**

13. **RISK OF LOSS:**

(a) Partial loss or damage to the Property by fire and storm or other casualties between the date hereof and closing hereunder shall not void or impair this Agreement, but all such damage by way of fire and storm or other casualty is to be the responsibility of Seller.

(b) In the event of total or substantial loss as a result of the hazards mentioned above, Seller shall have the option to repair all damage at its own cost or through insurance proceeds from the Condominium Association, or to cancel this Agreement and refund all monies paid hereunder to Purchaser.

(c) In the event of loss or damage as a result of the hazards mentioned, the time for Closing shall be extended for such time as may be reasonably required to repair the damage.

**WARRANTIES TO BE
TRANSFERRED TO
PURCHASER**

14. **WARRANTY:** At Closing, Seller shall transfer to Purchaser all of Seller's right, title and interest in and to any manufacturer's warranty furnished to Seller covering any equipment or appliance installed in the Property, and Seller makes no warranty or agreement of any kind with respect to any such equipment or appliance.

15. **MONTHLY PAYMENT:**

(a) As of the closing date, Purchaser agrees to accept responsibility for the Monthly Payment which includes the costs of condominium common expenses (the "Condominium Fee") and the costs of services (the "Service Fee") provided to Members as described in the Membership Agreement. If the Member is not the purchaser of the Unit, the Member shall be considered jointly and severally responsible for the Monthly Payment of the Purchaser shall likewise be jointly and severally responsible for the Monthly Payment with the Member. In such circumstances, the Member and the Purchaser shall execute a guaranty agreement in a form approved by The Club further evidencing this joint and several responsibility;

THE SERVICES FEE

(b) Purchaser acknowledges the continuing obligation as a Member to pay the Member's share of the costs of club services (the Services Fee) in accordance with the Cedars Membership Agreement to contribute toward the expenses of operating The Club and for services, as well as any capital purchases and debt service, if any, necessary for repair, maintenance and modification of The Club Facilities.

**PERSONAL
MODIFICATIONS
AND UPGRADES**

(c) Maintenance and repairs to "non-standard" appliances and modifications which are existing or future upgrades to The Cedars standard items, and items which are the personal property of the Purchaser, will be made at the request of Purchaser and Purchaser agrees to pay the additional cost of this maintenance and repair. This provision also applies to any increased costs for the maintenance of landscape additions to cottages.

**OPERATING FUNDS
DEPOSIT**

16. **OPERATING FUNDS DEPOSIT:** At closing, Purchaser shall be responsible for a \$15,000 non-refundable fee to The Club for Operating Funds for The Club and Condominium Association. This fee is used for the North Carolina Department of Insurance Operating Reserve Fund requirements, working capital and capital improvements.

**INSURING
PERSONAL
PROPERTY**

INSURANCE ON PERSONAL PROPERTY: Purchaser is responsible for insuring personal property (i.e. furniture, clothing, jewelry, china, silver, etc.) located in the Unit, and for carrying liability insurance for any occurrences within the Unit.

**OCCUPANCY BY
SOMEONE OTHER
THAN OWNER**

18. **OCCUPANCY:** Purchaser may purchase a Unit for use by another individual who meets The Cedars Residency requirements and who is approved by the Company and who agrees to execute The Cedars Membership Agreement and to abide by the rights, obligations and responsibilities outlined in The Cedars Membership Agreement. This individual must meet the qualifications in the Membership Agreement and shall be jointly and severally liable for the Monthly Payment and all other obligations outlined in The Cedars Membership Agreement.

**PURCHASER AND
SELLER HAVE
RIGHTS IN CASE OF
DEFAULT**

19. **DEFAULT:** If Purchaser defaults in the performance of any obligation of this Agreement, the sole remedy of Seller for such default shall be to receive and retain the earnest money deposit as liquidated damages, it being agreed that Seller's damages in the event of such default by Purchaser will be difficult to estimate precisely and that the earnest money deposit constitutes the party's best estimate of such damages and is intended as liquidated damages and not a penalty or forfeiture. In the event of a default in the performance of any of the obligations of the Seller pursuant to this Agreement, Purchaser shall be entitled to terminate this Agreement and receive a refund of the earnest money deposit or to seek to recover all damages resulting from Seller's default. Either Seller or Purchaser is hereby allowed ten (10) days to cure any default prior to termination hereof by the non-defaulting party as provided herein. In any situation where litigation is required to enforce rights hereunder, the prevailing party shall be entitled to recover its legal costs incurred from the non-prevailing party, or retain all funds paid by or on behalf of Purchaser as liquidated damages, in which event Seller shall have no further obligation to Purchaser under this Agreement.

**NOTICES SHALL BE
IN WRITING**

20. **NOTICES:** Any notice to Seller or Purchaser shall be in writing and shall be delivered to the address of the appropriate party stated above, or such other address as shall subsequently be provided by appropriate notice, with copies to the Company. Notice may be either hand delivered or deposited in the U.S. Mail. If mailed, any written notice shall be deemed received on the second calendar day following the date of mailing if addressed and mailed by certified or registered mail, postage paid, to the addressee set forth above.

**NO RIGHT OF FIRST
REFUSAL**

21. **RIGHT OF FIRST REFUSAL:** While the Declaration provides for a right of first refusal, The Cedars of Chapel Hill, LLC has agreed to not exercise this right in connection with the future sale of this Unit.

**MEMBERSHIP FEE
FOR NEW MEMBER
IN UNIT**

22. **MEMBERSHIP FEE FOR NEW RESIDENT:** In the event the Purchaser gives or wills the Unit to a family member, or to anyone else, the Membership Fee paid by or on behalf of the new Member shall be an amount agreed to between the Owner and the Company or based on the fair market value when the gift or devise is made and the property ownership is transferred and a new Member is designated. If transfer is made and there is no change in the Member(s) occupying the Unit, no Membership Fee is due. Member is defined in the Declaration of Condominium. The Purchaser acknowledges that Company has the unconditional right to approve or disapprove Club Memberships.

**UNITS MAY BE USED
AS SALES MODELS
AND/OR OFFICE**

23. **SALES OFFICE:** It is disclosed to Purchaser that the Company is entitled to use one or more of the Units as sales model and/or office. Further, as provided in the Declaration, the Company is entitled to the use of offices in the Clubhouse for administrative and sales purposes, including re-sales.

**AGREEMENT
BINDING ON HEIRS
AND SUCCESSORS
AND MAY NOT BE
ASSIGNED WITHOUT
CONSENT**

**TERMS SURVIVE
THE CLOSING**

**IF PART OF
AGREEMENT
UNENFORCEABLE,
REMAINDER NOT
AFFECTED**

**WAIVER OF POWER
OR RIGHTS MUST BE
IN WRITING**

**THIS AGREEMENT
SUPERSEDES OTHER
AGREEMENTS
CONCERNING THE
CEDARS**

24. **MISCELLANEOUS:**

(a) This Agreement is binding upon and shall inure to the benefit of the heirs, legal representatives, successors and assigns of the parties. The rights of Purchaser pursuant to this Agreement may not be assigned or transferred without the express written consent of Seller. Any attempt by Purchaser to assign this Agreement without such consent may be deemed by Seller a default by Purchaser and Seller shall not be bound by any such assignment. Notwithstanding the foregoing, in the event of an untimely death of Purchaser prior to closing, the Purchaser's obligations shall cease, the Agreement will be terminated, and all deposits returned to the Purchaser's estate. If there will be more than one Purchaser, the Agreement will continue to be binding on the surviving Purchaser.

(b) The terms of this Agreement shall survive the Closing of the transaction contemplated hereby and shall thereafter continue to bind the parties and their successors to this Agreement. This Agreement may be executed in duplicate originals.

(c) If any provision of this Agreement is held to be invalid or unenforceable, it shall not affect the validity or enforceability of any other provision hereof. All titles or captions in this Agreement are for convenience in reference and in no way define, limit or extend this Agreement.

(d) No failure of a party to exercise any power or right granted hereunder or to insist upon strict compliance with any obligation specified herein, and no practice at variance with the terms hereof, shall constitute a waiver of said power or right unless expressly authorized in writing by the affected party.

(e) This Agreement supersedes any and all understandings and agreements between the parties regarding the Property and constitutes the sole agreement between the parties regarding the Property. No oral statements or representations shall be deemed to modify this Agreement or bind either party.

**PURCHASER
ACKNOWLEDGES
RECEIPT OF
DOCUMENTS**

25. **ACKNOWLEDGEMENT OF RECEIPT:**

By execution of this Agreement Purchaser acknowledges receipt, review and approval of the form and content of the documents listed below and agrees to be bound by the terms and provisions thereof together with such amendments as are authorized herein:

Disclosure Statement
Condominium Documents
Articles of Incorporation
Declaration of Condominium
By-laws
Condominium Management Agreement
Club Management Agreement

**PURCHASER'S
RIGHT TO CANCEL**

26. **PURCHASER'S RIGHT TO CANCEL:** Purchaser shall have the absolute right to cancel this Agreement at any time by delivering written notice to Seller, with copies to the Company, during the thirty (30) calendar day period immediately following execution of this Agreement by both parties, or the later of (i) the full execution of the Membership Agreement or (ii) the delivery of the Disclosure Statement to the Purchaser (the "Cancellation Period"). Purchaser's cancellation of this Agreement during the Cancellation Period is without penalty and all payments made by the Purchaser before such cancellation shall be refunded by Seller within ten (10) days after the expiration of the Cancellation Period. Purchaser shall not be required to move into the Unit prior to the expiration of this thirty (30) day period. Notwithstanding the language of Paragraph 24 (b) and this Paragraph 26, Purchaser's Right to Cancel this Agreement shall terminate at Closing.

**BROKERAGE
COMMISSION**

27. **BROKERAGE:** Seller has an agreement for the listing and sale of the Property with The Cedars of Chapel Hill Realty Company, L.L.C. (Realty Company). Realty Company has earned its commission and the Seller agrees to pay said commission in accordance with the Listing Agreement at Closing. In the event of a default by Purchaser with resulting forfeiture of earnest money deposit as described above in Paragraph 19, Realty Company shall be entitled to one-half (1/2) of said forfeited deposit as its full compensation from Seller.

**ELECTRONIC
SIGNATURES**

28. **EXECUTION:** This Agreement may be signed in multiple originals or counterparts, all of which together constitute one and the same instrument. In addition, pursuant to NCGS § 66, Article 40, the parties to this Agreement agree and consent to be bound by the use of electronic signatures and acknowledge that electronic signatures shall be treated as original signatures.

SIGNED AND SEALED BY PURCHASER in duplicate originals as of the day and year first above written.

WITNESSES:

PURCHASER:

(IF MORE THAN ONE, EACH SHOULD SIGN)

If husband and wife, please check the way you would like to take title:

Tenancy by the Entirety

Tenants in common (each spouse owns one-half).

Joint tenants with right of survivorship (each spouse owns one-half, but in the case of death, the survivor automatically becomes the sole owner).

In individual name of _____

SIGNED AND SEALED BY SELLER in duplicate originals this ____ day of _____, _____.

WITNESSES:

SELLER:

Appendix E — Most Recent Department Examination Report

The North Carolina Department of Insurance has not conducted an examination of The Cedars of Chapel Hill Club, Inc. pursuant to Article 64A of the North Carolina General Statutes.

Appendix F — 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.