



# **Disclosure Statement**

## **The Cypress of Charlotte**

**Provider: The Cypress of Charlotte, LLC, The Cypress of Charlotte Club, Inc., The Cypress of Charlotte Homeowners Association, Inc.**

**Date of Disclosure Statement: December 31<sup>st</sup>, 2025**

**Last Date for Delivery: May 29<sup>th</sup>, 2027**

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

## Financial Snapshot: Key Ratios for The Cypress of Charlotte, LLC, The Cypress of Charlotte Club, Inc., and The Cypress of Charlotte Homeowners Association, Inc.

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

*The Cypress of Charlotte, LLC - Fiscal Year Ended 12/31/2025 (FY), with comparative historical and prospective periods*

Ratio	FY-2	FY-1	FY	FY+1	FY+2	FY+3	NC 25 <sup>th</sup> % <sup>1</sup>	NC 50 <sup>th</sup> % <sup>1</sup>	NC 75 <sup>th</sup> % <sup>1</sup>
DCOH	N/A	88	60	96	111	126	—	—	—
CUSH	N/A	5.04x	.32x	.25x	.29x	.34x	—	—	—
OR	N/A	42.0	35.9	31.6	31.6	28.3	—	—	—
NOM	N/A	19.9%	32.7%	41.5%	44.1%	46.5%	—	—	—
NOM-A	N/A	N/A	N/A	N/A	N/A	N/A	—	—	—
DSCR	N/A	3.23	4.41	2.53	2.72	2.90	—	—	—
CD	N/A	.04	.02	.04	.05	.06	—	—	—
CED	N/A	N/A	N/A	N/A	N/A	N/A	—	—	—

*The Cypress of Charlotte Club, Inc. and The Cypress of Charlotte Homeowners Association, Inc. - Fiscal Year Ended 12/31/2025 (FY), with combined comparative historical and prospective periods based on combined financial statements*

Ratio	FY-2	FY-1	FY	FY+1	FY+2	FY+3	NC 25 <sup>th</sup> % <sup>2</sup>	NC 50 <sup>th</sup> % <sup>1</sup>	NC 75 <sup>th</sup> % <sup>1</sup>
DCOH	77	68	104	67	68	69	—	—	—
CUSH	7.19x	6.91x	10.15x	6.31x	6.79x	7.62x	—	—	—
OR	96.6%	92.6%	91.0%	100.6%	100.6%	100.9%	—	—	—
NOM	.8	4.6	6.3	3.9	3.9	3.6	—	—	—
NOM-A	N/A	N/A	N/A	N/A	N/A	N/A	—	—	—
DSCR	2.01x	3.57x	4.49x	3.55x	3.67x	3.62x	—	—	—
CD	.72x	.72x	1.27x	.95x	.95x	1.30x	—	—	—
CED	.86x	1.00x	1.30x	1.20x	1.00x	1.50x	—	—	—

### 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.

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

<sup>2</sup> **NC Provider Quartiles.** Values will be compiled annually by the North Carolina Department of Insurance, stratified by community model (Entrance Fee, Rental, Equity), and are expected to be available in late 2026.

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

**Profitability Ratios:**

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

**Capital Structure Ratios:**

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

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

## Table of Contents

Disclosure Statement.....	1
Financial Snapshot: Key Ratios for The Cypress of Charlotte, LLC, The Cypress of Charlotte Club, Inc., and The Cypress of Charlotte Homeowners Association, Inc. ....	2
1. Provider Identification.....	6
2. Organizational Structure .....	7
3. Key Persons and Management Personnel.....	11
4. Governing Body and Oversight.....	20
5. Related Parties .....	23
6. Relationships with Religious, Charitable, or Other Organizations .....	24
7. Other Persons Responsible for Obligations .....	24
8. Obligated Groups .....	24
9. Debt Covenants and Compliance.....	24
10. Third-Party Management Arrangements .....	24
11. Real Property Leases .....	25
12. Endowment Funds.....	25
13. Description and Location of the Community .....	25
14. Living Units by Level of Care .....	25
15. Continuing Care at Home Program .....	25
16. Resident Population Served .....	26
17. Occupancy Rates .....	26
18. Semiannual Resident Meetings .....	27
19. Resident Property Rights .....	27
20. Services Provided Under the Contract .....	28
21. Resident Fees.....	30
22. Refundable Entrance Fee Obligations.....	32
23. Financial Hardship Policies .....	32
24. Contract Cancellation and Refund Policies .....	33
25. Re-occupancy of Units.....	33
26. Resident Relocation.....	34

27. Admission and Continuation Standards .....	34
28. Age and Insurance Requirements .....	35
29. Reserve Funding and Refund Security .....	36
30. Expansion and Renovation Plans .....	38
31. Audit Opinion and Timeliness .....	38
32. Audited Financial Statements .....	38
33. Five-Year Prospective Financial Statements .....	39
34. Variances from Prospective Financial Statements .....	39
35. Key Financial Metrics .....	40
36. Actuarial Opinion and Balance .....	43
37. Most Recent Department Examination Report.....	44
38. Other Material Information .....	44
39. Contract Forms and Attachments.....	44
Appendix A – Audited Financial Statements .....	47
Appendix B – Five-Year Prospective Financial Statements.....	48
Appendix C – Statement of Actuarial Opinion.....	49
Appendix D – Representative Contract(s).....	50
Appendix E – Examination Report .....	51
Appendix F – Statutory Ratio and Supporting Definitions .....	52

# 1. Provider Identification

## Legal Responsibility for Continuing Care

The Cypress of Charlotte, LLC and The Cypress of Charlotte Club, Inc. are the entities that enter into continuing care contracts with members and are 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.

## Doing Business As (DBA)

The Cypress of Charlotte, LLC conducts business under the name The Cypress of Charlotte and The Cypress of Charlotte Club, Inc. conducts business under the name The Stewart Health Center. The name The Cypress of Charlotte and the name The Stewart Health Center are trade names only and do not represent separate legal entities. The Cypress of Charlotte, LLC and The Cypress of Charlotte Club, Inc. both remain legally responsible for providing continuing care and performing all obligations under continuing care contracts.

Item	Information
<b>Legal Provider Name:</b>	The Cypress of Charlotte, LLC The Cypress of Charlotte Club, Inc. The Cypress of Charlotte Homeowners Association, Inc.
<b>Doing Business As (DBA):</b>	<b>The Cypress of Charlotte, LLC</b> d/b/a The Cypress of Charlotte <b>The Cypress of Charlotte Club, Inc.</b> d/b/a The Stewart Health Center <b>The Cypress of Charlotte Homeowners Association, Inc.</b> d/b/a The Association
<b>Business Address:</b>	<b>The Cypress of Charlotte, LLC, The Cypress of Charlotte Club, Inc., and The Cypress of Charlotte Homeowners Association, Inc.:</b> 3442 Cypress Club Dr. Charlotte, NC 28210
<b>Telephone Number:</b>	(704) 714-5500
<b>Legal Entity Type:</b>	<b>The Cypress of Charlotte, LLC:</b> Limited Liability Company organized under the laws of South Carolina <b>The Cypress of Charlotte Club, Inc.:</b> Nonprofit corporation organized under the laws of North Carolina

Item	Information
	<b>The Cypress of Charlotte Homeowners Association, Inc.:</b> Corporation is organized under the laws of North Carolina
<b>For-Profit / Nonprofit Status:</b>	<b>The Cypress of Charlotte, LLC:</b> For-Profit <b>The Cypress of Charlotte Club, Inc.:</b> Nonprofit <b>The Cypress of Charlotte Homeowners Association, Inc.:</b> For-Profit
<b>Federal Tax Status:</b>	<b>The Cypress of Charlotte, LLC:</b> Limited Liability Company <b>The Cypress of Charlotte Club, Inc.:</b> Tax-exempt under Section 501(c)(4) of the Internal Revenue Code <b>The Cypress of Charlotte Homeowners Association, Inc.:</b> C-Corporation
<b>Ownership Type:</b>	<b>The Cypress of Charlotte, LLC:</b> Privately owned and controlled LLC <b>The Cypress of Charlotte Club, Inc.:</b> Privately owned and controlled nonprofit organization <b>The Cypress of Charlotte Homeowners Association, Inc.:</b> Privately owned and controlled Corporation
<b>Tax Filing Status:</b>	Current on all required federal and state tax filings
<b>Ownership / Control:</b>	<b>The Cypress of Charlotte, LLC</b> is a Limited Liability Company organized under the laws of South Carolina. <b>The Cypress of Charlotte Club, Inc.</b> is a nonprofit corporation, a North Carolina nonprofit corporation. <b>The Cypress of Charlotte Homeowners Association, Inc.</b> is a for-profit corporation organized under the laws of North Carolina.

## 2. Organizational Structure

### 2.1. Multi-Entity Organization Status

The Cypress of Charlotte is not part of a multi-entity organization and is made up of three separate and distinct legal entities (The Cypress of Charlotte, LLC, The Cypress of

Charlotte Club, Inc., and The Cypress of Charlotte Homeowners Association, Inc.), each with their own powers and responsibilities. These legal entities do not have any common ownership. The Cypress of Charlotte, LLC is the entity that planned The Cypress of Charlotte, designed it, built it, sells the various cottages and villas, and enters into a continuing care contract with each of The Cypress of Charlotte's perspective Members. The Cypress of Charlotte, LLC has overall management responsibility for The Cypress of Charlotte Club, Inc. In its role as management agent, its primary duties involve the review and approval of capital expenditures, review and approval of operating budgets, and the monitoring of The Cypress of Charlotte's financial condition. Operational policies for The Cypress of Charlotte and criteria for admissions are subject to approval and periodic review. The management agent also adopts and approves personnel policies for The Cypress of Charlotte's employees, annually reviews the insurance coverage on The Cypress of Charlotte's property and personnel, and contracts for and supervises the provision of legal and accounting services to The Cypress of Charlotte. It also monitors compliance with the budget and the performance of The Cypress of Charlotte and its management. These activities are carried out by means of reports, studies, and on-site inspections.

Since the continuing care community, The Cypress of Charlotte, offers condominium ownership of a cottage or villa, The Cypress of Charlotte Homeowners Association, Inc. was created to comply with North Carolina law regarding the ownership of commonly owned property. There shall be one membership for each cottage or villa owned. If cottage or villa ownership is vested in more than one person, then all of the persons owning such cottage or villa shall designate one of the co-owners to act as a member of The Cypress of Charlotte Homeowners Association, Inc. An owner's membership in The Cypress of Charlotte Homeowners Association, Inc. will automatically cancel when ownership of the cottage or villa ceases. Upon conveying or transferring ownership interest in a cottage or villa to a new owner, the new cottage or villa owner shall simultaneously succeed the former owner's membership in The Cypress of Charlotte Homeowners Association, Inc. The membership will own all the common property of The Cypress of Charlotte, the continuing care community, including the clubhouse and health center, with The Cypress of Charlotte Homeowners Association, Inc. serving as the governing body for all issues related to the real estate aspects of the cottages and common properties. The Cypress of Charlotte Homeowners Association, Inc. provides for the maintenance, repair, replacement, administration, and operation of the continuing care community The Cypress of Charlotte's property. All activities undertaken by The Cypress of Charlotte Homeowners Association, Inc. shall be for the sole benefit of the cottage and villa owners, and all funds received by The Cypress of Charlotte Homeowners Association, Inc. shall be used for the benefit of all cottage and villa owners. The Cypress of Charlotte Club, Inc. shall serve as the administrative vehicle for The Cypress of Charlotte Homeowners Association, Inc.

The Cypress of Charlotte Club, Inc., was organized to manage the various membership functions of the continuing care community which are included in each Member's Continuing care contract. The financial and contractual obligations of the facility are the responsibility of The Cypress of Charlotte, LLC, and The Cypress of Charlotte Club, Inc. The

Cypress of Charlotte Club, Inc. was created to serve as the membership entity to carry out and perpetuate The Cypress of Charlotte continuing care contract as described in this Disclosure Statement. The Cypress of Charlotte Club, Inc. manages the commonly owned property of The Cypress, including the clubhouse and health center, as well as the services provided by the clubhouse and health center. All monthly payments paid by Members, all other operating receipts, and all disbursements go through this not-for-profit corporate entity.

The Cypress Group, LLC, has a controlling interest in The Cypress of Charlotte, LLC. The Cypress Group, LLC is wholly owned by Cypress CLT GP Investor LLC, a Delaware limited liability company.

## 2.2. Consolidation of Financial Statements

Audited financial statements for The Cypress of Charlotte, LLC are prepared on an individual basis and not consolidated with any other entity.

Audited financial statements are prepared on an individual and consolidated basis for The Cypress of Charlotte Club, Inc., and The Cypress of Charlotte Homeowners Association, Inc.

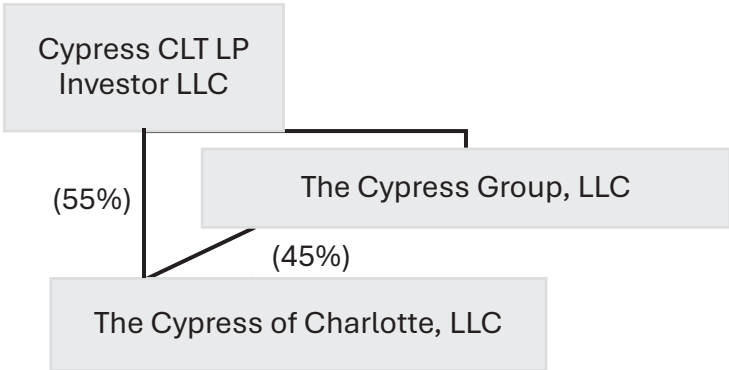
## 2.3. Controlling Person

Entity	Item	Controlling Person Information
<b>The Cypress of Charlotte, LLC</b>	<b>Name:</b>	The Cypress Group, LLC (the "Managing Member")
	<b>Business Address:</b>	20 Lady Slipper Lane, Hilton Head Island, South Carolina 29926. The Managing Member's principals and operating officers are Chris Bird, Daniel Lahey, and Michael Andreasen. The business offices of these officers are located at 400 Locust Street, Suite 820, Des Moines, Iowa 50309.
	<b>Telephone Number:</b>	515-875-4500
<b>The Cypress of Charlotte Club, Inc.</b>	<b>Name:</b>	Board of Directors
	<b>Business Address:</b>	3442 Cypress Club Drive, Charlotte, North Carolina, 28210
	<b>Telephone Number:</b>	N/A

Entity	Item	Controlling Person Information
The Cypress of Charlotte Homeowners Association, Inc.	Name:	Board of Directors
	Business Address:	3442 Cypress Club Drive, Charlotte, North Carolina, 28210
	Telephone Number:	N/A

**2.4. Company Structure Chart**

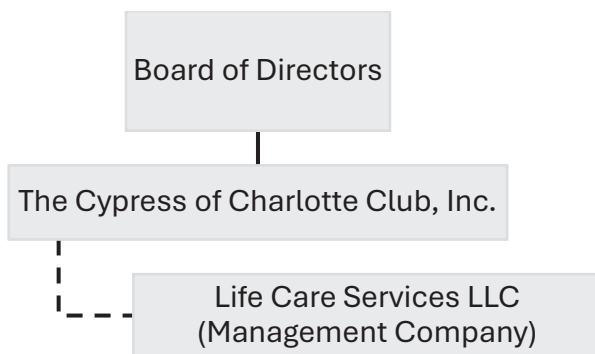
**The Cypress of Charlotte, LLC:**



**Accessible Text Equivalent:**

- **The Cypress of Charlotte, LLC** – provider of continuing care contracts; operator of The Cypress of Charlotte (Charlotte, NC). Jointly owned by Cypress CLT LP Investor LLC (55%) and The Cypress Group, LLC (45%).
- **The Cypress Group, LLC** – the managing member of the Cypress of Charlotte, LLC. The Cypress Group, LLC is a wholly owned subsidiary of Cypress CLT LP Investor LLC.
- **Cypress CLT LP Investor LLC** – the 100% owner of The Cypress Group, LLC and the 55% owner of The Cypress of Charlotte, LLC. It is not involved in operations of the continuing care community, The Cypress of Charlotte.

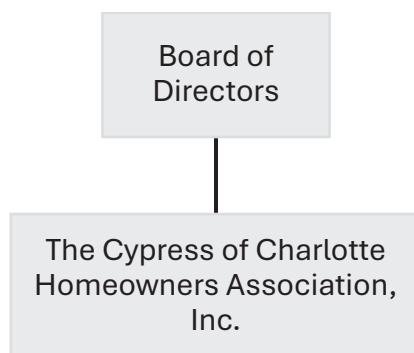
**The Cypress of Charlotte Club, Inc:**



**Accessible Text Equivalent:**

- **The Cypress of Charlotte Club, Inc.** – a 501(c)(4) not-for-profit mutual benefit company for all The Cypress of Charlotte members, providing skilled nursing, home health, and therapy services.
- **Life Care Services LLC** – the management services provider engaged through a management agreement. It does not own any portion of the continuing care community, The Cypress of Charlotte.

**The Cypress of Charlotte Homeowners Association, Inc:**



**Accessible Text Equivalent:**

- **The Cypress of Charlotte Homeowners Association, Inc.** – a condominium association governed by the NC Condominium Act representing The Cypress of Charlotte members. It provides certain management services to The Cypress of Charlotte Club, Inc.

### **3. Key Persons and Management Personnel**

**Definitions (for purposes of this Section):**

- **Outside Interests:** Any professional service firm, association, trust, partnership, or corporation in which the individual has, or which has in the individual, a ten percent (10%) or greater interest and that currently provides, or is expected to provide, goods, leases, or services to the provider of an aggregate value of \$5,000 or more. If none, the provider discloses “None.”

- **Adverse Disclosures:** Any conviction of or plea of nolo contendere to a felony charge; any final judgment in a civil action for fraud, embezzlement, fraudulent conversion, or misappropriation of property; any currently effective injunctive or restrictive court order; or any suspension or revocation within the past five years of a state or federal license or permit as a result of governmental action. If none, the provider discloses “None.”

### 3.1. Senior Officers of The Cypress of Charlotte, LLC

Name / Role	Education	Experience	Length of Service
<b>Chris Bird – President and CEO</b>	B.A. in History, University of Memphis	25+ years in senior living operations, marketing, new business development, and capital partner relations; leadership of Life Plan and Rental Communities nationwide; CEO of LCS since 2025 with oversight of ~40,000 seniors and 27,000 employee	1.5 years, (since 12/3/2024)
<b>Daniel L. Lahey – Executive Vice President</b>	B.A. in Accounting and Finance, Wartburg College	Industry leader in senior living finance and real estate; oversees corporate finance, investments, capital markets, and asset management; led real estate transactions exceeding \$2.6B since 2018; prior 9 years in public accounting	1.5 years, (since 12/3/2024)
<b>GeLynna Shaw – Executive Vice President</b>	B.S. in Business (Accounting), Tennessee Technological University; Certified Public Accountant (CPA)	28 years in senior living operations; expertise in finance, M&A, and operational effectiveness; oversees community operations including sales, health and wellness, dining, and resident engagement; key leader in performance improvement and acquisitions	1.5 years, (since 12/3/2024)

Name / Role	Education	Experience	Length of Service
<b>Bridgette C. Uhlemann – Senior Vice President and Secretary</b>	B.A. in English and Law, Politics and Society, Drake University; J.D., Drake University Law School	Chief Legal Counsel overseeing corporate governance, regulatory compliance, contracts, and public policy; leads legal and compliance teams; board service with Alzheimer’s Association (Iowa Chapter) and other organizations	1.5 years, (since 12/3/2024)
<b>Jason Victor – Senior Vice President and Treasurer</b>	B.S. in Accounting, University of Northern Iowa Cedar Falls	Oversees corporate finance, accounting, payroll, treasury, tax, financial reporting, and risk management; member of LCS Audit Committee; provides leadership for insurance and captive risk programs	1.5 years, (since 12/3/2024)

**Business Address:** 400 Locust Street, Suite 820, Des Moines, Iowa 50309

**Disclosure:** Neither officer has reported any Outside Interests or Adverse Disclosures.

**3.2. Senior Officers of The Cypress of Charlotte Club, Inc.**

There are no senior officers of the Cypress of Charlotte Club, Inc. See information below in Section 3.6 for board of directors for the Cypress of Charlotte Club, Inc.

**3.3. Senior Officers of The Cypress of Charlotte Homeowners Association, Inc.**

Name / Role	Education	Experience	Length of Service
<b>Michael Andreasen – President</b>	Master’s in business administration, University of Iowa	With more than 25 years of financial planning and analysis experience with large companies, including Sprint and John Deere, Michael has lead teams with responsibility for multiple areas including financial planning and analysis, corporate reporting and strategic planning, procurement, tax, and treasury	1.5 years, (since 12/3/2024)

<b>Name / Role</b>	<b>Education</b>	<b>Experience</b>	<b>Length of Service</b>
<b>William Schimming – Chair</b>	MSCHE, University of Akron, BSCHE, Case Institute of Technology	44+ years of environmental engineering and environmental affairs	2 years (since October 2023)

**Business Address:** 3442 Cypress Club Drive, Charlotte, North Carolina, 28210

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

### **3.4. Community Management – The Cypress of Charlotte, LLC**

<b>Name / Role</b>	<b>Education</b>	<b>Experience</b>	<b>Length of Service</b>
<b>Martin Jensen – Executive Director</b>	B.S. Biology, Furman University; Licensed Nursing Home Administrator (since 1996); Licensed NHA & Assisted Living Administrator in NC (since 2004)	29 years in senior care administration; with Life Care Services LLC since 2011; joined The Cypress of Charlotte in 2020	5 years 8 months (since 08/2020); employed by Life Care Services LLC under a management agreement
<b>Caitlin Mylly – Administrator, Stewart Health Center</b>	B.A. Business Administration, Minor in Gerontology, Univ. of Wisconsin–Eau Claire; Licensed Nursing Home Administrator	Completed 2 years of AIT programs in IA & NC; 4 years senior living caregiving experience	1 year 10 months (since 06/03/2024), employed by Life Care Services LLC under a management agreement
<b>Terry Payne – Director of Finance</b>	BS in Accounting and Business Administration, Bellarmine University, MSM, Brescia University	Held senior leadership positions in small and large organizations over 40 years, for profit and non-profit, including CEO, CFO, VP, Owner, and Director	3 years 6 months, (since July 2022)

**Business Address:** 20 Lady Slipper Lane, Hilton Head Island, South Carolina, 29926

**Disclosure:** The Executive Director and Administrator have reported no Outside Interests or Adverse Disclosures.

### **3.5. Boards of Directors – The Cypress of Charlotte, LLC**

As a limited liability company, The Cypress of Charlotte, LLC is not governed by a Board of Directors. It is governed by its managing member, The Cypress Group, LLC. See information below in Section 3.8 for officers and managers of The Cypress Group, LLC.

### **3.6. Board of Directors – The Cypress of Charlotte Club, Inc.**

<b>Name / Role</b>	<b>Education</b>	<b>Experience</b>	<b>Length of Service</b>
<b>Michael Andreasen – Board Member</b>	Master’s in business administration, University of Iowa	With more than 25 years of financial planning and analysis experience with large companies, including Sprint and John Deere, Michael has lead teams with responsibility for multiple areas including financial planning and analysis, corporate reporting and strategic planning, procurement, tax, and treasury	1.5 years, (since 12/3/2024)
<b>Catherine Jenkins – Board Member</b>	Master’s in business administration, Wake Forest University, B.A. Psychology, University of North Carolina	30 years with Life Care Services, serving as an Administrator, then Executive Director, and now Director of Asset Management for The Cypress of Charlotte	1.5 years, (since 12/3/2024)
<b>Dr. Robert Higgins – Board Member</b>	MD, East Carolina School of Medicine,	45 years as an MD	10 years 6 months (since June 2014)

Name / Role	Education	Experience	Length of Service
	B.S. Biology, UNC-Chapel Hill		
<b>Mike Harrison – Board Member</b>	BS Biology, Guilford College	Captain USMC Vietnam combat veteran. 27yrs Special Agent FBI, 7yrs Director of Leadership Programs Belmont Abbey College, 2yrs Corporate Investigations for Freight Liner Inc. Owner of The Tryon Group , corporate investigations	10 years 6 months (since June 2014)
<b>Sarah R. Lucente – Board Member</b>	JD, Elon University School of Law. BA, Political Science and Criminal Justice	15 years in residential and commercial real estate law. Primarily handle residential and commercial real estate closings, title work and assisting small closely held businesses with their real estate matters	Less than year (2026 is first year serving as a board member)

**Business Address:** 3442 Cypress Club Drive, Charlotte, North Carolina, 28210

**Disclosure:** None of the directors of The Cypress of Charlotte Club, Inc. have reported any Outside Interests or Adverse Disclosures.

**3.7. Board of Directors – The Cypress of Charlotte Homeowners Association, Inc.**

Name / Role	Education	Experience	Length of Service
<b>Quinton Friesen - Director</b>	MHA, University of Minnesota, BA Business	40+ years of senior leadership in healthcare	2 years, 2 months (since October 2023)

Name / Role	Education	Experience	Length of Service
	Administration, Tabor College		
<b>Mary Crane - Director</b>	MSN, University of Tennessee, BS Nursing, Georgetown University	Nursing in Kidney Dialysis and Nursing Education	1 year, 2 months (since October 2024)
<b>Sue McElwain - Director</b>	BA Experimental Psychology & Statistics, Connecticut College for Women	10 years in Ergonomics and Aerospace Research	2 years, 2 months (since October 2023)
<b>Larry Taggart - Director</b>	MBA, University of Chicago, BS, Electrical Engineering, MIT	25+ years in manufacturing management and 22 years as a business owner	2 years, 2 months (since October 2023)
<b>Jack Thomas – Director</b>	PMD, Harvard Business School, BS, Electrical Engineering, West Virginia University	40+ years in telecommunications management. Retired as Chairman and CEO of Fairpoint Communications, Inc.	1 year, 2 months (since October 2024)
<b>Pat Schaffer – Director</b>	AB, Political Science, Duke University	40 years managing a law practice	3 years, 2 months (since October 2022)

**Business Address:** 3442 Cypress Club Drive, Charlotte, North Carolina, 28210

**Disclosure:** None of the directors of The Cypress of Charlotte Homeowners Association, Inc. have reported any Outside Interests or Adverse Disclosures.

### 3.8. Board of Directors – The Cypress Group, LLC (The managing member of The Cypress of Charlotte, LLC)

As a limited liability company, The Cypress Group, LLC, is governed by a board of managers and not a board of directors.

Name / Role	Education	Experience	Length of Service
<b>Chris Bird – President, CEO, and Manager</b>	B.A. in History, University of Memphis	25+ years in senior living operations, marketing, new business development, and capital partner relations; leadership of Life Plan and Rental Communities nationwide; CEO of LCS since 2018 with oversight of ~40,000 seniors and 27,000 employee	1.5 years, (since 12/3/2024)
<b>Daniel L. Lahey – Executive Vice President, Treasurer, and Manager</b>	B.A. in Accounting and Finance, Wartburg College	Industry leader in senior living finance and real estate; oversees corporate finance, investments, capital markets, and asset management; led real estate transactions exceeding \$2.6B since 2018; prior 9 years in public accounting	1.5 years, (since 12/3/2024)
<b>Michael Andreasen – Senior Vice President and Secretary</b>	Masters in business administration, University of Iowa.	With more than 25 years of financial planning and analysis experience with large companies, including Sprint and John Deere, Michael has lead teams with responsibility for multiple areas including financial planning and analysis, corporate reporting and strategic planning, procurement, tax, and treasury	1.5 years, (since 12/3/2024)
<b>GeLynna Shaw – Manager</b>	B.S. in Business (Accounting), Tennessee Technological University;	28 years in senior living operations; expertise in finance, M&A, and operational effectiveness; oversees community operations including sales, health and wellness, dining, and resident engagement; key	1.5 years, (since 12/3/2024)

Name / Role	Education	Experience	Length of Service
	Certified Public Accountant (CPA)	leader in performance improvement and acquisitions	
<b>Bridgette C. Uhlemann – Manager</b>	B.A. in English and Law, Politics and Society, Drake University; J.D., Drake University Law School	Chief Legal Counsel overseeing corporate governance, regulatory compliance, contracts, and public policy; leads legal and compliance teams; board service with Alzheimer’s Association (Iowa Chapter) and other organizations	1.5 years, (since 12/3/2024)
<b>Jason Victor – Manager</b>	B.S. in Accounting, University of Northern Iowa Cedar Falls	Oversees corporate finance, accounting, payroll, treasury, tax, financial reporting, and risk management; member of LCS Audit Committee; provides leadership for insurance and captive risk programs	1.5 years, (since 12/3/2024)

**Business Address:** 400 Locust Street, Suite 820, Des Moines, Iowa 50309

**Disclosure:** Neither officer has reported any Outside Interests or Adverse Disclosures.

**The Cypress of Charlotte Club, Inc. and The Cypress of Charlotte Homeowners Association, Inc.:** There are no parent entities for The Cypress of Charlotte Club, Inc. or The Cypress of Charlotte Homeowners Association, Inc. They are governed by a board of directors. None of these individuals are owners of The Cypress of Charlotte Club, Inc. or The Cypress of Charlotte Homeowners Association, Inc.

**3.9. Management Entity – Life Care Services LLC d/b/a LCS**

- **Nature of Role:** The Cypress of Charlotte Club, Inc. has retained Life Care Services LLC (“LCS”) to manage the Community. As the nation’s third largest operator of senior living communities, LCS serves more than 40,000 seniors in 140+ communities. With over 50 years of service, LCS has developed expertise in nearly

every facet of senior living management. For more information, visit LCS' website: <https://www.lcsliving.com/lcs/senior-living-operations/>

- **Business Address:** 400 Locust St, Suite 820, Des Moines IA 50309
- **Key Officers:**
  - Chris Bird – President and CEO
  - Daniel L. Lahey – Executive Vice President
  - GeLynna Shaw – Executive Vice President
  - Bridgette C. Uhlemann – Senior Vice President and Secretary
  - Jason Victor – Senior Vice President and Treasurer

### **3.10. 10% + Ownership Interests**

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

The Cypress of Charlotte Club, Inc., and The Cypress of Charlotte Homeowners Association, Inc. are organized as nonprofit corporations and therefore have no equity ownership interests. No individual or entity holds a ten percent (10%) or greater beneficial interest in either entity.

The Cypress Group, LLC serves as the sole corporate member of The Cypress of Charlotte, LLC. The Cypress Group, LLC a South Carolina limited liability company, which has a 45% equity or beneficial interest in The Cypress of Charlotte, LLC. The Cypress of Charlotte, LLC has one investor member, Cypress CLT LP Investor LLC. Cypress CLT LP Investor LLC is a Delaware limited partnership. This entity has a 55% equity or beneficial interest in The Cypress of Charlotte, LLC.

## **4. Governing Body and Oversight**

### **4.1. Provider Governing Body**

The Cypress of Charlotte, LLC is organized as a limited liability company and is managed by The Cypress Group, LLC. Information regarding the officers and managers of both legal entities is provided in Sections 3.1, 3.5, and 3.8. Its duties include:

- Developing luxury condominium single-family cottages and villas for sale to individuals 62 and over, who are capable of independent living.
- Developing all common areas of the retirement community, including the clubhouse and health care facility.
- Management responsibility for The Cypress of Charlotte Club, Inc, Including the review and approval of capital expenditures, review and approval of operating budgets, and the monitoring of The Cypress of Charlotte Club, Inc.'s financial condition.
- Adopting and approving personnel policies for The Cypress of Charlotte Club, Inc.'s employees

- Annual review of the insurance coverage on The Cypress of Charlotte Club, Inc.'s property and personnel
- Annual review contracts for and supervise the provision of legal and accounting services to The Cypress of Charlotte Club, Inc.
- Monitors compliance with the budget and the performance of The Cypress of Charlotte Club, Inc.' and its management.

The Cypress of Charlotte Club, Inc. and The Cypress of Charlotte Homeowners Association, Inc. are governed by separate Board of Directors.

The Cypress of Charlotte Club, Inc.'s Board of Directors, consisting of four of members, is responsible for overseeing the operations of The Cypress of Charlotte Club, Inc.

The Cypress of Charlotte Homeowners Association, Inc.'s Board of Directors, consisting of five of members, is responsible for overseeing the operations of The Cypress of Charlotte Homeowners Association, Inc.

#### **4.1.1. Selection of Board Members**

The Cypress of Charlotte, LLC officers are not elected by the members of the community. The officers are selected and appointed by The Cypress Group, LLC, which also retains the authority to assign titles, delegate responsibilities, and revoke such designations at any time.

The Cypress of Charlotte Club, Inc. is governed by a Board of Directors. Board members are appointed by The Cypress of Charlotte Club, Inc.'s sole corporate member, The Cypress of Charlotte, LLC. Directors serve continuously at the pleasure of the LLC.

The Cypress of Charlotte Homeowners Association, Inc. is governed by a Board of Directors. Board members are elected by the cottage and villa owners at The Cypress of Charlotte Homeowners Association, Inc.'s annual meeting, in accordance with The Cypress of Charlotte Homeowners Association, Inc.'s bylaws. Board members serve three-year terms. A board member may remain on the board for a fourth year to serve as the chair. A former board member may be re-elected after not serving as a board member for at least one year.

#### **4.1.2. Oversight of Management and Operations**

The Cypress of Charlotte, LLC officers delegate day-to-day operations of the continuing care community The Cypress of Charlotte to the Executive Director and health care administrator.

The Cypress of Charlotte Homeowners Association, Inc. delegates the administration, operation, maintenance, repair, replacement, and management of the common property of The Cypress of Charlotte to The Cypress of Charlotte Club, Inc., which serves as the administrative vehicle for The Cypress of Charlotte Homeowners Association, Inc.

The Cypress of Charlotte Club, Inc. delegates management and oversight functions to The Cypress of Charlotte, LLC and LCS, including the review and approval of capital expenditures, the review and approval of operating budgets, the monitoring of the financial

condition of the continuing care community The Cypress of Charlotte, the approval of operational and personnel policies, and the contracting for and supervision of legal and accounting services. Such delegation is carried out through reports, operating budgets, and management agreements.

#### **4.1.3. Committees**

The Cypress of Charlotte, LLC has established a Members' Advisory Council. Members of the Council will be Members of the community. Regularly scheduled meetings are held to enable the Members to ask questions and to permit the community's administration and Council to communicate with the Members for the purpose of free discussion of subjects as they apply to the community, as well as proposed changes in policies, programs, and services, or other issues for the good of the continuing care community The Cypress of Charlotte. The Council is made up of chairpersons from six council committees:

- Finance
- Buildings and grounds
- Food and beverages
- Health and safety
- Social and activities
- Information technologies

#### **4.2. Controlling Person Governing Body**

The Cypress of Charlotte Club, Inc. and The Cypress of Charlotte Homeowners Association, Inc., are governed by separate boards of directors. There is no controlling person/entity.

The Cypress Group, LLC is the managing member and controlling person of The Cypress of Charlotte, LLC. As managing member, The Cypress Group, LLC is responsible for overall direction and oversight of The Cypress of Charlotte, LLC.

##### **4.2.1. Selection of Officers and Managers**

The Cypress Group, LLC is governed by its officers and managers. The officers of The Cypress Group, LLC are selected and appointed by its board of managers, which also retain the authority to assign titles, delegate responsibilities, and revoke such designations at any time.

#### **4.3. Division of Responsibilities**

To avoid duplication and ensure effective oversight:

- The board members of The Cypress of Charlotte Club, Inc. are responsible for the oversight of the day-to-day operations of the continuing care community, The Cypress of Charlotte, including the clubhouse and health center, as well as the services provided by the clubhouse and health center.

- The board members of The Cypress of Charlotte Homeowners Association, Inc. serve as the governing body for all issues related to the real estate aspects of the cottages and common properties.
- The officers and managers of The Cypress Group, LLC are responsible for the oversight of the business and affairs of The Cypress Group, LLC and of The Cypress of Charlotte, LLC.

## 5. Related Parties

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

### 5.1 Life Care Services LLC

- **Nature of Relationship:** The Cypress of Charlotte Club, Inc. has retained Life Care Services LLC (“LCS”) to manage the continuing care community The Cypress of Charlotte. Life Care Services LLC and The Cypress of Charlotte, LLC are affiliated through a multi-level ownership structure, where the parent company of Life Care Services LLC indirectly owns The Cypress of Charlotte, LLC.
- **Goods/Leases/Services Provided:** Management of The Cypress of Charlotte Club, Inc. is performed by LCS through a management agreement. This agreement includes employing executive leadership (Executive Director, Administrator), providing on-site management and centralized administrative services to the community.
- **Actual/Probable Cost:** The cost was \$3.1 million in FY2025, 10% of total expenses before the overhead fee.

### 5.2 The Cypress of Charlotte, LLC

- **Nature of Relationship:** Developer of the property and oversight of The Cypress of Charlotte Club, Inc. through a management agreement.
- **Goods/Leases/Services Provided:** Management fee (Overhead Fee) for system-level matters, including appointment of board members, consolidated financial oversight, debt covenant compliance, and long-term strategic planning.
- **Actual/Probable Cost:** The cost was \$1.1 million in FY2025, 3.6% of total revenues plus services billed at market rates.

## **6. Relationships with Religious, Charitable, or Other Organizations**

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

Neither The Cypress of Charlotte, LLC, The Cypress of Charlotte Club, Inc. and The Cypress of Charlotte Homeowners Association, Inc., nor their affiliated for profit or not for profit entities maintain relationships with sponsoring religious denominations, faith-based groups, or educational institutions, and any involvement in industry organizations is limited to non-governing, non-financial professional development purposes. 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 for the financial or contractual obligations of The Cypress of Charlotte, LLC, The Cypress of Charlotte Club, Inc., and The Cypress of Charlotte Homeowners Association, Inc.

## **8. Obligated Groups**

The providers are not members of any obligated group.

## **9. Debt Covenants and Compliance**

The Cypress of Charlotte, LLC is subject to a debt covenant requiring a minimum debt service coverage ratio of 1.00x. As of March 31, 2026, The Cypress of Charlotte, LLC was in full compliance with this covenant.

The Cypress of Charlotte Club, Inc., is subject to covenants limited to furnishing information that may be reasonably requested from time to time contained in the debt agreement with TowneBank. As of December 31, 2025, The Cypress of Charlotte Club, Inc. was in full compliance with all covenants contained in debt agreements.

The Cypress of Charlotte Homeowners Association, Inc is not subject to any debt covenants.

## **10. Third-Party Management Arrangements**

The Cypress of Charlotte Club, Inc., does not employ an unrelated third-party manager to operate the continuing care community The Cypress of Charlotte. Day-to-day operations are carried out by the Executive Director and Administrator, employed by Life Care Services

LLC in conjunction with senior management employed by The Cypress of Charlotte Club, Inc.

## **11. Real Property Leases**

The Cypress of Charlotte, LLC, The Cypress of Charlotte Club, Inc., and The Cypress of Charlotte Homeowners Association, Inc. do not lease any of the real property that makes up the continuing care community The Cypress of Charlotte.

## **12. Endowment Funds**

The providers do not maintain endowment funds.

## **13. Description and Location of the Community**

The Cypress of Charlotte, LLC operates The Cypress of Charlotte, located at 3442 Cypress Club Drive Charlotte, North Carolina on 60.5 Acres of land. It is surrounded by quiet residential neighborhoods, but only a mile away is Charlotte's most prestigious commercial area, South Park, with the area's finest shopping, dining, and professional services. Atrium Health and Novant Health are conveniently located nearby.

The site was formerly a 9-hole golf course for more than fifty years and has left its legacy of gentle contours, specimen trees, and abundant water features. The site has been developed into a park-like campus setting with lakes and walking trails, and landscape buffers defining a quiet, secure, and peaceful environment for the enjoyment of its members.

## **14. Living Units by Level of Care**

As of 12/31/2025, the continuing care community The Cypress of Charlotte included:

- 310 independent living units (257 apartments and 53 cottages)
- 14 assisted living units
- 65 skilled nursing beds

These indicate units or bed current constructed and available.

## **15. Continuing Care at Home Program**

The providers do not operate a Continuing Care at Home Program.

## 16. Resident Population Served

As of 12/31/2025, the resident population served by the continuing care community The Cypress of Charlotte under continuing care contracts was as follows:

- 441 members in independent living
- 14 members in assisted living
- 53 members in skilled nursing

As of 12/31/2025 the community maintained a waitlist for admission to independent living consisting of 440 individuals. Individuals on the waitlist are prospective applicants and are not members of the community unless and until they have executed a continuing care contract and commenced residency.

To be placed on the independent living waitlist, prospective applicants must complete an application, sign a Wait List Agreement, and submit a \$1,000 refundable waitlist deposit, along with a \$100 application fee per person. The waitlist deposit is fully refundable and is not considered an entrance fee.

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

## 17. Occupancy Rates

The 12-month daily average occupancy rates for the continuing care community The Cypress of Charlotte 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	100.0%	87.8%	77.7%
12/31/2024	100.0%	89.8%	78.2%
12/31/2023	100.0%	84.3%	71.0%
12/31/2022	100.0%	80.8%	38.1%
12/31/2021	100.0%	75.4%	37.1%

## **18. Semiannual Resident Meetings**

The Cypress of Charlotte Club, Inc. holds meetings with members at least twice each year, as required by law.

### **Fiscal Year 2025 Meeting Dates**

- October 30, 2025
- June 18, 2025

As required by law, an independent resident of the provider's board of directors was present at each of the meetings (Olen Smith on June 18, 2025 and William Schimming on October 30, 2025).

## **19. Resident Property Rights**

Residents of the continuing care community, The Cypress of Charlotte, hold an equity ownership in their cottage or villa. This ownership provides the right to exclusive possession and occupancy of the residence, resale, and access to the community's common amenities and services. This ownership is subject to material restrictions, including limitations on resale, restrictions on use and occupancy (including age and health eligibility requirements), the obligation to pay applicable monthly fees, and compliance with community and North Carolina laws governing continuing care retirement communities. The continuing care contract governs the provision of services, healthcare, residency rights, monthly fees, transitions between levels of care, and the terms under which residency may be terminated regardless of the resident's property ownership.

Each cottage or villa owner at the community shall be a member of The Cypress of Charlotte Homeowners Association, Inc. if ownership of the cottage or villa is retained. There shall be one membership for each cottage or villa owned. If the cottage or villa ownership is vested in more than one person, then all the persons owning such cottage or villa shall designate one of the co-owners to act as a member of The Cypress of Charlotte Homeowners Association, Inc. An owner's membership in The Cypress of Charlotte Homeowners Association, Inc. will automatically be cancelled when ownership of the cottage or villa ceases.

Upon conveying or transferring ownership interest in a cottage or villa to a new owner, the new cottage or villa owner shall simultaneously succeed the former owner's membership in The Cypress of Charlotte Homeowners Association, Inc.

The membership will own all the common property of the community, including the clubhouse and health center, with The Cypress of Charlotte Homeowners Association, Inc. serving as the governing body for all issues related to the real estate aspects of the cottages and common properties. The Cypress of Charlotte Homeowners Association, Inc. provides for the maintenance, repair, replacement, administration, and operation of the continuing care community The Cypress of Charlotte's property.

## **20. Services Provided Under the Contract**

The Cypress of Charlotte, LLC and The Cypress of Charlotte Club, Inc., offer services under continuing care contracts at the community. The following disclosures describe the services included in the contracts, as well as those available for additional charge.

### **20.1. Health Care Services**

If a member needs comprehensive health care, this care will be provided at the community's health center, called The Stewart Health Center. The health center staff will determine the appropriate level of assisted living, memory care, or nursing care (as prescribed by a physician) required by the Member upon admission to the health center. As a part of the determination, the Member's long-term ability to return to independent living is evaluated. The nursing staff will provide an appropriate plan of care, the ultimate goal which shall be, if at all possible, to return the Member to independent living as soon as possible. Members may visit their cottages or villas with assistance as a part of the rehabilitation process if approved by the Member's physician.

Members who are unable to return to a cottage or villa have the benefit of permanent care in the health center. When permanently assigned, a single occupancy Member will continue to pay a reduced monthly payment plus the applicable member's health center fee after 90 days until the cottage or villa is resold. After the cottage or villa is resold, the Member is responsible for the applicable member health center fee. In cases of double occupancy, the remaining Member may remain in the cottage or villa, and the monthly payment for the person continuing to occupy the cottage or villa is reduced to the single occupancy rate.

Private rooms are available as well as a few semi-private rooms. Care in the health center depends upon the level of care, and includes, but is not limited to, basic nursing care, food service, housekeeping, and flat laundry service.

A physician is retained on a consulting basis to act as Medical Director for the health center. Members may be admitted directly from their cottages or villas and need not come from a hospital. If a member desires special additional nursing staff while a patient in the health center, arrangements may be made through the health center, at an additional cost to the Member. Friends, relatives, or spouses may take meals with health center Members, a guest meal charge will apply.

### **20.2. Continuing Care Retirement Community (CCRC) Contracts**

Members living in the continuing care community, The Cypress of Charlotte, 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**

- Food service to Members, including the equivalent of one meal for each day in the month (30 meal credits per month) by pick-up or by delivery to their unit. Three daily meals while a permanent resident of the health center
- Weekly housekeeping and flat laundry services (sheets, pillowcases, towels, washcloths, dishcloths)
- Basic utilities, including electricity, water, heating, air conditioning, and basic cable are provided although cottage owners will pay for their own gas and electricity charges
- Interior and exterior maintenance for each cottage, villa, and common area
- Grounds care included for all residential areas
- Clubhouse activities and access to on-site programs
- Scheduled transportation for Members
- Monthly billing services
- 24/7 security services for the community
- Use of community amenities (fitness center, library, auditorium, gardens, walking trails, game room, art studio, and woodworking shop)
- Access to ample surface parking for members and guests
- Social, cultural, spiritual, and recreational programming
- Care coordination for transitions between levels of care by licensed social workers and Home Care team.

### **20.2.2. Services Available at Additional Charge**

- Guest meals
- Bar charges
- Additional housekeeping or laundry services beyond standard schedule
- Expanded television, internet, and telephone packages
- Salon and barber services
- Spa and personal training services
- Special transportation outside scheduled routes
- Concierge services and private duty care (Home Care)

**20.3. Continuing Care at Home (CCaH) Contracts (Not Applicable)**

The Cypress of Charlotte, LLC, The Cypress of Charlotte Club, Inc., The Cypress of Charlotte Homeowners Association, Inc. do not operate a continuing care at home program.

**20.4. Delivery of Services**

Core residential, assisted living, and skilled nursing services are provided directly by The Cypress of Charlotte Club, Inc. through its onsite Health Center as outlined in the Continuing care contract.

**21. Resident Fees**

Nonancillary fees at the community, The Cypress of Charlotte, consist of required, ongoing monthly fees. The following tables show the Community’s current fee schedules, along with historical information on entrance fees and monthly fee increases over the past five fiscal years.

**21.1. CCRC Contracts**

CCRC contracts represent continuing care contracts for members who live at The Cypress of Charlotte campus.

**Table 21.1 Current Monthly Fees (CCRC Contracts)**

Unit Type	Single Occupant	Double Occupant
Independent Living – Apartment	\$3,826 - \$6,152	\$5,901 - \$8,227
Independent Living – Cottage	\$6,216 - \$6,873	\$8,291 - \$8,948
Assisted Living	\$10,388 - \$17,867	\$9,178 - \$13,112
Skilled Nursing	\$7,594 – \$10,848	N/A

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.

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

Fiscal Year-End	Average % Increase	Average \$ Increase	Frequency
12/31/2025	5.0%	\$270	Annual
12/31/2024	6.0%	\$304	Annual
12/31/2023	7.5%	\$354	Annual
12/31/2022	9.5%	\$409	Annual
12/31/2021	6.75%	\$273	Annual

**Table 21.3: Current Entrance Fees (CCRC Contracts)**

Unit Type	Entrance Fee (Single)	Entrance Fee (Double)
Independent Living – Apartment	N/A	N/A
Independent Living – Cottage	N/A	N/A

The continuing care community, The Cypress of Charlotte, is not an entrance fee community; the residents own their units and benefit from equity ownership.

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

Fiscal Year-End	Average % Increase	Average \$ Increase	Frequency
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A

## 21.2. CCaH Contracts

The provider does not operate a Continuing Care at Home Program.

**21.3. Household Composition Changes**

If a resident marries or otherwise increases the number of persons in the unit, the monthly fee is adjusted to the two-person rate. The second person must also meet all the qualifications for membership.

**22. Refundable Entrance Fee Obligations**

The continuing care community, The Cypress of Charlotte, is not an entrance fee community; the residents own their units and benefit from equity ownership. The continuing care community, The Cypress of Charlotte, does not offer refundable entrance fee contracts.

**22.1. Refund Obligations as of 12/31/2025**

Category	Number of Contracts	Aggregate Amount
Refunds are due once all contractual conditions are met	N/A	N/A
Refunds currently due (including amounts 30+ days past due)	N/A	N/A
Resident now in non-independent living unit – unit not resold	N/A	N/A
Resident now in non-independent living unit – unit resold	N/A	N/A

**23. Financial Hardship Policies**

**23.1. Policies for Members Unable to Pay**

Financial hardships and any material qualifications or limitations are handled on a case-by-case basis. At the continuing care community, The Cypress of Charlotte, each resident owns their own unit, and most do not have a mortgage on the unit. In the event of financial hardship, the community evaluates each situation individually and works with the member to identify a mutually beneficial solution. The community does not maintain a separate hardship or subsidy fund; however, owners may use the equity in their home to address outstanding obligations. This may include allowing the continuing care community, The Cypress of Charlotte, to place a lien on the unit, with any unpaid amounts to be satisfied from the proceeds at the time of sale.

Residents are not discharged or relocated solely due to financial hardship once admitted under a continuing care contract.

## **24. Contract Cancellation and Refund Policies**

### **24.1. Provider-Initiated Cancellation**

The Cypress of Charlotte, LLC, The Cypress of Charlotte Club, Inc., and The Cypress of Charlotte Homeowners Association, Inc. may terminate a continuing care contract:

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

### **24.2. Resident-Initiated Cancellation**

A resident may sell their unit at any time.

### **24.3. Refunds Upon Cancellation**

There are no refunds as there is no entrance fee.

### **24.4. Refunds Upon Death**

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

If a resident dies before moving into the community, the disposition of the property would be handled according to the sale agreement.
- **After occupancy or commencement of services:**

The disposition of the property would be as directed by the estate of the resident.

## **25. Re-occupancy of Units**

A unit at the continuing care community, The Cypress of Charlotte, responsibility of the owner until a sale agreement is executed and a closing to a new owner is finalized.

## **25.1. Resident-Initiated Vacating**

- **Voluntary termination:** When a resident cancels their continuing care contract and sells their unit.
- **Transfer to a higher level of care:** When a resident moves from independent living to assisted living or skilled nursing, they will continue to pay monthly fees on their independent living unit until it is sold. The member may remain at the Health Center, at the member discounted rate, for as long as the member needs the Health Center.

## **25.2. Provider-Initiated Vacating**

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

## **25.3. Temporary Absences**

Hospitalizations, rehabilitative stays, or other temporary absences do not affect the payment of monthly fees or the ownership of the unit.

## **25.4. Refunds**

There is no entrance fee to be refunded.

## **26. Resident Relocation**

Members of the community may relocate from their current living unit to another living unit with the execution of a sale/purchase agreement with another member.

### **26.1. Financial Obligations**

All monthly fee obligations continue in accordance with the terms of the members' contract, regardless of relocation.

## **27. Admission and Continuation Standards**

### **27.1. Admission Requirements**

Admission to the continuing care community, The Cypress of Charlotte, is subject to both health and financial screening at the time of application. If requirements are not met, the community may deny admission. There is no entrance fee; therefore, there is no fee that would be refundable or forfeited if admission is denied or delayed due to failure to meet admission standards.

### 27.1.1. CCRC Contracts (Campus-Based)

- **Financial Standards:** At the time of signing a Resale Purchase and Sale Agreement and a continuing care contract, the Resident (or spouse) must be able to pay the purchase price, membership fee, monthly payment, two months of common expenses, 12 months of hazard and flood insurance premiums, and a reserve deposit. After these payments, the Resident must have sufficient financial resources to permit payment of the monthly payment plus other personal expenses which may be reasonably expected, and to meet anticipated increases in the cost of living, including any increases in the monthly payment.
- **Health Standards:** Applicants for independent living must be capable of living safely and independently at the time of entry, with or without reasonable accommodation and free of communicable diseases.

### 27.1.2. CCaH Contracts (Continuing Care at Home)

The continuing care community, The Cypress of Charlotte, does not operate a continuing care at home program.

## 27.2. Continuation Requirements

- **CCRC Contracts:** Once admitted, residents may remain at the community regardless of changes in health or financial status, subject to the hardship policies described in Section 23 – Financial Hardship Policies. Residents may be required to relocate to a higher level of care (see Section 26 – Resident Relocation) if their health needs can no longer be met safely in their current living unit.

## 27.3. Changes in Condition Before Occupancy or Commencement of Services

- **CCRC Contracts:** If a resident's health materially declines before signing the final commitment contract. The provider may re-evaluate eligibility for independent living and may require admission to a higher level of care. Once the member has closed on their unit, any health changes prior to moving in may require a higher level of care.

## 28. Age and Insurance Requirements

### 28.1. Age Requirements

- At the time of signing a Resale Purchase and Sale Agreement and a continuing care contract, the Resident (or spouse) must be 62 years of age or older.
- 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 described in Section 27 - Admission and Continuation Standards.

## **28.2. Insurance Requirements**

The continuing care community, The Cypress of Charlotte, does not have any insurance requirements.

## **28.3. Special Conditions**

- Exceptions to the minimum age requirement may be considered on a case-by-case basis if a younger applicant is married to or partnered with an eligible applicant, or if otherwise required to maintain household composition.
- Waivers of the insurance requirement may be granted only if the applicant demonstrates alternative coverage or financial capacity sufficient to meet anticipated health care expenses.

## **29. Reserve Funding and Refund Security**

### **29.1. Cash and Investments**

As of 12/31/2025, The Cypress of Charlotte Club, Inc. held \$9,891,723 in unrestricted cash and investments. At year-end, unrestricted cash and investments supported a Days Cash on Hand of 104 days, representing approximately three and a half months of projected operating expenses without new revenues.

### **29.2. Investment Management and Oversight**

- **Oversight Body:** Catherine Jenkins, Director, Asset & Portfolio Management with Life Care Services LLC, the management company. Michael Andreasen, President of The Cypress of Charlotte Club, Inc.
- **Day-to-Day Management:** Executive director and Director of Finance.
- **Experience:** Catherine Jenkins has nearly 30 years of leadership and operations experience with Life Care Services, holding progressively senior roles including Administrator, Executive Director, Director of Operations Management, and Vice President. She oversaw operations for multiple communities across the Southeast and, after retiring in 2023, returned in 2025 as Director of Asset Manager for the continuing care community, The Cypress of Charlotte. Michael Andreasen has more than 25 years of financial planning and analysis experience with large companies, including Sprint and John Deere, Michael has lead teams with responsibility for multiple areas including financial planning and analysis, corporate reporting and strategic planning, procurement, tax, and treasury.

- **Policy and Controls:** Investments are managed under a Board-approved policy emphasizing liquidity and capital preservation. Permitted holdings include cash, cash equivalents, U.S. Treasury/agency securities, investment-grade bonds, and broadly diversified public funds/ETFs. The Executive Director and Director of Finance executes within these limits, reports quarterly to the Finance Committee, and maintains control over custody, counterparty limits, and rebalancing.

### 29.3. Statutory Operating Reserve Requirement

As of 12/31/2025, The continuing care community, The Cypress of Charlotte, 12-month rolling average independent living unit occupancy was 100%. Based on this level of occupancy, the required statutory opening 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)**

<b>Component</b>	<b>Amount</b>
Total projected operating expenses	\$36,354,308
Add: Debt service (principal and interest)	\$935,184
Less: Principal and interest (covered by Debt Service Reserve Fund)	(\$0)
Less: Depreciation and amortization	(\$1,566,595)
Extraordinary items as approved by the Commission	(\$6,295,499)
<b>Net projected operating costs</b>	<b>\$29,427,398</b>
Applicable reserve percentage based on occupancy	12.5%
<b>Required operating reserve</b>	<b>\$3,678,425</b>
Unrestricted cash & investments on hand	\$9,492,986
<b>Excess above required reserve</b>	<b>\$5,814,561</b>

**Summary:** The required statutory operating reserve was \$3.68 million. The Cypress of Charlotte Club, Inc. held \$9.5 million in unrestricted cash and investments, providing an excess cushion of \$5.81 million above the statutory minimum.

### 29.4. Refund Security (Entrance Fee Refunds)

The continuing care community, The Cypress of Charlotte, is not an entrance fee community.

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

Category	Amount	Notes
Total unrestricted cash & investments	\$9,492,986	All liquid balances (cash and investments)
Less: Required operating reserve	(\$3,678,425)	Must be maintained; release requires regulatory approval
Less: Board-designated for refunds	(\$0)	Internal designation; unrestricted under GAAP
<b>Excess unrestricted cash and investments above operating reserve and board designated refund reserve</b>	<b>\$5,814,561</b>	Available for operations and refund needs (outside of designated reserves)

### 30. Expansion and Renovation Plans

The continuing care community, The Cypress of Charlotte, currently has no expansion or renovation plans.

### 31. Audit Opinion and Timeliness

The Cypress of Charlotte Club, Inc., The Cypress of Charlotte Homeowners Association, Inc. and the combined financial statements for the fiscal year ended December 31, 2025, were audited by Forvis Mazars (Charlotte, NC). The Cypress of Charlotte, LLC financial statements for the fiscal year ended December 31, 2025, were audited by KPMG (Chicago, IL).

- **Timeliness:** The audits were completed and issued within 150 days of fiscal year-end, meeting statutory requirements.
- **Audit Opinion:** The independent auditors issued an unqualified opinion (a “clean” audit opinion) on all financial statements.

### 32. Audited Financial Statements

The audited consolidated financial statements of The Cypress of Charlotte Club, Inc., The Cypress of Charlotte Homeowners Association, Inc. and the combined financial statements as well as The Cypress of Charlotte, LLC financial statements, 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 combined The Cypress of Charlotte Club, Inc., and The Cypress of Charlotte Homeowners Association, Inc. for the period 2026 through 2030 are attached hereto as Appendix B. These statements were prepared and compiled by Forvis Mazars and include a summary of significant assumptions and accounting policies.

The five-year prospective financial statements of The Cypress of Charlotte, LLC for the period 2026 through 2030 are also attached hereto as Appendix B. These statements were prepared and compiled by KPMG 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 continuing care community, The Cypress of Charlotte Club against the prospective financial statements filed in the prior year. Variances included both financial line items and key assumptions, such as occupancy, used in preparing the projections. The following material variances were identified:

**Table 34.1: Variance Analysis - Fiscal Year Ended 12/31/2025**

Category	Projected Amount	Actual Amount	Variance	Explanation
Accounts Receivable	\$925k	\$616K	-33%	Fluctuations due to collections and billing
Reserve for Replacements	\$2.1 million	\$5.2 million	\$3.1 million	Delayed pool repair project to 2026. High returns on investments
Purchase of property and equipment	\$3.9 million	\$5.9 million	\$2.0 million	Higher than budgeted purchase of equipment due to larger projects
Accounts payable and accrued expenses	\$2.6 million	\$3.2 million	\$618k	Cash fluctuations due to timing of payroll and accounts payable disbursements

Category	Projected Amount	Actual Amount	Variance	Explanation
Investment Income	\$62,000	\$591,000	\$529,000	Higher than expected investment returns
Member Fees	\$23.0 million	\$23.1 million	\$368,000	Higher than budgeted second-person fees, catering income, lounge income, guest meals and arts and crafts revenue
Health Center Revenue	\$8.9 million	\$9.1 million	\$225,000	Higher than budgeted census. Revenue mix resulted in higher than budget revenue

### 35. Key Financial Metrics

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

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

Full statutory text of definitions is provided in Appendix F.

#### 35.1. Liquidity Ratios

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

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

**Table 35.1: Liquidity Ratios – Provider Only**

**The Cypress of Charlotte, LLC**

Ratio	FY-2	FY-1	FY	FY+1	FY+2	FY+3
DCOH	N/A	88	60	96	111	126
CUSH	N/A	5.04x	.32x	.25x	.29x	.34x

**The Cypress of Charlotte Club, Inc. and The Cypress of Charlotte Homeowners Association, Inc.**

Ratio	FY-2	FY-1	FY	FY+1	FY+2	FY+3
DCOH	77	67	104	68	68	69
CUSH	6.79x	6.31x	10.15x	6.91x	7.19x	7.62x

**Narrative – Provider Only:**

**35.2.** Liquidity increased in FY 2025 because of a delayed pool repair project and return on investments.

**35.3.** Liquidity is projected to remain consistent beginning FY 2026.

**35.4. Profitability Ratios**

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

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

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

**Table 35.2: Profitability Ratios – Provider Only**

**The Cypress of Charlotte, LLC**

Ratio	FY-2	FY-1	FY	FY+1	FY+2	FY+3
OR	N/A	42.0%	35.9%	31.6%	29.8%	28.3%
NOM	N/A	19.9%	32.7%	41.5%	44.1%	46.5%
NOM-A	N/A	N/A	N/A	N/A	N/A	N/A

**The Cypress of Charlotte Club, Inc. and The Cypress of Charlotte Homeowners Association, Inc.**

Ratio	FY-2	FY-1	FY	FY+1	FY+2	FY+3
OR	96.6%	92.6%	91.0%	100.6%	100.6%	100.9%
NOM	.8%	4.6%	6.3%	3.9%	3.9%	3.6%
NOM-A	N/A	N/A	N/A	N/A	N/A	N/A

**Narrative – Provider Only:**

Margins continue to be strong and are projected to remain so for the foreseeable future.

**35.5. Capital Structure Ratios**

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

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

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

**Table 35.3: Capital Structure Ratios – Provider Only**

**The Cypress of Charlotte, LLC**

Ratio	FY-2	FY-1	FY	FY+1	FY+2	FY+3
DSCR	N/A	3.23x	4.41x	2.53x	2.72x	2.90x
CD	N/A	.04x	.02x	.04x	.05x	.06x
CED	N/A	N/Ax	N/Ax	N/Ax	N/Ax	N/Ax

**The Cypress of Charlotte Club, Inc. and The Cypress of Charlotte Homeowners Association, Inc.**

Ratio	FY-2	FY-1	FY	FY+1	FY+2	FY+3
DSCR	2.01x	3.57x	4.49x	3.55x	3.67x	3.62x
CD	.72x	.72x	1.27x	.95x	1.09x	1.30x
CED	.86x	1.00x	1.30x	1.20x	1.00x	1.50x

**Narrative – Provider Only:**

The provider maintains healthy coverage and is gradually deleveraging as long-term debt amortizes.

Capital-expenditure ratios remain at or above 1.0x, indicating adequate reinvestment in campus infrastructure.

**35.6. Overall Summary**

The provider demonstrates sound liquidity, continued profitability, and conservative leverage. The ratios confirm that continuing care community, The Cypress of Charlotte operates a financially stable, profitable, and low leverage continuing care facility. Projected performance indicates the organization will remain strong through FY 2028, with sufficient capacity to fund operations, service debt, and support ongoing capital renewal.

**36. Actuarial Opinion and Balance**

North Carolina Gen. Stat. § 58-64A-210 requires certain continuing care providers to obtain an actuarial study, including a statement of actuarial opinion, at least once every three years. Due to the timing of the enactment of this requirement and the applicable statutory filing schedule, the actuarial study for the continuing care community, The Cypress of

Charlotte, has not yet been completed. The Provider is required to submit its actuarial study to the North Carolina Department of Insurance no later than December 1, 2028.

### **37. Most Recent Department Examination Report**

The North Carolina Department of Insurance has not concluded an examination of The Cypress of Charlotte, LLC, The Cypress of Charlotte Club, Inc., and The Cypress of Charlotte Homeowners Association, 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 Cypress of Charlotte, LLC, and The Cypress of Charlotte 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 Cypress of Charlotte, LLC and The Cypress of Charlotte Club, Inc. offer continuing care contracts. A representative form of the contract is attached hereto as Appendix D.

#### **39.1. Continuing Care Contracts**

The Cypress of Charlotte, LLC and The Cypress of Charlotte Club, Inc., offer a standard continuing care contract, known as a membership agreement, upon purchase of a unit. Important components of the contract are as follows:

- **Membership is required with a membership fee** – There is a membership fee upon purchase of a unit equal to 10% of the gross purchase price of the unit.
- **Membership is non-transferable** – The membership is in conjunction with the purchase of the unit. The membership is not transferable to anyone other than the owner of the unit.
- **Monthly Fees** – The monthly fees are set on January 1 of each year. The amount of increase in fees in any one year for the Club are limited to 3% of the CPI or Medical Care Component of the CPI, whichever is greater. Fee increases for the HOA portion of the fees are not limited.

A representative form of these contracts is included in Appendix D.

### **39.2. Continuing Care at Home (CCaH) Contracts (Not Applicable)**

The continuing care community, The Cypress of Charlotte, does not operate a continuing care at home program.

## **Appendix Index**

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

Appendix A – Audited Financial Statements

Appendix B – Five-Year Prospective Financial Statements

Appendix C – Statement of Actuarial Opinion

Appendix D – Representative Contract(s)

Appendix E – Examination Report

Appendix F – Statutory Ratio and Supporting Definitions

# **Appendix A – Audited Financial Statements**

**THE CYPRESS OF CHARLOTTE, LLC**

Financial Statements  
December 31, 2025 and 2024

(With Independent Auditors' Report Thereon)

## Table of Contents

Independent auditor's report	1-2
Financial statements	
Balance sheets	3
Statements of income	4
Statements of members' equity	5
Statements of cash flows	6
Notes to financial statements	7-14



KPMG LLP  
Aon Center  
Suite 5500  
200 E. Randolph Street  
Chicago, IL 60601-6436

## Independent Auditors' Report

The Members  
The Cypress of Charlotte, LLC:

### *Opinion*

We have audited the financial statements of The Cypress of Charlotte, LLC, which comprise the balance sheet as of December 31, 2025, and the related statements of operations, members' equity, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements 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 U.S. generally accepted accounting principles.

### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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.

### *Other Matter*

The accompanying financial statements of the Company as of December 31, 2024 and December 2, 2024 and for the period of January 1, 2024 to December 2, 2024 and December 3, 2024 to December 31, 2024 were audited by other auditors whose report thereon dated May 30, 2025, expressed an unmodified opinion on those financial statements.

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, 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 for one year after the date that the financial statements are available to be issued.

### *Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of



internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

KPMG LLP

Chicago, Illinois  
March 23, 2026

**THE CYPRESS OF CHARLOTTE, LLC**

Balance Sheets

December 31, 2025 and 2024 (Successor)  
and December 2, 2024 (Predecessor)

	Successor		Predecessor
	December 31, 2025	December 31, 2024	December 2, 2024
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents—operating	\$ 450,104	\$ 662,384	\$ 2,075,158
Due from related parties	-	-	403,750
Accounts receivable	253,443	220,954	-
Prepaid expenses	25,159	13,158	3,846
Total current assets	728,706	896,496	2,482,754
<b>Restricted assets:</b>			
Cash and cash equivalents—debt reserve	1,136,220	1,102,376	-
Cash and cash equivalents—refundable deposits	468,000	405,773	395,456
Cash and cash equivalents—real estate trust	160,500	-	98
Total restricted assets	1,764,720	1,508,149	395,554
<b>Intangible assets, net of accumulated amortization:</b>			
Goodwill, net	6,777,652	7,540,713	-
Trade names, net	512,774	531,741	-
Contractual rights, net	37,753,309	39,337,972	-
Total intangible assets, net	45,043,735	47,410,426	-
<b>Property and equipment:</b>			
Furniture, fixtures, and equipment	-	-	16,764
Less accumulated depreciation	-	-	(16,764)
Total property and equipment, net	-	-	-
Total assets	\$ 47,537,161	\$ 49,815,071	\$ 2,878,308
<b>Liabilities and Members' Equity</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued expenses	\$ 6,237	\$ 474,506	\$ 204,170
Due to related parties	24,837	25,220	21,300
Accrued interest payable	118,460	133,688	-
Refundable Deposits, real estate trust	160,500	-	-
Total current liabilities	310,034	633,414	225,470
<b>Noncurrent liabilities:</b>			
Note payable, net	18,870,102	18,861,553	-
Refundable Deposits, Wait List	468,000	404,000	395,000
Total noncurrent liabilities	19,338,102	19,265,553	395,000
Total liabilities	19,648,136	19,898,967	620,470
Members' equity	27,889,025	29,916,104	2,257,838
Total liabilities and members' equity	\$ 47,537,161	\$ 49,815,071	\$ 2,878,308

See notes to financial statements.

**THE CYPRESS OF CHARLOTTE, LLC**  
 Statements of Operations  
 Year ended December 31, 2025 and  
 Periods from December 3, 2024 to December 31, 2024 (Successor)  
 January 1, 2024 to December 2, 2024 (Predecessor)

	Successor		Predecessor
	Year ended December 31, 2025	Period from December 3, 2024 to December 31, 2024	Period from January 1, 2024 to December 2, 2024
<b>Revenues:</b>			
Membership fees	\$ 3,368,900	\$ 212,000	\$ 2,203,000
Management fees	2,839,556	204,915	2,557,284
Commission revenues	1,334,499	85,995	941,340
Miscellaneous revenue	25,000	1,500	18,103
Total revenues	7,567,955	504,410	5,719,727
<b>Operating expenses:</b>			
Salaries, wages and payroll taxes	364,371	21,971	433,341
Management fees	378,398	25,220	154,000
Marketing and advertising	330,467	13,692	290,944
Sales incentives and developer costs	38,135	4,455	293,722
Other	186,305	15,044	191,874
Total operating expenses	1,297,676	80,382	1,363,881
Interest income (expense)	(1,422,118)	(131,302)	(9,476)
Debt issuance amortization	(8,549)	(2,346)	(4,594)
Amortization	(2,366,691)	(190,069)	-
Total other income (expense)	(3,797,358)	(323,717)	(14,070)
Net income	\$ 2,472,921	\$ 100,311	\$ 4,341,776

See notes to financial statements.

**THE CYPRESS OF CHARLOTTE, LLC**  
Statement of Members' Equity  
December 31, 2025 and 2024 (Successor)  
and December 2, 2024 (Predecessor)

	Successor	Predecessor
	Year ended December 31, 2025	Period from December 3, 2024 to December 31, 2024
		Period from January 1, 2024 to December 2, 2024
Members' equity:		
Beginning balance	29,916,104	29,740,793
Members' contributions	-	75,000
Members' distributions	(4,500,000)	-
Net Income	2,472,921	100,311
Ending balance	\$ 27,889,025	\$ 29,916,104
		\$ 2,257,838

See notes to financial statements.

**THE CYPRESS OF CHARLOTTE, LLC**  
Statement of Cash Flows  
December 31, 2025 and 2024 (Successor)  
and December 2, 2024 (Predecessor)

	Successor	Predecessor	
	Year ended December 31, 2025	Period from December 3, 2024 to December 31, 2024	Period from January 1, 2024 to December 2, 2024
<b>Cash flows from operating activities:</b>			
Net income	\$ 2,472,921	\$ 100,311	\$ 4,341,776
Adjustments to reconcile net income to net cash provided by operating activities:			
Debt issuance amortization	8,549	2,346	4,594
Amortization expense	2,366,691	190,069	-
(Increase) decrease in:			
Accounts receivable	(32,489)	(220,954)	-
Prepaid expenses	(12,001)	(2,433)	(3,846)
Increase (decrease) in:			
Accounts payable and accrued expenses	(468,269)	121,081	139,109
Due to/(from) related parties	(383)	25,220	(537,897)
Accrued interest payable	(15,228)	133,688	(1,520)
Distributions payable	-	-	(114,363)
Deposits—real estate trust and wait list	224,500	(203,000)	(483,300)
Net cash provided by operating activities	<u>4,544,291</u>	<u>146,328</u>	<u>3,344,553</u>
<b>Cash flows from financing activities:</b>			
Note payable repayments	-	-	(415,438)
Members' contributions	-	75,000	-
Members' distributions	(4,500,000)	-	(1,784,559)
Net cash (used in) provided by financing activities	<u>(4,500,000)</u>	<u>75,000</u>	<u>(2,199,997)</u>
Net increase in cash and cash equivalents	44,291	221,328	1,144,556
<b>Cash, cash equivalents and restricted cash:</b>			
Beginning of period	<u>2,170,533</u>	<u>1,949,205</u>	<u>1,326,156</u>
End of period	<u>\$ 2,214,824</u>	<u>\$ 2,170,533</u>	<u>\$ 2,470,712</u>
<b>Supplemental disclosures of noncash investing and financing activities:</b>			
Cash consideration paid for acquisition	<u>\$ -</u>	<u>\$ 47,500,000</u>	<u>\$ -</u>
Member contributions to fund acquisition	<u>\$ -</u>	<u>\$ 75,000</u>	<u>\$ -</u>
Proceeds from note payable	<u>\$ -</u>	<u>\$ 19,000,000</u>	<u>\$ -</u>
Payment of debt issuance costs	<u>\$ -</u>	<u>\$ 140,793</u>	<u>\$ -</u>
<b>Supplemental disclosure:</b>			
Cash paid during the year for interest	<u>\$ 1,479,245</u>	<u>\$ -</u>	<u>\$ 31,408</u>

See notes to financial statements.

# THE CYPRESS OF CHARLOTTE, LLC

Notes to Financial Statements

December 31, 2025 and 2024

## **(1) Organization**

The Cypress of Charlotte, LLC (the Company), was organized on April 16, 1996 in compliance with laws of the State of South Carolina. The Company's general purpose is to engage in the business of purchasing, developing and managing real property and related facilities specifically for a continuing care retirement community geographically located in Charlotte, North Carolina (The Cypress of Charlotte).

The Company was acquired by Life Care Services Communities LLC (LCSC) on December 3, 2024 via certain subsidiaries. Cypress CLT LP Investor LLC, a Delaware Limited Liability Company owns a 55% interest in the Company, and The Cypress Group, LLC, a South Carolina Limited Liability Company owns a 45% interest in the Company. The Company's existence is perpetual.

At the completion of the development of the residential units of The Cypress of Charlotte as well as the removal of all associated mortgage encumbrances, all commonly owned property was transferred from the Company to The Cypress of Charlotte Owners' Association, Inc. (the Association), a corporation organized in the state of North Carolina. The Association provides for the maintenance, repair and replacement, administration and operation of Cypress' property.

The Company has overall management responsibility for The Cypress of Charlotte Club, Inc. (the Club), a North Carolina not-for-profit corporation created to manage the property of The Cypress of Charlotte and which provides certain services to its members including, but not limited to, dining and medical, social activities, repair and maintenance services, security and recreational facilities. The Club also serves as the administrative vehicle for the Association. The Company has no controlling or non-controlling interest in the Club or the Association, only management and administrative responsibilities.

## **(2) Summary of Significant Accounting Policies**

### **(a) Basis of presentation**

The basis of presentation for the financial statements is as follows:

These financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP).

#### **Predecessor**

The period from January 1, 2024 to December 2, 2024 reflect the historical cost basis of accounting of the Company that existed prior to the Equity Purchase Agreement ("EPA", see Note 4). This period is referred to as "Period from January 1, 2024 through December 2, 2024 (Predecessor)".

#### **Successor**

The year ended December 31, 2025 and the period from December 3, 2024 to December 31, 2024 is referred to as the "Successor period" (Successor). At the time of the consummation of the EPA and change in control event, the asset and liabilities of the Company were recorded at their fair values pursuant to the election of pushdown accounting (see Note 4).

Due to the election and application of pushdown accounting by the acquirer, Life Care Services Communities LLC (LCSC) and the conforming of significant accounting policies, the statements of

## THE CYPRESS OF CHARLOTTE, LLC

Notes to Financial Statements

December 31, 2025 and 2024

operations and members' equity, cash flows, and other financial information for the Successor period are not comparable to the Predecessor periods.

### *(b) Use of estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### *(c) Revenue recognition*

The Company recognizes revenue when it satisfies performance obligations under the terms of its contractual agreements, and control of its services is transferred to its customers in an amount that reflects the consideration the Company expects to receive from its customers in exchange for those services. This process involves identifying the contracts, determining the performance obligations in the agreement, determining the transaction price, allocating the transaction price to the distinct performance obligations in the agreement, if applicable, and recognizing revenue when the performance obligations have been satisfied.

The Company's primary sources of revenues include the following:

*Membership fees:* The Company provides brokerage services to buyers of the residential units. A one-time membership fee is received from the buyer of a residential unit upon the sale of a residential unit per the terms of the purchase and sale agreement, and the transaction price equates to 10% of the unit's gross sales price. This revenue is recognized at a point in time at the time when the performance obligation is satisfied, which occurs when consideration has been exchanged, and title and other attributes of ownership have been conveyed to the buyer by means of a closing.

*Management Fees:* Management fees are earned based on the terms of an agreement between the Club and the Company, which provides for continuous management services to the Club. The Company receives consideration in the form of a monthly fee from the Club and the Association. The transaction price is based on 10% of the total operating costs of both the Club and the Association. The variable consideration is estimated on a monthly basis, and trued up based on actuals. Although there are various management and operational activities performed by the Company under the contracts, the Company has determined that all management activities are a single performance obligation comprised of a series of distinct services that are substantially the same and have the same pattern of transfer to the customer.

*Commission revenues:* The Company provides brokerage services to sellers of the residential units. Commission revenues are received from the seller of a residential unit upon the resale of a residential unit per the terms of the purchase and sale agreement, and the transaction price generally equates to 5% of the unit's gross sales price. This revenue is recognized at a point in time when the performance obligation is satisfied, which occurs when consideration has been exchanged, and title and other attributes of ownership have been conveyed to the buyer by means of a closing.

### *(d) Cash and cash equivalents*

Cash and cash equivalents consist of cash on hand and depository accounts. The Company considers investments with maturities of three months or less when purchased to be cash equivalents.

## THE CYPRESS OF CHARLOTTE, LLC

Notes to Financial Statements

December 31, 2025 and 2024

### ***(e) Restricted assets—debt reserve***

The Company is required to establish a debt reserve in depository account held with the lender related to the note payable to fund the acquisition described in Note 4. The debt reserve was funded with note proceeds at consummation of the EPA.

### ***(f) Restricted assets—wait list deposits***

The Company receives deposits from both (1) buyers towards the direct purchase of residential units and (2) potential buyers who have expressed interest in purchasing a residential unit. Deposits collected from interested purchasers are \$1,000 each, and are kept in bank accounts separate from other funds and are either subsequently applied toward the eventual purchase of a unit or refunded at the request of the depositor.

In addition, application and renewal fees of \$100 per person are charged on deposits collected and initially held in the wait list deposit account; these fees are non-refundable and are included in miscellaneous revenues within the statements of operations.

### ***(g) Concentration of credit risk***

The Company maintains their cash and cash equivalents in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts due to this concentration. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

### ***(h) Accounts receivable***

Accounts receivable are reported net of an allowance for credit losses to represent the Company's estimate of expected losses at the balance sheet date. The adequacy of the Company's allowance for credit losses is reviewed on an ongoing basis using analyses of receivable portfolios by payor source and receivable aging, a review of specific accounts, as well as expected future economic conditions and market trends. Adjustments are made to the allowance as necessary.

The Company determined that no allowance was necessary as of December 31, 2025, December 31, 2024, and December 2, 2024.

### ***(i) Intangible assets***

Intangible assets, including trade names and contractual rights were recognized upon the application of pushdown accounting for the EPA described in Note 4. The Company reviews finite-lived intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Recoverability is assessed by comparing the carrying amount of the asset group to the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset group. If the carrying amount exceeds the undiscounted cash flows, an impairment loss is recognized in an amount equal to the excess of the carrying amount over

## THE CYPRESS OF CHARLOTTE, LLC

Notes to Financial Statements

December 31, 2025 and 2024

its fair value. The Company determined that no impairment was necessary as of December 31, 2025 and 2024.

### ***(j) Goodwill***

Goodwill represents the excess of purchase price over the fair value of the identified underlying assets acquired under the EPA.

The Company accounts for goodwill under Accounting Standards Update (ASU) No. 2014-02, which provides an accounting alternative for private companies. Accordingly, the Company amortizes goodwill on a straight-line basis over a period of 10 years.

The Company also elected the accounting alternative for triggering event assessments and tests goodwill for impairment when there is a triggering event (e.g. a deterioration in general economic conditions or in the environment in which the Company operates) at the end of the year. When impairment indicators are identified, the Company compares the reporting unit's fair value to its carrying amount, including goodwill. An impairment loss is recognized as the difference, if any, between the reporting unit's carrying amount and its fair value, to the extent the difference does not exceed the total amount of goodwill allocated to the reporting unit. The Company determined that no impairment was necessary as of December 31, 2025 and 2024.

### ***(k) Debt issuance costs***

The Company presents debt issuance costs as a direct deduction from the face amount of the related loan and amortizes them over the term of the related loan using the straight-line method, which approximates the effective interest method. Amortization is presented as a component of interest expense.

### ***(l) Income taxes***

The Company is treated as a passthrough entity for income tax purposes. As a result, the income or loss of the Company is included in the income tax return of the members. Accordingly, no provision for income taxes has been included in the financial statements as the liability for such taxes is primarily that of the unitholders rather than the Company. In certain instances, the Company may be subject to state and local income taxes which are not material to the financial statements.

The Company had no uncertain tax positions which would require the Company to record a tax exposure liability as of and for the years ended December 31, 2025 and 2024. The Company expects no significant increases or decreases in unrecognized tax benefits due to changes in tax position within one year of December 31, 2025. The Company had no significant interest or penalties relating to income taxes recognized in the accompanying financial statements as of and for the years ended December 31, 2025 and 2024. The Company's income tax filings are subject to examination by various taxing authorities; open examination periods are generally 2023 and forward. Management believes that the Company has adequately addressed all relevant tax positions and that there are no unrecorded liabilities.

### ***(m) Reclassifications***

## THE CYPRESS OF CHARLOTTE, LLC

Notes to Financial Statements

December 31, 2025 and 2024

The Company has reclassified certain amounts relating to its prior period results to conform to its current period presentation. These reclassifications have not changed the results of operations of prior periods.

### **(3) Related-Party Transactions**

As managing member, an affiliate of LCSC receives compensation and reimbursements for the management services provided to the Company. For the year ended December 31, 2025 and for the period from December 3, 2024 to December 31, 2024 (Successor), the Company incurred \$378,398 and \$25,220 in fees, respectively. As of December 31, 2025, LCSC owed the Company \$19,369 related to management services, and as of December 31, 2024, the Company owed LCSC \$25,220, which is recorded in due to related parties on the accompanying balance sheet. For the period from January 1, 2024 through December 2, 2024 (Predecessor), the amount earned by the previous managing members was \$154,000.

Also, pursuant to the management agreement between the Company and the Club, the Company shall reimburse the Club for certain payroll and other expenses incurred on its behalf. As of December 31, 2025, the Company owed the Club \$44,206, which is recorded in due to related parties on the accompanying balance sheet.

### **(4) Equity Purchase Agreement, Change in Control and Pushdown Accounting**

On December 3, 2024, LCSC, through its ownership in Cypress CLT GP Investor LLC (CLT GP) and Cypress CLT LP Investor LLC (CLT LP), acquired 100% of the equity interests in the Company through the terms of the EPA which resulted in a change in control.

The transaction was accounted for under pushdown accounting with the purchase price allocated to the Company based on the fair value of the individual assets acquired and liabilities assumed, with the remainder recorded as goodwill. The fair value of the trade names and contractual rights was determined through an external valuation process. The total consideration paid by LCSC through CLT GP and CLT LP was \$47,658,923, which included cash paid totaling \$47,500,000 funded through capital contributions and proceeds from a note payable. The total fair value of the Company on the acquisition date of \$47,658,923 was allocated as follows:

Cash and cash equivalents—operating	\$ 241,904
Cash and cash equivalents—wait list deposits	607,301
Prepaid expenses	10,725
Trade names	512,774
Contractual rights	37,753,309
Goodwill	7,601,105
Accrued expenses	(194,502)
Deposits—real estate trust	(212,000)
Deposits—wait list	(395,000)
	<hr/>
	45,925,616
	<hr/>
Note payable	19,000,000
Cash and cash equivalents—debt reserve	(1,100,000)
Debt issuance costs	(140,793)

**THE CYPRESS OF CHARLOTTE, LLC**

Notes to Financial Statements

December 31, 2025 and 2024

Post-closing purchase price adjustments	<u>158,923</u>
	<u>17,918,130</u>
Members' equity at application of push down accounting	<u><u>\$ 28,007,486</u></u>

**THE CYPRESS OF CHARLOTTE, LLC**

Notes to Financial Statements

December 31, 2025 and 2024

**(5) Intangible Assets and Goodwill**

The following is a summary of goodwill and intangible assets and the associated amortization expenses as of December 31, 2025, December 31, 2024, and December 2, 2024:

	December 31, 2025	December 31, 2024	December 2, 2024	Weighted Average Amortization Period (in Years)
Goodwill	\$ 7,601,105	\$ 7,601,105	\$ -	10.00
Trade names	536,000	536,000	-	25.00
Contractual rights	39,463,390	39,463,390	-	25.00
	47,600,495	47,600,495	-	
Less accumulated amortization, goodwill	(823,453)	(60,392)	-	
Less accumulated amortization, trade names	(23,226)	(4,259)	-	
Less accumulated amortization, contractual rights	(1,710,081)	(125,418)	-	
	\$ 45,043,735	\$ 47,410,426	\$ -	

Remaining amortization expense is as follows on December 31, 2025:

Years ended December 31:

2026	\$ 2,360,086
2027	2,360,086
2028	2,360,086
2029	2,360,086
2030	2,360,086
Thereafter	33,243,305
Total	\$ 45,043,735

**(6) Note Payable**

On December 2, 2024, the Company entered into a credit agreement with a lender as part of the acquisition described in Note 4 for a borrowing in the amount of \$19,000,000. The note payable bears interest at 30 day average Secured Overnight Financing Rate (SOFR) plus an applicable margin of 3.25% (7.26% at December 31, 2025) and matures on December 3, 2038. The loan agreement requires monthly interest only payments until January 2027, when fixed monthly principal payments of \$131,944 are due in addition to monthly interest payments.

As of December 31, 2025, aggregate maturities of the note payable are as follows:

# THE CYPRESS OF CHARLOTTE, LLC

## Notes to Financial Statements

December 31, 2025 and 2024

Years ended December 31:

2026	\$	-
2027		1,583,333
2028		1,583,333
2029		1,583,333
2030		1,583,333
Thereafter		12,536,770
Total	\$	<u>18,870,102</u>

The Loan and Security Agreement is secured by substantially all assets of the Company and its rights under the declaration of condominium, and contains various restrictive covenants requiring adherence to be in compliance with its terms. The Company was in compliance with the financial and non-financial debt covenants associated with the Loan and Security Agreement as of December 31, 2025 and 2024.

During 2017, the Company through a Predecessor Note payable to provide the Association a \$1,000,000 contribution towards the construction of an updated aquatic and fitness center. Both the Company and the Association were listed as co-debtors on the note agreement. The Predecessor Note payable was paid off during the period from January 1, 2024 to December 2, 2024. For the Predecessor period, amortization expense totaled \$4,594 for the period from December 1, 2024 to December 2, 2024.

The Company incurred a total of \$140,793 of debt issuance costs as part of entering into the Loan and Security Agreement. For the Successor period, amortization expense totaled \$8,549 for the year ended December 31, 2025, and \$2,346 for the period from December 3, 2024 to December 31, 2024. As of December 31, 2025, accumulated amortization was \$10,895.

### ***(7) Members' Equity***

The Company is governed by its First Amended and Restated Operating Agreement, with membership interests held by The Cypress Group, LLC (45%) and Cypress CLT LP Investor LLC (55%). Initial capital contributions have been made, and additional contributions or loans are permitted but not required. Distributions are made at the discretion of the members, subject to applicable law. Membership interests may be transferred or assigned, and the Company will dissolve upon written consent of the members, absence of members, or judicial decree.

### ***(8) Commitments and Contingencies***

The Company in the normal course of operations is exposed to risk and involvement in legal actions and proceedings. To the extent available at costs believed reasonable by the Company, it maintains insurance coverages for various types of risk. Based on the Company's past experience, management believes that any legal actions or proceedings will not have a material effect on the financial position of the Company.

### ***(9) Subsequent Events***


The Company has evaluated subsequent events through March 20, 2026, the date which the financial statements were available to be issued. Through that date, there were no subsequent events requiring recognition or disclosure.



# **The Cypress of Charlotte Club, Inc.**

## **Independent Auditor's Report and Financial Statements**

December 31, 2025 and 2024



**The Cypress of Charlotte Club, Inc.**  
**Contents**  
**December 31, 2025 and 2024**

---

**Independent Auditor's Report**..... **1**

**Financial Statements**

Balance Sheets ..... 3

Statements of Operations and Changes in Net Deficits ..... 4

Statements of Functional Expenses..... 5

Statements of Cash Flows ..... 6

Notes to Financial Statements ..... 7

## Independent Auditor's Report

Board of Directors  
The Cypress of Charlotte Club, Inc.  
Charlotte, North Carolina

### ***Opinion***

We have audited the financial statements of The Cypress of Charlotte Club, Inc. (a nonprofit organization) (the Club), which comprise the balance sheets as of December 31, 2025 and 2024, the related statements of operations and changes in net deficits, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Club as of December 31, 2025 and 2024, and the changes in its net deficits, its functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

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

### ***Responsibilities of Management for the 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 these 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Club'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.

**Forvis Mazars, LLP**

**Charlotte, North Carolina  
May 19, 2026**

**The Cypress of Charlotte Club, Inc.**  
**Balance Sheets**  
**December 31, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,349,178	\$ 799,649
Accounts receivable, net of allowance 2025 - \$27,526, 2024 - \$119,436	615,629	880,975
Employee retention credit receivable	-	1,561,166
Due from affiliates	53,111	70,833
Inventory	137,230	162,577
Prepaid expenses	484,495	540,830
<b>Total Current Assets</b>	<u>2,639,643</u>	<u>4,016,030</u>
<b>Assets Limited as to Use</b>		
Internally designated for Department of Insurance operating reserve	<u>2,713,814</u>	<u>2,590,469</u>
<b>Other Assets</b>		
Other investments	25,000	25,000
Property and equipment, net	1,625,570	817,784
Refundable deposits	25,000	25,000
Right-of-use operating lease assets	114,241	154,173
<b>Total Other Assets</b>	<u>4,503,625</u>	<u>3,612,426</u>
<b>Total Assets</b>	<u>\$ 7,143,268</u>	<u>\$ 7,628,456</u>
<b>LIABILITIES AND NET DEFICITS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 792,707	\$ 438,130
Accrued expenses	2,386,891	1,875,081
Due to homeowners	126,756	125,603
Current portion of operating lease liabilities	39,915	39,931
Current portion of notes payable	642,843	618,913
<b>Total Current Liabilities</b>	<u>3,989,112</u>	<u>3,097,658</u>
<b>Other Liabilities</b>		
Operating lease liabilities, less current portion	74,326	114,241
Notes payable, less current portion	7,499,909	8,144,166
<b>Total Other Liabilities</b>	<u>11,563,347</u>	<u>11,356,065</u>
<b>Net Deficits</b>		
Without donor restrictions	<u>(4,420,079)</u>	<u>(3,727,609)</u>
<b>Total Liabilities and Net Deficits</b>	<u>\$ 7,143,268</u>	<u>\$ 7,628,456</u>

**The Cypress of Charlotte Club, Inc.**  
**Statements of Operations and Changes in Net Deficits**  
**Years Ended December 31, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
<b>Revenues, Gains, and Other Support</b>		
Member fees	\$ 14,299,534	\$ 13,503,819
Health Center	9,114,143	8,670,586
Home Health	3,959,781	3,817,679
Other	500	12,592
Investment income, net	217,540	31,161
<b>Total Revenues, Gains, and Other Support</b>	<u>27,591,498</u>	<u>26,035,837</u>
<b>Expenses and Losses</b>		
Food and beverage	5,996,613	5,761,497
Health Center	6,253,736	6,043,510
Home Health	3,192,185	3,131,814
Plant	1,034,487	878,677
Resident services	473,883	455,635
Housekeeping	1,131,742	1,213,736
General and administrative	4,670,216	5,193,051
Management fee	2,422,465	2,194,232
Depreciation	188,602	130,212
<b>Total Expenses and Losses</b>	<u>25,363,929</u>	<u>25,002,364</u>
<b>Excess of Revenues, Gains, and Other Support Over Expenses and Losses</b>	2,227,569	1,033,473
<b>Net Deficits</b>		
Beginning	(3,727,609)	(4,439,070)
Capital contributions	-	80,676
Equity transfer to the Association	(2,920,039)	(402,688)
<b>Ending</b>	<u>\$ (4,420,079)</u>	<u>\$ (3,727,609)</u>

**The Cypress of Charlotte Club, Inc.**  
**Statements of Functional Expenses**  
**Years Ended December 31, 2025 and 2024**

	<b>2025</b>		
	<b>Program Services</b>	<b>Management and General</b>	<b>Total</b>
Salaries and benefits	\$ 11,764,625	\$ 3,312,187	\$ 15,076,812
Payroll taxes	1,034,532	93,503	1,128,035
Fees for services	1,066,729	2,002,931	3,069,660
Office expenses	681,741	272,163	953,904
Information technology	-	263,384	263,384
Occupancy	542,305	77,242	619,547
Travel	18,756	14,158	32,914
Conferences, conventions, and meetings	33,034	14,545	47,579
Interest	342,436	-	342,436
Depreciation	188,602	-	188,602
Insurance	-	606,793	606,793
Food	2,100,994	-	2,100,994
Supplies	635,860	24,244	660,104
Activities	123,293	-	123,293
Medical supplies	137,904	-	137,904
Other expenses	-	11,968	11,968
	<u>\$ 18,670,811</u>	<u>\$ 6,693,118</u>	<u>\$ 25,363,929</u>

	<b>2024</b>		
	<b>Program Services</b>	<b>Management and General</b>	<b>Total</b>
Salaries and benefits	\$ 11,457,052	\$ 3,362,359	\$ 14,819,411
Payroll taxes	1,012,011	73,637	1,085,648
Fees for services	1,013,229	2,242,575	3,255,804
Office expenses	585,635	273,686	859,321
Information technology	-	246,236	246,236
Occupancy	513,254	75,665	588,919
Travel	5,446	4,586	10,032
Conferences, conventions, and meetings	11,424	10,235	21,659
Interest	372,288	-	372,288
Depreciation	130,212	-	130,212
Insurance	-	593,471	593,471
Food	1,987,466	-	1,987,466
Supplies	652,209	50,320	702,529
Activities	87,349	-	87,349
Medical supplies	149,168	-	149,168
Other expenses	-	92,851	92,851
	<u>\$ 17,976,743</u>	<u>\$ 7,025,621</u>	<u>\$ 25,002,364</u>

**The Cypress of Charlotte Club, Inc.**  
**Statements of Cash Flows**  
**Years Ended December 31, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
<b>Operating Activities</b>		
Excess of revenues, gains, and other support over expenses and losses	\$ 2,227,569	\$ 1,033,473
Adjustments to reconcile excess of revenues, gains, and other support over expenses and losses to net cash provided by operating activities		
Depreciation	188,602	130,212
Provision for credit losses on accounts receivable	50,000	84,829
Noncash operating lease expense	39,932	40,890
Changes in		
Accounts receivable	215,346	(246,775)
Employee retention credit receivable	1,561,166	-
Due from affiliates	17,722	76,723
Inventories	25,347	(6,773)
Prepaid expenses	56,335	(10,641)
Accounts payable	(58,518)	(220,532)
Due to homeowners	1,153	(5,779)
Accrued expenses	511,810	180,386
Repayment of operating lease liabilities	(39,931)	(40,892)
<b>Net Cash Provided by Operating Activities</b>	<u>4,796,533</u>	<u>1,015,121</u>
<b>Investing Activities</b>		
Purchase of assets limited as to use	(333,563)	(360,096)
Proceeds from sale of assets limited as to use	210,218	225,300
Purchase of property and equipment	(583,293)	(255,681)
<b>Net Cash Used in Investing Activities</b>	<u>(706,638)</u>	<u>(390,477)</u>
<b>Financing Activities</b>		
Equity transfer to the Association	(2,920,039)	(402,688)
Payments on long-term debt	(620,327)	(620,823)
Capital contributions	-	80,676
<b>Net Cash Used in Financing Activities</b>	<u>(3,540,366)</u>	<u>(942,835)</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	549,529	(318,191)
<b>Cash and Cash Equivalents, Beginning of Year</b>	799,649	1,117,840
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 1,349,178</u>	<u>\$ 799,649</u>
<b>Supplemental Cash Flows Information</b>		
Cash paid for interest	\$ 322,277	\$ 344,670
Property and equipment in accounts payable	\$ 413,095	\$ 25,768

## **Note 1. Nature of Operations and Summary of Significant Accounting Policies**

### ***Nature of Operations***

The Cypress of Charlotte Club, Inc. (the Club) and The Cypress of Charlotte Homeowners Association, Inc. (the Association) are collectively referred to as The Cypress of Charlotte (the Cypress). The Club was organized as a nonprofit corporation under the laws of the state of North Carolina to manage the various membership functions of the Cypress that are included in each owner's Membership Agreement. The Club provides the Association with all services related to the Association's stewardship over the common property of the Association. The Club manages the commonly owned property of the Cypress as well as the services provided by the clubhouse and health center.

The Cypress is a continuing care retirement community with 310 independent living dwelling units and 78 healthcare beds located in Charlotte, North Carolina. The Association was created in accordance with the North Carolina Condominium Act to maintain and preserve the common property of the Cypress. The Club and the Association engage in various transactions with an affiliate, the Cypress of Charlotte, LLC (the Company) and with each other. The Company is the entity that originally planned, designed, and built the Cypress.

A summary of the Club's significant accounting policies follows:

### ***Basis of Presentation***

The accompanying financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). The Club's net deficits, revenues and expenses are classified based on the existence or absence of donor-imposed restrictions. Net deficits and changes therein are classified and reported as follows:

#### ***Net Deficits with Donor Restrictions***

Net deficits with donor restrictions are those net deficits whose use by the Club have been limited by donors (a) to later periods of time or after specified dates or (b) to specified purposes or (c) maintained in perpetuity. The Club did not have any net deficits with donor restrictions in 2025 or 2024.

#### ***Net Deficits without Donor Restrictions***

Net deficits without donor restrictions include those net deficits whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation.

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

For the purpose of reporting cash flows, the Club considers all highly-liquid investments with an original maturity of three months or less from the date of acquisition that are not included in assets whose use is limited to be cash equivalents. The Club maintains its cash and cash equivalents in bank deposit accounts which may, at times, exceed federally insured limits. The Club has not experienced any financial loss related to such deposits and does not believe it is exposed to any significant credit risk on its cash and cash equivalents.

### ***Accounts Receivable***

The Club records accounts receivable at total unpaid balance. The Club determines past-due status of individual accounts receivable based on the terms of the original contract (or based on how recently payments have been made, for example). The Club estimates an allowance for expected credit losses based on a combination of factors, including the Club's historical loss experience and any anticipated effects related to current economic conditions, as well as management knowledge of the current composition of accounts receivable. Delinquent accounts are written off when deemed uncollectible.

**The Cypress of Charlotte Club, Inc.**  
**Notes to Financial Statements**  
**December 31, 2025 and 2024**

---

The following table provides information about the Club's receivables from contracts with customers:

	<u>2025</u>	<u>2024</u>
Accounts receivable, net - beginning of year	\$ 880,975	\$ 719,029
Accounts receivable, net - end of year	\$ 615,629	\$ 880,975

***Inventory***

The Club values its inventories at the lower of cost (average cost method) or net realizable value.

***Prepaid Expenses***

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

***Assets Limited as to Use***

Assets limited as to use include assets set aside by the Board of Directors for North Carolina General Statute reserve requirements, over which the Board retains control.

Assets limited as to use include investments in debt and equity securities that have readily determinable fair values. Changes in the fair value of investments, including both realized and unrealized gains and losses, are included in the accompanying statements of operations and changes in net deficits (without donor restrictions). In determining realized gains and losses, the cost of investments is determined using the specific-identification method.

The Club's investments potentially subject it to market risks and concentrations of credit risk. The Club maintains various types of investments that encompass many different companies with varied industry and geographical characteristics designed to limit exposure to any one industry, company or geographical location. The Club retains investment managers who actively buy and sell securities within the Club's guidelines and who perform periodic evaluations of the relative credit standing of the companies and financial institutions in which the Club invests.

***Property and Equipment***

Depreciation is provided over the estimated useful life, ranging from 3 to 10 years of each class of depreciable assets and is computed using the straight-line method. The Club capitalizes furnishings, vehicles and equipment to which it has title or other evidence of ownership. Capitalized assets are recorded at cost, while assets contributed by the developer are recorded at estimated fair value at the date of the contribution.

The Club periodically assesses the realizability of its long-lived assets and evaluates such assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. For assets to be held and used, impairment is determined to exist if estimated future cash flows, undiscounted and without interest charges, are less than the carrying amount. For assets to be disposed of, impairment is determined to exist if the estimated net realizable value is less than the carrying amount. During the years ended December 31, 2025 and 2024, no impairment indicators were identified.

***Right-of-Use Operating Lease Assets***

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service.

**The Cypress of Charlotte Club, Inc.**  
**Notes to Financial Statements**  
**December 31, 2025 and 2024**

---

***Revenue Recognition***

Revenue is measured as the amount of consideration the Club expects to receive in exchange for transferring services. Member fees are recorded on the accrual basis of accounting and represent amounts charged to residents under the terms of the Membership Agreement. Health Center and Home Health revenue is reported at the estimated net realizable amounts from residents, third-party payors and others for services rendered. Revenues under third-party payor agreements are subject to audit and retroactive adjustment. Provisions for estimated third-party payor settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement. The Club believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

***Employee Retention Credit***

In response to the economic impact of the COVID-19 pandemic, Congress introduced the Employee Retention Credit (ERC). The ERC is a refundable payroll tax credit available to taxpayers who experienced either a full or partial suspension of business operations due to government orders or had a significant drop in gross receipts during 2021. The credit is available for 70 percent of qualified wages for 2021 with a maximum potential credit per qualified employee of \$7,000 per qualified quarter.

The Club incurred qualifying wages in 2021 and recognized approximately \$4,209,000 as operating revenue in the statements of operations and changes in net deficits for the year ended December 31, 2022, along with a corresponding receivable in the balance sheets. At December 31, 2025 and 2024, the total amount of ERC receivable outstanding was approximately \$0 and \$1,561,000, respectively. The Club received the full outstanding ERC payment in May 2025.

***Income Tax Status***

The Club is a nonprofit organization exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code. Management has evaluated the Club's tax positions and concluded that the Club has taken no uncertain tax positions that require adjustment to the financial statements.

The Club files as a tax-exempt organization. Because management has not identified unrelated business income in past years, the Club has not filed Form 990-T, Exempt Organization Business Income Tax Return. Management is not aware of any activities that would jeopardize the tax-exempt status of the Club. Management is not aware of any significant activities that are subject to tax on unrelated business income or excise or other taxes for the Club.

***Use of Estimates***

The preparation of financial statements in conformity with GAAP requires the Club's 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, expenses, gains, losses and other changes in net deficits during the reporting period. Actual results could differ from those estimates.

***Subsequent Events***

The Club has evaluated its subsequent events through May 19, 2026, the date the financial statements were available to be issued.

**The Cypress of Charlotte Club, Inc.**  
**Notes to Financial Statements**  
**December 31, 2025 and 2024**

**Note 2. Revenue Recognition**

The Club disaggregates its revenue from contracts with customers by payor source, as the Club believes it best depicts how the nature, timing and uncertainty of its revenues and cash flows are affected by economic factors. See details on a reportable segment basis in the table below for the years ended December 31, 2025 and 2024:

	<b>2025</b>			
	<b>Member Fees</b>	<b>Health Center</b>	<b>Home Health</b>	<b>Total</b>
Private pay and commercial	\$ 14,299,534	\$ 8,135,822	\$ 3,959,781	\$ 26,395,137
Government reimbursement	-	978,321	-	978,321
<b>Total</b>	<b><u>\$ 14,299,534</u></b>	<b><u>\$ 9,114,143</u></b>	<b><u>\$ 3,959,781</u></b>	<b><u>\$ 27,373,458</u></b>
	<b>2024</b>			
	<b>Member Fees</b>	<b>Health Center</b>	<b>Home Health</b>	<b>Total</b>
Private pay and commercial	\$ 13,503,819	\$ 7,712,614	\$ 3,817,679	\$ 25,034,112
Government reimbursement	-	957,972	-	957,972
<b>Total</b>	<b><u>\$ 13,503,819</u></b>	<b><u>\$ 8,670,586</u></b>	<b><u>\$ 3,817,679</u></b>	<b><u>\$ 25,992,084</u></b>

**Note 3. Availability and Liquidity**

The following represents the Club's financial assets at December 31:

	<b>2025</b>	<b>2024</b>
Financial assets at year end		
Cash and cash equivalents	\$ 1,349,178	\$ 799,649
Accounts receivable, net	615,629	880,975
Due from affiliates	53,111	70,833
Financial assets available to meet general expenditures over the next twelve months	<b><u>\$ 2,017,918</u></b>	<b><u>\$ 1,751,457</u></b>

The Club's goal is generally to maintain financial assets to meet 90 days of operating expenses.

**The Cypress of Charlotte Club, Inc.**  
**Notes to Financial Statements**  
**December 31, 2025 and 2024**

---

**Note 4. Assets Limited as to Use**

Assets limited as to use at December 31 are set forth in the following table:

	<u>2025</u>	<u>2024</u>
Internally designated for Department of Insurance operating reserve		
Money market funds	\$ 475,206	\$ 361,596
Mutual funds	<u>2,238,608</u>	<u>2,228,873</u>
	<u>\$ 2,713,814</u>	<u>\$ 2,590,469</u>

The following schedule summarizes the investment income and its classification in the financial statements for the years ended December 31:

	<u>2025</u>	<u>2024</u>
Interest and dividends	<u>\$ 217,540</u>	<u>\$ 31,161</u>
Total investment income, net	<u>\$ 217,540</u>	<u>\$ 31,161</u>

**Note 5. Inventory**

Inventory at December 31 is as follows:

	<u>2025</u>	<u>2024</u>
Food and beverage	\$ 66,905	\$ 69,833
Housekeeping supplies	2,409	5,278
Nursing supplies	18,266	13,068
Plant supplies	<u>49,650</u>	<u>74,398</u>
	<u>\$ 137,230</u>	<u>\$ 162,577</u>

**The Cypress of Charlotte Club, Inc.**  
**Notes to Financial Statements**  
**December 31, 2025 and 2024**

**Note 6. Property and Equipment**

The components of the Club's property and equipment at December 31 are as follows:

	<u>2025</u>	<u>2024</u>
Land and land improvements	\$ 13,508	\$ 13,508
Buildings and improvements	150,058	150,057
Furniture, fixtures and equipment	2,794,333	1,946,916
Vehicles	968,927	853,957
Construction in progress	<u>34,000</u>	<u>-</u>
	3,960,826	2,964,438
Less accumulated depreciation, including amortization	<u>2,335,256</u>	<u>2,146,654</u>
	<u>\$ 1,625,570</u>	<u>\$ 817,784</u>

**Note 7. Long-Term Debt**

The Club entered into a note agreement in 2022 for a vehicle. The vehicle note agreement has a remaining life of 24 months at an implied annual interest rate of 1.90%, with monthly payments of \$618. At December 31, 2025 and 2024, the amount outstanding on this note agreement was approximately \$15,000 and \$22,000 respectively.

On July 10, 2024, the Club entered into a letter of credit agreement with TowneBank. Under the letter of credit agreement, the Club could borrow up to \$3 million. The maturity date for the line of credit is July 10, 2026, and automatically renews for 1 year terms up to 5 years. At December 31, 2025 and 2024, no draws had been made.

In January 2021, the Cypress entered into a \$10 million promissory note with TowneBank to finance the expansion of the Stewart Health Center. The note bears interest at 3.75% and matures in January 2036. Interest only payments were due during construction, through September 2022. Principal payments began in October 2022, when the project was completed. The note is secured not by the real estate, but by a pledge of the operating cash flows of the Club and the Association. It is projected that such cash flows, increased by the additional number of health center beds and increased daily rates from the state-of-the-art facility, agreed-to and voted-on by the Cypress Homeowners Association Members, will cover such debt service. In the unlikely event that such cash flows do not materialize, the Association owners, by vote, have agreed to the Association's assessment mechanism in the Declaration of Condominium to fund debt service. At December 31, 2025 and 2024, the amount outstanding on this loan was approximately \$8,128,000 and \$8,741,000, respectively.

Annual future maturities under the notes payable obligations, as of December 31, 2025, are as follows:

2026	\$ 642,843
2027	668,294
2028	685,316
2029	712,689
2030	740,402
Thereafter	<u>4,693,208</u>
	<u>\$ 8,142,752</u>

**Note 8. Leases**

***Accounting Policies***

The Club determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheets. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Club determines lease classification as operating or finance at the lease commencement date.

At lease commencement, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Club elected the practical expedient to account for nonlease components and the lease components to which they relate as a single lease component for all. Also, the Club has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities for which there is not an implicit rate determinable. The risk-free rate is determined using a period comparable with the lease term.

The Club has elected not to record leases with an initial term of 12 months or less on the balance sheets. Lease expense on such leases is recognized on a straight-line basis over the lease term.

***Operating Leases***

The Club leases certain printers under the terms of non-cancellable operating leases. Operating lease expense is recognized in operations by amortizing the amount recorded as lease balances on a straight-line basis over the lease term. Many of the leases include rental escalation clauses and renewal options that are factored into the determination of lease payments when appropriate.

***Quantitative Disclosures***

The components of lease expense (and related classification in the accompanying statements of operations) were as follows during the years ended December 31:

	<u>2025</u>	<u>2024</u>
Operating lease cost (general and administrative)	\$ 45,307	\$ 47,790
Other information		
Weighted-average remaining lease term – operating leases	2.72 years	3.75 years
Weighted-average discount rate – operating leases	3.97%	3.95%

The following schedule summarizes the Club's future minimum payments under contractual obligations for operating liabilities under Topic 842:

2026	\$ 43,728
2027	43,728
2028	<u>33,107</u>
Total	120,563
Present value discount	<u>(6,322)</u>
Total lease liability	<u>\$ 114,241</u>

## **Note 9. Transactions with Affiliates and Management Company**

Pursuant to the Management Agreement entered into between the Club and the Company, as well as the Membership Agreement between each member, the Club and the Company, the Company receives a management fee (overhead payment) from the Club based on 10% of the adjusted operating costs of the Club. For the years ended December 31, 2025 and 2024, the management fees (overhead payment) totaled \$2,422,465 and \$2,194,232, respectively. During the years ended December 31, 2025 and 2024, the Company contributed \$0 and \$80,676 to the Club, respectively. Separately, the Company reimburses the Club when the Club processes operating transactions on the Company's behalf. There was \$53,111 and \$70,833 due from the Company for reimbursable transactions at December 31, 2025 and 2024, respectively.

The Club provides the Association with all services related to the Association's stewardship over the common property of the Association. Accordingly, the Club allocates income and expenses incurred in performance of these functions to the Association. The allocation is based on management's estimate of the percentage of each income and expense category incurred on behalf of the Association. These estimates are adjusted annually based on historical data. For the years ended December 31, 2025 and 2024, fee income and all of the Association's housekeeping, plant and general and administrative expenses were allocated from the Club. The Club also transferred \$2,493,255 and \$322,012 to the Association's Reserve for Replacements for the years ended December 31, 2025 and 2024, respectively. A receivable or liability is then recorded for the net amount allocated to the Association. There was no amount due from the Association at December 31, 2025 or 2024.

The Club retains Life Care Services, LLC (Life Care) for their expertise in continuing care retirement communities to assist in managing the Club. The agreement dated March 26, 2014 expired on March 26, 2019 and was subsequently renewed for 60 months, which expired on March 27, 2024. The agreement was renewed for another 24 months expiring on March 31, 2026 unless sooner terminated in accordance with the agreement. For the years ended December 31, 2025 and 2024, amounts paid to Life Care totaled \$2,166,773 and \$1,952,959 respectively. For the years ended December 31, 2025 and 2024, the Club allocated expenses of \$260,259 and \$246,794, respectively, representing the Association's share of costs related to the contract with Life Care. The Club owed \$39,810 and \$9,724 to Life Care at December 31, 2025 and 2024, respectively, which are included in accounts payable on the statements of operations.

## **Note 10. Retirement Plan**

The Club sponsors a 401(k) retirement savings plan for all eligible employees. Employees are eligible to participate in the plan upon attaining the age of 21 years, completing one year of active service, and having worked at least 1,000 hours in a given year. Employees may invest up to 20% of regular, non-overtime income into the plan. The Club will match 50% of the first 4% of an employee's savings. Employees are 100% vested in the portion they contribute to the plan. The Club matching funds are vested over a five-year period.

Retirement expense for the plan was approximately \$93,000 and \$84,000 for the years ended December 31, 2025 and 2024, respectively.

## **Note 11. Regulatory Matters**

Continuing care retirement communities located in North Carolina are licensed and monitored by the State Department of Insurance under Article 64 of Chapter 58 of the North Carolina General Statutes. The Commissioner of Insurance has the authority to revoke or restrict the license of, or impose additional requirements on any continuing care facility under certain circumstances specified in General Statute 58-64-10.

**The Cypress of Charlotte Club, Inc.**  
**Notes to Financial Statements**  
**December 31, 2025 and 2024**

---

North Carolina General Statute 58-64-33 requires that continuing care retirement communities with occupancy levels in excess of 90% maintain an operating reserve equal to 25% of total operating costs projected for the 12-month period following the most recent annual statement filed with the Department of Insurance, upon approval of the Commissioner. Effective December 1, 2025, the statutory reserve requirement was updated to 12.5% for communities with occupancy levels of 93% or greater. The facility had occupancy greater than 93% at December 31, 2025.

To meet this obligation, at closing, the Club requires that each purchaser shall be responsible for paying a reserve deposit of \$7,500 to the Club. So long as it is not necessary for the Club to use proceeds or assets from the reserve account, interest and/or dividends shall be paid to each purchaser on a pro rata basis in February of each year. For the years ended December 31, 2025 and 2024, the Club did not use proceeds or assets from the reserve account and the balance of interest and dividends is shown as due to homeowners.

Each subsequent purchaser shall be obligated to pay \$7,500 into the reserve account, so that upon resale of the unit, any unused portion of the \$7,500 deposit shall be returned to the original purchaser plus accrued but unpaid interest on the related deposit through the date of closing.

Based on the Club's 2026 forecasted statements, the required operating reserve is \$3,640,982 at December 31, 2025. The balance held in the restricted investment account was \$2,713,814 at December 31, 2025. The North Carolina Department of Insurance had no objection to the proposal that the Cypress be permitted to fund any shortfalls in the Department of Insurance Operating Reserve with funds from the Association's Reserve for Replacements, which had a balance of \$5,246,512 at December 31, 2025. Additionally, the Club has a letter of credit agreement under which the Club could borrow up to \$3,000,000 to fund any shortfalls in the Department of Insurance Operating Reserve.

During the year ended December 31, 2017, the Association utilized \$2,000,000 from the Reserve for Replacement account to fund a construction project. The Association members have guaranteed annual contributions to the Reserve for Replacement account over a ten-year period to replenish the reserve. The construction project was completed in 2018 and the Association members began making contributions to the Reserve for Replacement account. The Association members contributed \$237,324 during 2025 and 2024, including interest, and anticipate making monthly payments of \$19,777 over a ten-year period to replenish the reserve.

## **Note 12. Fair Value of Financial Instruments**

GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under GAAP are described below:

- Level 1** Unadjusted quoted prices in active markets for identical assets or liabilities that the Club has the ability to access at the measurement date. The quoted price for these investments is not adjusted, even in situations where the Club holds a large position and a sale could reasonably be expected to impact the quoted price.
  
- Level 2** Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly, and the fair value is determined through the use of models or other valuation methodologies. Investments that are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities, certain over-the-counter derivatives and certain general and limited partnership and membership interests in funds that calculate net asset value per share, or its equivalent. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

**The Cypress of Charlotte Club, Inc.**  
**Notes to Financial Statements**  
**December 31, 2025 and 2024**

**Level 3** Inputs that are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The Club has various processes and controls in place to ensure that fair value is reasonably estimated.

Following is a description of the valuation methodologies used for assets measured at fair value subsequent to initial recognition. These methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Club believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

During the years ended December 31, 2025 and 2024, there were no changes to the Club's valuation techniques that had, or are expected to have, a material impact on its balance sheets or results of operations.

**Mutual Funds**

Securities traded on a national securities exchange are stated at the last reported sales price on the day of valuation. To the extent these securities are actively traded and valuation adjustments are not applied, they are categorized in Level 1 of the fair value hierarchy.

The tables below present the balances of financial instruments measured at fair value on a recurring basis by level within the hierarchy at December 31, 2025 and 2024:

		<b>2025</b>		
		<b>Fair Value Measurements</b>		
<b>Asset Class</b>	<b>Total</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobserv- able Inputs (Level 3)</b>
Assets limited as to use Designated for Department of Insurance Mutual funds	\$ 2,238,608	\$ 2,238,608	\$ -	\$ -
		<b>2024</b>		
		<b>Fair Value Measurements</b>		
<b>Asset Class</b>	<b>Total</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobserv- able Inputs (Level 3)</b>
Assets limited as to use Designated for Department of Insurance Mutual funds	\$ 2,228,873	\$ 2,228,873	\$ -	\$ -

**The Cypress of Charlotte Club, Inc.**  
**Notes to Financial Statements**  
**December 31, 2025 and 2024**

---

The Club has \$475,206 and \$361,596 of cash and cash equivalents as of December 31, 2025 and 2024, respectively, which were not classified as a level.

**Note 13. Concentration of Credit Risk**

The Club grants credit without collateral to its residents, some of whom are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at December 31 was as follows:

	<u>2025</u>	<u>2024</u>
Self-pay	70%	71%
Medicare	17%	14%
Other third-party payors	<u>13%</u>	<u>15%</u>
Totals	<u>100%</u>	<u>100%</u>

**Note 14. Contingencies**

***Medical Malpractice***


The Club's malpractice insurance coverage is on a claims-made basis with limits of \$1,000,000 for each claim and \$3,000,000 in the aggregate. The Club's commercial general liability coverage also has limits of \$1,000,000 for each claim and \$3,000,000 in the aggregate. In addition, the Club has an umbrella liability policy with excess coverage limits of \$10,000,000 per incident and \$50,000,000 in the aggregate. Should the Club not renew its claims-made policy, or replace it with equivalent insurance, claims incurred during its term but asserted after its expiration would be uninsured, unless the Club obtains tail coverage. Management anticipates that such coverage will be renewed or replaced with equivalent insurance as these policies expire.



# **The Cypress of Charlotte Homeowners Association, Inc.**

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

December 31, 2025 and 2024



**The Cypress of Charlotte Homeowners Association, Inc.**  
**Contents**  
**December 31, 2025 and 2024**

---

**Independent Auditor's Report**..... 1

**Financial Statements**

Balance Sheets ..... 3

Statements of Revenues and Expenses ..... 4

Statements of Changes in Members' Equity ..... 5

Statements of Cash Flows ..... 6

Notes to Financial Statements ..... 7

**Required Supplementary Information**

Future Major Repairs and Replacements (Unaudited) ..... 13

**Supplementary Information**

Reserve for Replacement Reconciliation ..... 14

## Independent Auditor's Report

Board of Directors  
The Cypress of Charlotte Homeowners Association, Inc.  
Charlotte, North Carolina

### ***Opinion***

We have audited the financial statements of The Cypress of Charlotte Homeowners Association, Inc. (the Association), which comprise the balance sheets as of December 31, 2025 and 2024, the related statements of revenues and expenses, changes in members' equity and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

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

### ***Responsibilities of Management for the 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 these 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Club'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.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the schedule of future major repairs and replacements listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Association's basic financial statements. The supplementary information on the reserve for replacement reconciliation listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

***Forvis Mazars, LLP***

**Charlotte, North Carolina  
May 19, 2026**

**The Cypress of Charlotte Homeowners Association, Inc.**  
**Balance Sheets**  
**December 31, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 183,482	\$ 128,827
<b>Total Current Assets</b>	183,482	128,827
<b>Assets Limited as to Use</b>		
Reserve for replacements	5,246,512	2,380,153
<b>Property and Equipment, Net</b>	<u>28,747,843</u>	<u>27,519,691</u>
<b>Total Assets</b>	<u>\$ 34,177,837</u>	<u>\$ 30,028,671</u>
<b>MEMBERS' EQUITY</b>		
<b>Members' Equity</b>		
Members' equity, undesignated	\$ 28,931,325	\$ 27,648,518
Members' equity, designated asset replacement and repair	<u>5,246,512</u>	<u>2,380,153</u>
<b>Total Members' Equity</b>	<u>\$ 34,177,837</u>	<u>\$ 30,028,671</u>

**The Cypress of Charlotte Homeowners Association, Inc.**  
**Statements of Revenues and Expenses**  
**Years Ended December 31, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
<b>Revenues, Gains, and Other Support</b>		
Member assessments		
Operations	\$ 8,943,935	\$ 8,438,729
New member fees	147,927	130,533
Investment income, net	<u>373,563</u>	<u>367,897</u>
<b>Total Revenues, Gains, and Other Support</b>	<u>9,465,425</u>	<u>8,937,159</u>
<b>Expenses and Losses</b>		
Plant	4,674,108	4,411,240
Housekeeping	731,306	711,174
General and administrative	1,971,445	1,430,755
Management fee	643,946	583,277
Depreciation	<u>1,377,993</u>	<u>1,243,113</u>
<b>Total Expenses and Losses</b>	<u>9,398,798</u>	<u>8,379,559</u>
<b>Excess of Revenues, Gains, and Other Support Over Expenses and Losses</b>	<u>\$ 66,627</u>	<u>\$ 557,600</u>

**The Cypress of Charlotte Homeowners Association, Inc.**  
**Statements of Changes in Members' Equity**  
**Years Ended December 31, 2025 and 2024**

	<u>Undesignated</u>	<u>Designated Asset Replacement and Repair</u>	<u>Total Members' Equity</u>
<b>Balance, December 31, 2023</b>	\$ 26,376,887	\$ 2,691,496	\$ 29,068,383
Excess of revenues, gains, and other support over expenses and losses	557,600	-	557,600
Equity transfer from the Club	402,688	-	402,688
Amounts distributed from designated asset replacement and repair	<u>311,343</u>	<u>(311,343)</u>	<u>-</u>
<b>Balance, December 31, 2024</b>	27,648,518	2,380,153	30,028,671
Excess of revenues, gains, and other support over expenses and losses	66,627	-	66,627
Capital contributions	1,162,500	-	1,162,500
Equity transfer from the Club	2,920,039	-	2,920,039
Amounts contributed to designated asset replacement and repair	<u>(2,866,359)</u>	<u>2,866,359</u>	<u>-</u>
<b>Balance, December 31, 2025</b>	<u>\$ 28,931,325</u>	<u>\$ 5,246,512</u>	<u>\$ 34,177,837</u>

**The Cypress of Charlotte Homeowners Association, Inc.**  
**Statements of Cash Flows**  
**Years Ended December 31, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
<b>Operating Activities</b>		
Excess of revenues, gains, and other support over expenses and losses	\$ 66,627	\$ 557,600
Adjustments to reconcile excess of revenues, gains, and other support over expenses and losses to net cash provided by operating activities		
Depreciation	1,377,993	1,243,113
Unrealized gain on assets limited as to use	<u>(255,017)</u>	<u>(302,817)</u>
<b>Net Cash Provided by Operating Activities</b>	<u>1,189,603</u>	<u>1,497,896</u>
<b>Investing Activities</b>		
Purchase of assets limited as to use	(2,611,342)	(385,840)
Purchase of property and equipment	<u>(2,606,145)</u>	<u>(1,467,947)</u>
<b>Net Cash Used in Investing Activities</b>	<u>(5,217,487)</u>	<u>(1,853,787)</u>
<b>Financing Activities</b>		
Capital contributions	1,162,500	-
Transfers from the Club	<u>2,920,039</u>	<u>402,688</u>
<b>Net Cash Provided by Financing Activities</b>	<u>4,082,539</u>	<u>402,688</u>
<b>Increase in Cash and Cash Equivalents</b>	54,655	46,797
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>128,827</u>	<u>82,030</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 183,482</u>	<u>\$ 128,827</u>
<b>Supplemental Cash Flows Information</b>		
Transfer from reserve and replacements for equipment and repairs	\$ -	\$ 1,000,000

## **Note 1. Nature of Operations and Summary of Significant Accounting Policies**

### ***Nature of Operations***

The Cypress of Charlotte Homeowners Association, Inc. (the Association) and The Cypress of Charlotte Club, Inc. (the Club) are collectively referred to as The Cypress of Charlotte (the Cypress). The Association was created in accordance with the North Carolina Condominium Act to maintain and preserve the common property of the Cypress. The Association's revenue is generated primarily through member assessments from condominium owners in the retirement community. The Club provides the Association with all services related to the Association's stewardship over the common property of the Association.

The Cypress is a continuing care retirement community with 310 independent living dwelling units and 78 healthcare beds located in Charlotte, North Carolina. The Club was organized as a nonprofit corporation under the laws of the State of North Carolina to manage operations of the Cypress. The Club and the Association engage in various transactions with an affiliate, The Cypress of Charlotte, LLC (the Company), and with each other. The Company is the entity that originally planned, designed, and built the Cypress.

A summary of the Association's significant accounting policies follows:

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

For the purpose of reporting cash flows, the Association considers all highly-liquid investments with an original maturity of three months or less from the date of acquisition that are not included in assets whose use is limited to be cash equivalents.

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

Assets limited as to use include assets set aside by the Board of Directors for future replacements of common property over which the Board retains control and may, at their discretion, subsequently use for other purposes.

Assets limited as to use include investments in debt and equity securities that have readily determinable fair values. Changes in the fair value of investments, including both realized and unrealized gains and losses, are included in the accompanying statements of revenues and expenses. In determining realized gains and losses, the cost of investments is determined using the specific-identification method.

The Association's investments potentially subject it to market risks and concentrations of credit risk. The Association maintains various types of investments that encompass many different companies with varied industry and geographical characteristics designed to limit exposure to any one industry, company or geographical location. The Association retains investment managers who actively buy and sell securities within the Association's guidelines and who perform periodic evaluations of the relative credit standing of the companies and financial institutions in which the Association invests.

### ***Property and Equipment***

Furniture, fixtures and equipment are depreciated using the straight-line method over estimated useful lives of 5 to 7 years. Buildings and improvements are depreciated over estimated useful lives of 7 to 39 years.

The Association, in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 972-360, *Common Interest Realty Associations - Property, Plant and Equipment*, does not recognize as assets real property directly associated with the members' units. The Clubhouse and Health Center are recognized as assets because they generate significant cash flows.

**The Cypress of Charlotte Homeowners Association, Inc.**  
**Notes to Financial Statements**  
**December 31, 2025 and 2024**

---

The Association does not recognize as assets any other common property regardless of title or other forms of ownership. The Association capitalizes furnishings, vehicles and equipment to which it has title or other evidence of ownership. Capitalized assets are recorded at cost, while assets contributed by the developer are recorded at estimated fair value at the date of the contribution.

The Association periodically assesses the realizability of its long-lived assets and evaluates such assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. For assets to be held and used, impairment is determined to exist if estimated future cash flows, undiscounted and without interest charges, are less than the carrying amount. For assets to be disposed of, impairment is determined to exist if the estimated net realizable value is less than the carrying amount. During the years ended December 31, 2025 and 2024, no impairment indicators were identified.

***Revenue Recognition***

Activities are accounted for using the accrual basis of accounting, whereby revenue is recognized when earned. Therefore, member assessments are recognized as revenue in the period covered by the billing. First time fees are a one-time/nonrefundable fee for services related to preparing the unit for the new resident, recognized when the resident contracts to acquire the unit and services to prepare the unit are performed. The Association believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

***Income Tax Status***

Homeowners associations may be taxed either as membership organizations or as regular corporations. For the years ended December 31, 2025 and 2024, the Association was taxed as a membership organization. As a membership organization, membership income is exempt from taxation if certain elections are made, and the Association is taxed only on its non-membership income, such as interest earnings, at regular federal and state corporate rates.

The Association follows the provisions of ASC 740-10 and has determined that there were no uncertain tax positions requiring recognition as of December 31, 2025 and 2024.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires the Association's 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, expenses, gains, losses and other changes in members' equity during the reporting period. Actual results could differ from those estimates.

***Subsequent Events***

The Association has evaluated its subsequent events through May 19, 2026, the date the financial statements were available to be issued.

**The Cypress of Charlotte Homeowners Association, Inc.**  
**Notes to Financial Statements**  
**December 31, 2025 and 2024**

**Note 2. Assets Limited as to Use**

Assets limited as to use at December 31 are set forth in the following table:

	<u>2025</u>	<u>2024</u>
Internally designated for reserve for replacements		
Money market funds	\$ 3,005,610	\$ 393,806
Mutual funds	<u>2,240,902</u>	<u>1,986,347</u>
	<u>\$ 5,246,512</u>	<u>\$ 2,380,153</u>

The following schedule summarizes the investment income, net for the years ended December 31:

	<u>2025</u>	<u>2024</u>
Interest and dividends	\$ 118,546	\$ 65,080
Unrealized investment gains	<u>255,017</u>	<u>302,817</u>
Total investment income, net	<u>\$ 373,563</u>	<u>\$ 367,897</u>

**Note 3. Property and Equipment**

At December 31, the components of the Association's property and equipment are as follows:

	<u>2025</u>	<u>2024</u>
Land	\$ 794,192	\$ 794,192
Building and improvements	39,843,744	37,237,599
Furniture, fixtures, and equipment	<u>627,758</u>	<u>627,758</u>
	41,265,694	38,659,549
Less accumulated depreciation	<u>12,517,851</u>	<u>11,139,858</u>
	<u>\$ 28,747,843</u>	<u>\$ 27,519,691</u>

**Note 4. Transactions with Affiliates and Management Company and Loan Guaranty**

The Association engages in various transactions with affiliates, the Company and the Club. Pursuant to the agreement between the Association and the Club, as well as the Membership Agreement between each member, the Club and the Company, the Company receives a management fee (overhead payment) based on 10% of the adjusted operating costs of the Association. For the years ended December 31, 2025 and 2024, the management fees were \$643,946 and \$583,277, respectively. There were no management fees payable to the Company at December 31, 2025 and 2024.

**The Cypress of Charlotte Homeowners Association, Inc.**  
**Notes to Financial Statements**  
**December 31, 2025 and 2024**

---

The Club manages commonly owned property of the Association. The Club also retains Life Care Services, LLC (Life Care) for their expertise in continuing care retirement communities to assist in managing the Club and the Association. The agreement dated March 26, 2014 expired on March 26, 2019 and was subsequently renewed for 60 months, which expired on March 27, 2024. The agreement was renewed for another 24 months expiring on March 31, 2026 unless sooner terminated in accordance with the agreement. For the years ended December 31, 2025 and 2024, the Club allocated expenses of \$260,259 and \$246,794 respectively, representing the Association's share of costs related to the contract with Life Care.

The Club provides the Association with all services related to the Association's stewardship over the common property of the Association. Accordingly, the Club allocates income and expenses incurred to perform these functions to the Association. The allocation is based on management's estimate of the percentage of each income and expense category incurred on behalf of the Association. These estimates are adjusted annually based on historical data. For the years ended December 31, 2025 and 2024, member fee income and all of the Association's housekeeping, plant and general and administrative expenses were allocated from the Club. The Club also transferred \$2,493,255 and \$322,012 to the Association's Reserve for Replacements for the years ended December 31, 2025 and 2024, respectively. A receivable or liability is then recorded for the net amount allocated to the Club. There was no amount due to the Club at December 31, 2025 or 2024. For the year ended December 31, 2025, the Club contributed \$0 to the Association to reimburse for expenses paid on the Club's behalf and the Club forgave the amount due from the Association of \$2,920,039. For the year ended December 31, 2024, the Club contributed \$80,676 to the Association to reimburse for expenses paid on the Club's behalf and the Club forgave the amount due from the Association of \$402,688. These transactions are recorded as equity transfers in the financial statements.

During the year ended December 31, 2017, the Association entered into a construction contract with an unrelated party, in the amount of \$3,300,000 (including change orders) for the reconstruction of the indoor pool facility. The Company contributed \$1,500,000 in 2017 towards the funding of the construction project. Additionally, the Association utilized \$2,000,000 from the reserve for replacement account to fund the construction project. The project was completed in 2018 and the Association members began making contributions to the reserve for replacement account. The Association members contributed \$237,324 during 2025 and 2024, including interest, and anticipate making monthly payments of \$19,777 over a ten-year period to replenish the reserve.

In January 2021, the Cypress entered into a \$10 million promissory note with TowneBank to finance the expansion of the Stewart Health Center. The note bears interest at 3.75% and matures in January 2036. Interest only payments were due during construction, through September 2022. Principal payments began in October 2022, when the project was completed. The note is secured not by the real estate, but by a pledge of the operating cash flows of the Club and the Association. It is projected that such cash flows, increased by the additional number of health center beds and increased daily rates from the state-of-the-art facility, agreed-to and voted-on by the Cypress Homeowners Association Members, will cover such debt service. In the unlikely event that such cash flows do not materialize, the Association owners, by vote, have agreed to the Association's assessment mechanism in the Declaration of Condominium to fund debt service.

## **Note 5. Future Repairs and Replacements**

As of December 31, 2025, there were no statutory requirements that the Association accumulate funds for future repairs and replacements and land acquisitions. Management of the Association conducted a study in 2018 to estimate the remaining useful lives of the components of common properties and to estimate the costs of future major repairs and replacements. The current policy is that these expenses will be paid from current amounts on hand in designated and undesignated accounts; special assessments may be levied, as required, after utilizing these designated funds or funds may be borrowed.

**The Cypress of Charlotte Homeowners Association, Inc.**  
**Notes to Financial Statements**  
**December 31, 2025 and 2024**

---

The Board has designated amounts for the Reserve for Replacement fund based on actual or budgeted surpluses occurring annually. Estimated future replacement costs and actual expenditures may vary materially from amounts set aside in the Reserve for Replacement assets. There were no special assessments in 2025 and 2024 for major repairs and replacements.

## **Note 6. Fair Value of Financial Instruments**

GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under GAAP are described below:

- Level 1** Unadjusted quoted prices in active markets for identical assets or liabilities that the Association has the ability to access at the measurement date. The quoted price for these investments is not adjusted, even in situations where the Association holds a large position and a sale could reasonably be expected to impact the quoted price.
- Level 2** Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly, and the fair value is determined through the use of models or other valuation methodologies. Investments that are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities, certain over-the-counter derivatives and certain general and limited partnership and membership interests in funds that calculate net asset value per share, or its equivalent. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.
- Level 3** Inputs that are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The Association has various processes and controls in place to ensure that fair value is reasonably estimated.

Following is a description of the valuation methodologies used for assets measured at fair value subsequent to initial recognition. These methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

During the years ended December 31, 2025 and 2024, there were no changes to the Association's valuation techniques that had, or are expected to have, a material impact on its balance sheets or results of operations.

### ***Mutual Funds***

Securities traded on a national securities exchange are stated at the last reported sales price on the day of valuation. To the extent these securities are actively traded and valuation adjustments are not applied, they are categorized in Level 1 of the fair value hierarchy.

**The Cypress of Charlotte Homeowners Association, Inc.**  
**Notes to Financial Statements**  
**December 31, 2025 and 2024**

The tables below present the balances of financial instruments measured at fair value on a recurring basis by level within the hierarchy at December 31, 2025 and 2024:

<b>2025</b>				
<b>Fair Value Measurements</b>				
<u>Asset Class</u>	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobserv- able Inputs (Level 3)</u>
Assets limited as to use				
Reserve for replacements				
Mutual funds	\$ <u>2,240,902</u>	\$ <u>2,240,902</u>	\$ -	\$ -

<b>2024</b>				
<b>Fair Value Measurements</b>				
<u>Asset Class</u>	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobserv- able Inputs (Level 3)</u>
Assets limited as to use				
Reserve for replacements				
Mutual funds	\$ <u>1,986,347</u>	\$ <u>1,986,347</u>	\$ -	\$ -

The Association has \$3,005,610 and \$393,806 of cash and cash equivalents as of December 31, 2025 and 2024, respectively, which were not classified as a level.

***Required Supplementary Information***

**The Cypress of Charlotte Homeowners Association, Inc.**  
**Future Major Repairs and Replacements (Unaudited)**  
**December 31, 2025**

Management engaged a consultant to perform a study in 2018 to estimate the remaining useful lives and the replacement costs of the components of common property over a 20-year period. The estimates were based on estimated current replacement costs. Funding requirements do not consider an annual rate of inflation or interest on amounts funded for future major repairs and replacements.

The following table is based on the study and presents significant information about the components of common property.

Component	Estimated Remaining Useful Life (Years)	Estimated Current Replacement Costs	2026 Funding Requirements
Total site development	2-34	\$ 5,722,206	\$ 290,000
Building structures and systems	2-36	9,228,761	676,995
Building mechanical equipment	2-36	3,091,931	509,052
Common area interior and finishes	2-34	4,270,787	765,235
Unit improvements	2-19	21,881,263	1,141,548
Furniture, fixtures and equipment	2-18	9,165,648	1,401,436
Total		\$ 53,360,596	\$ 4,784,266
Members' equity, designated asset replacement and repair			\$ 5,246,512

***Supplementary Information***

**The Cypress of Charlotte Homeowners Association, Inc.**  
**Reserve for Replacement Reconciliation**  
**December 31, 2025**

---


Beginning of year per audited financial statements	\$	2,380,153
Interest and dividends earned		118,387
Transfer to the reserve for replacement fund from the Club		2,493,255
Transfer for reimbursement of equipment and repairs		-
Investment fees paid during the year		(300)
Change in fair market value of assets limited as to use		255,017
		<hr/>
End of year per audited financial statements	\$	<u>5,246,512</u>
Other investment account activities		
Investments purchased	\$	2,611,342
Investment income reinvested	\$	118,387



# **The Cypress of Charlotte Club, Inc. and The Cypress of Charlotte Homeowners Association, Inc.**

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

December 31, 2025 and 2024



**The Cypress of Charlotte Club, Inc. and The Cypress of Charlotte Homeowners Association, Inc.**  
**Contents**  
**December 31, 2025 and 2024**

---

**Independent Auditor's Report**..... 1

**Combined Financial Statements**

    Balance Sheets ..... 4

    Statements of Operations ..... 6

    Statements of Changes in Net Assets (Deficits) and Members' Equity ..... 7

    Statements of Functional Expenses..... 8

    Statements of Cash Flows ..... 9

    Notes to Financial Statements ..... 10

**Required Supplementary Information**

    Future Major Repairs and Replacements (Unaudited) ..... 22

**Supplementary Information**

    Combining Balance Sheet..... 23

    Combining Statement of Operations ..... 25

## Independent Auditor's Report

Board of Directors  
The Cypress of Charlotte Club, Inc. and The Cypress of Charlotte Homeowners Association, Inc.  
Charlotte, North Carolina

### ***Opinion***

We have audited the combined financial statements of The Cypress of Charlotte Club, Inc. (the Club) and The Cypress of Charlotte Homeowners Association, Inc. (the Association), which comprise the combined balance sheets as of December 31, 2025 and 2024, and the related combined statements of operations, changes in net assets (deficits) and members' equity, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying combined financial statements referred to above present fairly, in all material respects, the financial position of the Club and the Association as of December 31, 2025 and 2024, and the results of their operations, changes in net assets (deficits) and members' equity and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

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

### ***Responsibilities of Management for the Combined Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Combined Financial Statements***

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined 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 combined 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 Club and 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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Club and 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.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the schedule of future major repairs and replacements listed in the table of contents be presented to supplement the basic combined financial statements. Such information is the responsibility of management and, although not part of the basic combined financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic combined financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic combined financial statements, and other knowledge we obtained during our audit of the basic combined financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining balance sheet and combining statement of operations on pages 23 through 25 are presented for purposes of additional analysis rather than to present the financial position and results of operations and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

***Forvis Mazars, LLP***

**Charlotte, North Carolina  
May 19, 2026**

**The Cypress of Charlotte Club, Inc. and The Cypress of Charlotte Homeowners Association, Inc.  
 Combined Balance Sheets  
 December 31, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,532,660	\$ 928,476
Accounts receivable, net of allowance 2025 - \$27,526, 2024 - \$119,436	615,629	880,975
Employee retention credit receivable	-	1,561,166
Due from affiliates	53,111	70,833
Inventory	137,230	162,577
Prepaid expenses	484,495	540,830
<b>Total Current Assets</b>	<u>2,823,125</u>	<u>4,144,857</u>
<b>Assets Limited as to Use</b>		
Internally designated for Department of Insurance operating reserve	2,713,814	2,590,469
Reserve for replacements	5,246,512	2,380,153
<b>Total Assets Limited as to Use</b>	<u>7,960,326</u>	<u>4,970,622</u>
<b>Other Assets</b>		
Other investments	25,000	25,000
Property and equipment, net	30,373,413	28,337,475
Refundable deposits	25,000	25,000
Right-of-use operating lease assets	114,241	154,173
<b>Total Other Assets</b>	<u>30,537,654</u>	<u>28,541,648</u>
<b>Total Assets</b>	<u>\$ 41,321,105</u>	<u>\$ 37,657,127</u>

**The Cypress of Charlotte Club, Inc. and The Cypress of Charlotte Homeowners Association, Inc.**  
**Combined Balance Sheets**  
**December 31, 2025 and 2024**

**(Continued)**

	<u>2025</u>	<u>2024</u>
<b>LIABILITIES, NET ASSETS, AND MEMBERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 792,707	\$ 438,130
Accrued expenses	2,386,891	1,875,081
Due to homeowners	126,756	125,603
Current portion of operating lease liabilities	39,915	39,931
Current portion of notes payable	<u>642,843</u>	<u>618,913</u>
<b>Total Current Liabilities</b>	<u>3,989,112</u>	<u>3,097,658</u>
<b>Other Liabilities</b>		
Operating lease liabilities, less current portion	74,326	114,241
Notes payable, less current portion	<u>7,499,909</u>	<u>8,144,166</u>
<b>Total Other Liabilities</b>	<u>11,563,347</u>	<u>11,356,065</u>
<b>Net Assets</b>		
Without donor restrictions	<u>13,785,810</u>	<u>11,558,241</u>
<b>Members' Equity</b>		
Members' equity, undesignated	10,725,436	12,362,668
Members' equity, designated asset replacement and repair	<u>5,246,512</u>	<u>2,380,153</u>
<b>Total Members' Equity</b>	<u>15,971,948</u>	<u>14,742,821</u>
<b>Total Liabilities, Net Assets, and Members' Equity</b>	<u>\$ 41,321,105</u>	<u>\$ 37,657,127</u>

**The Cypress of Charlotte Club, Inc. and The Cypress of Charlotte Homeowners Association, Inc.  
 Combined Statements of Operations  
 Years Ended December 31, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
<b>Revenues, Gains, and Other Support</b>		
Member fees and assessments	\$ 23,391,396	\$ 22,073,081
Health Center	9,114,143	8,670,586
Home Health	3,959,781	3,817,679
Other	500	12,592
Investment income, net	591,103	399,058
	<u>37,056,923</u>	<u>34,972,996</u>
<b>Expenses and Losses</b>		
Food and beverage	5,996,613	5,761,497
Health Center	6,253,736	6,043,510
Home Health	3,192,185	3,131,814
Plant	5,708,595	5,289,917
Resident services	473,883	455,635
Housekeeping	1,863,048	1,924,910
General and administrative	6,641,661	6,623,806
Management fee	3,066,411	2,777,509
Depreciation	1,566,595	1,373,325
	<u>34,762,727</u>	<u>33,381,923</u>
<b>Total Expenses and Losses</b>		
	<u>34,762,727</u>	<u>33,381,923</u>
<b>Excess of Revenues, Gains, and Other Support Over Expenses and Losses</b>		
	<u>\$ 2,294,196</u>	<u>\$ 1,591,073</u>

**The Cypress of Charlotte Club, Inc. and The Cypress of Charlotte Homeowners Association, Inc.  
 Combined Statements of Changes in Net Assets and Members' Equity  
 Years Ended December 31, 2025 and 2024**

	<b>Total Net Assets</b>		
<b>Net Assets</b>			
Net assets without donor restrictions, December 31, 2023			\$ 10,444,092
Change in net assets			1,033,473
Capital contributions			<u>80,676</u>
Net assets without donor restrictions, December 31, 2024			11,558,241
Change in net assets			<u>2,227,569</u>
Net assets without donor restrictions, December 31, 2025			<u>\$ 13,785,810</u>
	<b>Undesignated</b>	<b>Designated Asset Replacement and Repair</b>	<b>Total Members' Equity</b>
<b>Balance, December 31, 2023</b>	\$ 11,493,725	\$ 2,691,496	\$ 14,185,221
Excess of revenues, gains, and other support over expenses and losses	557,600	-	557,600
Amounts contributed to designated asset replacement and repair	<u>311,343</u>	<u>(311,343)</u>	<u>-</u>
<b>Balance, December 31, 2024</b>	12,362,668	2,380,153	14,742,821
Excess of revenues, gains, and other support over expenses and losses	66,627	-	66,627
Capital contributions	1,162,500	-	1,162,500
Amounts distributed from designated asset replacement and repair	<u>(2,866,359)</u>	<u>2,866,359</u>	<u>-</u>
<b>Balance, December 31, 2025</b>	<u>\$ 10,725,436</u>	<u>\$ 5,246,512</u>	<u>\$ 15,971,948</u>

**The Cypress of Charlotte Club, Inc. and The Cypress of Charlotte Homeowners Association, Inc.  
 Combined Statements of Functional Expenses  
 Years Ended December 31, 2025 and 2024**

	<b>2025</b>		
	<b>Program Services</b>	<b>Management and General</b>	<b>Total</b>
Salaries and benefits	\$ 11,764,625	\$ 3,312,187	\$ 15,076,812
Payroll taxes	1,034,532	93,503	1,128,035
Fees for services	1,066,729	2,002,931	3,069,660
Office expenses	681,741	272,163	953,904
Information technology	-	263,384	263,384
Occupancy	542,305	77,242	619,547
Travel	18,756	14,158	32,914
Conferences, conventions, and meetings	33,034	14,545	47,579
Interest	342,436	-	342,436
Depreciation	188,602	-	188,602
Insurance	-	606,793	606,793
Food	2,100,994	-	2,100,994
Supplies	635,860	24,244	660,104
Activities	123,293	-	123,293
Medical supplies	137,904	-	137,904
Other expenses	-	11,968	11,968
	<u>\$ 18,670,811</u>	<u>\$ 6,693,118</u>	<u>25,363,929</u>
Expenses of The Cypress of Charlotte Homeowners Association not required to be presented on a functional basis			<u>9,398,798</u>
			<u>\$ 34,762,727</u>

	<b>2024</b>		
	<b>Program Services</b>	<b>Management and General</b>	<b>Total</b>
Salaries and benefits	\$ 11,457,052	\$ 3,362,359	\$ 14,819,411
Payroll taxes	1,012,011	73,637	1,085,648
Fees for services	1,013,229	2,242,575	3,255,804
Office expenses	585,635	273,686	859,321
Information technology	-	246,236	246,236
Occupancy	513,254	75,665	588,919
Travel	5,446	4,586	10,032
Conferences, conventions, and meetings	11,424	10,235	21,659
Interest	372,288	-	372,288
Depreciation	130,212	-	130,212
Insurance	-	593,471	593,471
Food	1,987,466	-	1,987,466
Supplies	652,209	50,320	702,529
Activities	87,349	-	87,349
Medical supplies	149,168	-	149,168
Other expenses	-	92,851	92,851
	<u>\$ 17,976,743</u>	<u>\$ 7,025,621</u>	<u>25,002,364</u>
Expenses of The Cypress of Charlotte Homeowners Association not required to be presented on a functional basis			<u>8,379,559</u>
			<u>\$ 33,381,923</u>

**The Cypress of Charlotte Club, Inc. and The Cypress of Charlotte Homeowners Association, Inc.**  
**Combined Statements of Cash Flows**  
**Years Ended December 31, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
<b>Operating Activities</b>		
Excess of revenues, gains, and other support over expenses and losses	\$ 2,294,196	\$ 1,591,073
Adjustments to reconcile excess of revenues, gains, and other support over expenses and losses to net cash provided by operating activities		
Depreciation	1,566,595	1,373,325
Unrealized gain on assets limited as to use	(255,017)	(302,817)
Provision for credit losses on accounts receivable	50,000	84,829
Noncash operating lease expense	39,932	40,890
Changes in		
Accounts receivable	215,346	(246,775)
Employee retention credit receivable	1,561,166	-
Due from affiliates	17,722	76,723
Inventories	25,347	(6,773)
Prepaid expenses	56,335	(10,641)
Accounts payable	(58,518)	(220,531)
Due to homeowners	1,153	(5,779)
Accrued expenses	511,810	180,386
Repayment of operating lease liabilities	(39,931)	(40,892)
<b>Net Cash Provided by Operating Activities</b>	<u>5,986,136</u>	<u>2,513,018</u>
<b>Investing Activities</b>		
Purchase of assets limited as to use	(2,944,905)	(745,936)
Proceeds from sale of assets limited as to use	210,218	225,300
Purchase of property and equipment	(3,189,438)	(1,723,629)
<b>Net Cash Used in Investing Activities</b>	<u>(5,924,125)</u>	<u>(2,244,265)</u>
<b>Financing Activities</b>		
Payments of principal on long-term debt	(620,327)	(620,823)
Capital contributions	1,162,500	80,676
<b>Net Cash Provided by (Used in) Financing Activities</b>	<u>542,173</u>	<u>(540,147)</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	604,184	(271,394)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>928,476</u>	<u>1,199,870</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 1,532,660</u>	<u>\$ 928,476</u>
<b>Supplemental Cash Flows Information</b>		
Interest	\$ 322,277	\$ 344,670
Income taxes paid	\$ 38,468	\$ -
Property and equipment in accounts payable	\$ 413,095	\$ 25,767
Transfer from reserve and replacements for equipment and repairs	\$ -	\$ 1,000,000

## **Note 1. Nature of Operations and Summary of Significant Accounting Policies**

### ***Nature of Operations***

The Cypress of Charlotte Club, Inc. (the Club) and The Cypress of Charlotte Homeowners Association, Inc. (the Association) are collectively referred to as The Cypress of Charlotte (the Cypress). The Cypress is a continuing care retirement community with 310 independent living dwelling units and 78 healthcare beds located in Charlotte, North Carolina. The Club was organized as a nonprofit corporation under the laws of the state of North Carolina to manage operations of the Cypress. The Association was created in accordance with the North Carolina Condominium Act to maintain and preserve the common property of the Cypress. The Club and the Association engage in various transactions with an affiliate, The Cypress of Charlotte, LLC (the Company), and with each other. The Company is the entity that originally planned, designed and built the Cypress.

The Club was organized to manage the various membership functions of the Cypress that are included in each owner's Membership Agreement. The Club provides the Association with all services related to the Association's stewardship over the common property of the Association. The Club manages the commonly owned property of the Cypress as well as the services provided by the clubhouse and health center.

The Association's revenue is generated primarily through member fees from condominium owners in the retirement community.

### ***Principles of Combination***

The accompanying combined financial statements include the accounts of the Club and the Association. All material intercompany balances and transactions have been eliminated in combination.

A summary of the Club's and Association's significant accounting policies follows:

### ***Basis of Presentation***

The accompanying combined financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). The Club's net assets (deficits), revenues and expenses are classified based on the existence or absence of donor-imposed restrictions. Net assets (deficits) and changes therein are classified and reported as follows:

#### ***Net Assets (Deficits) with Donor Restrictions***

Net assets (deficits) with donor restrictions are those net assets (deficits) whose use by the Club have been limited by donors (a) to later periods of time or after specified dates or (b) to specified purposes or (c) maintained in perpetuity. The Club did not have any net assets (deficits) with donor restrictions in 2025 or 2024.

#### ***Net Assets (Deficits) without Donor Restrictions***

Net assets (deficits) without donor restrictions include those net assets (deficits) whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation.

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

For the purpose of reporting cash flows, the Club and the Association consider all highly liquid investments with an original maturity of three months or less at the time of purchase that are not included in assets whose use is limited to be cash equivalents. The Club and the Association maintain their cash and cash equivalents in bank deposit accounts which may, at times, exceed federally insured limits. Neither the Club, nor the Association has experienced any financial loss related to such deposits and do not believe they are exposed to any significant credit risk on their cash and cash equivalents.

**The Cypress of Charlotte Club, Inc. and The Cypress of Charlotte Homeowners Association, Inc.**  
**Notes to Combined Financial Statements**  
**December 31, 2025 and 2024**

---

***Accounts Receivable***

The Club records accounts receivable at total unpaid balance. The Club determines past-due status of individual accounts receivable based on the terms of the original contract (or based on how recently payments have been made, for example). The Club estimates an allowance for expected credit losses based on a combination of factors, including the Club's historical loss experience and any anticipated effects related to current economic conditions, as well as management knowledge of the current composition of accounts receivable. Delinquent accounts are written off when deemed uncollectible.

The following table provides information about the Club's receivables from contracts with customers:

	<u>2025</u>	<u>2024</u>
Accounts receivable, net - beginning of year	\$ 880,975	\$ 719,029
Accounts receivable, net - end of year	\$ 615,629	\$ 880,975

***Inventory***

The Club values its inventories at the lower of cost (average cost method) or net realizable value.

***Prepaid Expenses***

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

***Assets Limited as to Use***

Assets limited as to use include assets set aside by the Board of Directors for replacement of property and equipment and for North Carolina General Statute reserve requirements, over which the Board retains control and may, at their discretion, subsequently use for other purposes, other than those funds in the operating reserve which shall be used to satisfy the North Carolina General Statute reserve requirements.

Assets limited as to use include investments in debt and equity securities that have readily determinable fair values. Changes in the fair value of investments, including both realized and unrealized gains and losses, are included in the accompanying combined statements of operations. In determining realized gains and losses, the cost of investments is determined using the specific-identification method.

The Club's and Association's investments potentially subject them to market risks and concentrations of credit risk. The Club and the Association maintain various types of investments that encompass many different companies with varied industry and geographical characteristics designed to limit exposure to any one industry, company or geographical location. The Club and the Association retain investment managers who actively buy and sell securities within their respective guidelines and who perform periodic evaluations of the relative credit standing of the companies and financial institutions in which the Club and the Association invest.

***Property and Equipment***

The Association, in accordance with ASC 972-360, *Common Interest Realty Associations - Property, Plant and Equipment*, does not recognize as assets real property directly associated with the members' units. The Clubhouse and Health Center are recognized as assets because they generate significant cash flows. The Association does not recognize as assets any other common property regardless of title or other forms of ownership. The Association and Club capitalize furnishings, vehicles and equipment to which it has title or other evidence of ownership. Capitalized assets are recorded at cost, while assets contributed by the developer are recorded at estimated fair value at the date of the contribution.

**The Cypress of Charlotte Club, Inc. and The Cypress of Charlotte Homeowners Association, Inc.**  
**Notes to Combined Financial Statements**  
**December 31, 2025 and 2024**

---

Property and equipment are carried at cost. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Property and equipment are depreciated over estimated useful lives of 3 to 39 years.

The Club and Association periodically assess the realizability of their long-lived assets and evaluate such assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. For assets to be held and used, impairment is determined to exist if estimated future cash flows, undiscounted and without interest charges, are less than the carrying amount. For assets to be disposed of, impairment is determined to exist if the estimated net realizable value is less than the carrying amount. During the years ended December 31, 2025 and 2024, no impairment indicators were identified.

***Right-of-Use Operating Lease Assets***

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service.

***Revenue Recognition***

Revenue is measured as the amount of consideration the Cypress expects to receive in exchange for transferring services. Member fees and assessments are recorded on the accrual basis of accounting and represent amounts charged to residents under the terms of the Membership Agreement. Health Center and Home Health revenue is reported at the estimated net realizable amounts from residents, third-party payors and others for services rendered. Revenues under third-party payor agreements are subject to audit and retroactive adjustment. Provisions for estimated third-party payor settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement.

Association activities are accounted for using the accrual basis of accounting whereby revenues are recognized when earned and expenses when incurred. Therefore, member assessments are recognized as revenue in the period covered by the billing. First time fees are a one-time/nonrefundable fee for services related to preparing the unit for the new resident, recognized when the resident contracts to acquire the unit and services to prepare the unit are performed.

The Cypress believes that these methods provide a faithful depiction of the transfer of services over the term of the performance obligations based on the inputs needed to satisfy the obligations.

***Employee Retention Credit***

In response to the economic impact of the COVID-19 pandemic, Congress introduced the Employee Retention Credit (ERC). The ERC is a refundable payroll tax credit available to taxpayers who experienced either a full or partial suspension of business operations due to government orders or had a significant drop in gross receipts during 2021. The credit is available for 70 percent of qualified wages for 2021 with a maximum potential credit per qualified employee of \$7,000 per qualified quarter.

The Cypress incurred qualifying wages in 2021 and recognized approximately \$4,761,000 for the year ended December 31, 2022 as operating revenue in the combined statements of operations and changes in net assets (deficits) and members' equity, along with a corresponding receivable in the combined balance sheets. At December 31, 2025 and 2024, the total amount of ERC receivable outstanding was approximately \$0 and \$1,561,000, respectively. The Club received the full outstanding ERC payment in May 2025.

**The Cypress of Charlotte Club, Inc. and The Cypress of Charlotte Homeowners Association, Inc.  
Notes to Combined Financial Statements  
December 31, 2025 and 2024**

---

***Income Tax Status***

The Club is a nonprofit organization exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code. Management has evaluated that the Club's tax positions and concluded that the Club has taken no uncertain tax positions that require adjustment to the combined financial statements.

The Club files as a tax-exempt organization. Because management has not identified unrelated business income in past years, the Club has not filed Form 990-T, Exempt Organization Business Income Tax Return. Management is not aware of any activities that would jeopardize the tax-exempt status of the Club. Management is not aware of any significant activities that are subject to tax on unrelated business income or excise or other taxes for the Club.

Homeowners associations may be taxed either as membership organizations or as regular corporations. For the years ended December 31, 2025 and 2024, the Association was taxed as a membership organization. As a membership organization, membership income is exempt from taxation if certain elections are made, and the Association is taxed only on its non-membership income, such as interest earnings, at regular federal and state corporate rates.

The Association follows the provisions of ASC 740-10 and has determined that there were no uncertain tax positions requiring recognition as of December 31, 2025 and 2024.

***Use of Estimates***

The preparation of combined financial statements in conformity with GAAP requires the Club's and Association's 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 combined financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets (deficits) and members' equity during the reporting period. Actual results could differ from those estimates.

***Subsequent Events***

The Cypress has evaluated its subsequent events through May 19, 2026, the date the combined financial statements were available to be issued.

**Note 2. Revenue Recognition**

The Cypress disaggregates its revenue from contracts with customers by payor source, as the Cypress believes it best depicts how the nature, timing and uncertainty of its revenues and cash flows are affected by economic factors. See details on a reportable segment basis in the table below for the years ended December 31, 2025 and 2024:

	<b>2025</b>			
	<b>Member Fees</b>	<b>Health Center</b>	<b>Home Health</b>	<b>Total</b>
Private pay and commercial	\$ 23,391,396	\$ 8,135,822	\$ 3,959,781	\$ 35,486,999
Government reimbursement	-	978,321	-	978,321
Total	<u>\$ 23,391,396</u>	<u>\$ 9,114,143</u>	<u>\$ 3,959,781</u>	<u>\$ 36,465,320</u>

**The Cypress of Charlotte Club, Inc. and The Cypress of Charlotte Homeowners Association, Inc.**  
**Notes to Combined Financial Statements**  
**December 31, 2025 and 2024**

	<b>2024</b>			
	<b>Member Fees</b>	<b>Health Center</b>	<b>Home Health</b>	<b>Total</b>
Private pay and commercial	\$ 22,073,081	\$ 7,712,614	\$ 3,817,679	\$ 33,603,374
Government reimbursement	-	957,972	-	957,972
<b>Total</b>	<b>\$ 22,073,081</b>	<b>\$ 8,670,586</b>	<b>\$ 3,817,679</b>	<b>\$ 34,561,346</b>

**Note 3. Availability and Liquidity**

The following represents the Cypress' financial assets at December 31:

	<b>2025</b>	<b>2024</b>
Financial assets at year end		
Cash and cash equivalents	\$ 1,532,660	\$ 928,476
Accounts receivable, net	615,629	880,975
Due from affiliates	53,111	70,833
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,201,400</u>	<u>\$ 1,880,284</u>

The Cypress' goal is generally to maintain financial assets to meet 90 days of operating expenses.

**Note 4. Assets Limited as to Use**

Assets limited as to use at December 31 are set forth in the following table:

	<b>2025</b>	<b>2024</b>
Internally designated for Department of Insurance operating reserve		
Money market funds	\$ 475,206	\$ 361,596
Mutual funds	2,238,608	2,228,873
	<u>\$ 2,713,814</u>	<u>\$ 2,590,469</u>
Internally designated for reserve for replacement		
Money market funds	\$ 3,005,610	\$ 393,806
Mutual funds	2,240,902	1,986,347
	<u>\$ 5,246,512</u>	<u>\$ 2,380,153</u>

**The Cypress of Charlotte Club, Inc. and The Cypress of Charlotte Homeowners Association, Inc.**  
**Notes to Combined Financial Statements**  
**December 31, 2025 and 2024**

The following schedule summarizes the investment income and its classification in the combined financial statements for the years ended December 31:

	<u>2025</u>	<u>2024</u>
Interest and dividends	\$ 336,086	\$ 96,241
Unrealized gains	<u>255,017</u>	<u>302,817</u>
Total investment income, net	<u>\$ 591,103</u>	<u>\$ 399,058</u>

**Note 5. Inventory**

Inventory at December 31 is as follows:

	<u>2025</u>	<u>2024</u>
Food and beverage	\$ 66,905	\$ 69,833
Housekeeping supplies	2,409	5,278
Nursing supplies	18,266	13,068
Plant supplies	<u>49,650</u>	<u>74,398</u>
	<u>\$ 137,230</u>	<u>\$ 162,577</u>

**Note 6. Property and Equipment**

The components of the Club's and Association's property and equipment at December 31 are as follows:

	<u>2025</u>	<u>2024</u>
Land and land improvements	\$ 807,700	\$ 807,700
Building and improvements	39,993,802	37,387,656
Furniture, fixtures, and equipment	3,422,091	2,574,674
Vehicles	968,927	853,957
Construction in progress	<u>34,000</u>	<u>-</u>
	45,226,520	41,623,987
Less accumulated depreciation, including amortization	<u>14,853,107</u>	<u>13,286,512</u>
	<u>\$ 30,373,413</u>	<u>\$ 28,337,475</u>

**Note 7. Long-Term Debt**

The Club entered into a note agreement in 2022 for a vehicle. The vehicle note agreement has a remaining life of 24 months at an implied annual interest rate of 1.90%, with monthly payments of \$618. At December 31, 2025 and 2024, the amount outstanding on this note agreement was approximately \$15,000 and \$22,000, respectively.

On July 10, 2024, the Club entered into a letter of credit agreement with TowneBank. Under the letter of credit agreement, the Club could borrow up to \$3 million. The maturity date for the line of credit is July 10, 2026, and automatically renews for 1 year terms up to 5 years. At December 31, 2025 and 2024, no draws had been made.

**The Cypress of Charlotte Club, Inc. and The Cypress of Charlotte Homeowners Association, Inc.**  
**Notes to Combined Financial Statements**  
**December 31, 2025 and 2024**

---

In January 2021, the Cypress entered into a \$10 million promissory note with TowneBank to finance the expansion of the Stewart Health Center. The note bears interest at 3.75% and matures in January 2036. Interest only payments were due during construction, through September 2022. Principal payments began in October 2022, when the project was completed. The note is secured not by the real estate, but by a pledge of the operating cash flows of the Club and the Association. It is projected that such cash flows, increased by the additional number of health center beds and increased daily rates from the state-of-the-art facility, agreed-to and voted-on by the Cypress Homeowners Association Members, will cover such debt service. In the unlikely event that such cash flows do not materialize, the Association owners, by vote, have agreed to the Association's assessment mechanism in the Declaration of Condominium to fund debt service. At December 31, 2025 and 2024, the amount outstanding on this loan was approximately \$8,128,000 and \$8,741,000, respectively.

Annual future maturities under the notes payable obligations, as of December 31, 2025, are as follows:

2026	\$	642,843
2027		668,294
2028		685,316
2029		712,689
2030		740,402
Thereafter		<u>4,693,208</u>
	\$	<u>8,142,752</u>

## **Note 8. Leases**

### ***Accounting Policies***

The Club determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of right-of-use (ROU) assets and lease liabilities on the combined balance sheets. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Club determines lease classification as operating or finance at the lease commencement date.

At lease commencement, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Club elected the practical expedient to account for nonlease components and the lease components to which they relate as a single lease component for all. Also, the Club has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities for which there is not an implicit rate determinable. The risk-free rate is determined using a period comparable with the lease term.

The Club has elected not to record leases with an initial term of 12 months or less on the combined balance sheets. Lease expense on such leases is recognized on a straight-line basis over the lease term.

### ***Operating Leases***

The Club leases certain printers under the terms of non-cancellable operating leases. Operating lease expense is recognized in operations by amortizing the amount recorded as lease balances on a straight-line basis over the lease term. Many of the leases include rental escalation clauses and renewal options that are factored into the determination of lease payments when appropriate.

**The Cypress of Charlotte Club, Inc. and The Cypress of Charlotte Homeowners Association, Inc.**  
**Notes to Combined Financial Statements**  
**December 31, 2025 and 2024**

**Quantitative Disclosures**

The components of lease expense (and related classification in the accompanying combined statements of operations) were as follows during the years ended December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Operating lease cost (general and administrative)	\$ 45,307	\$ 47,790
Other information		
Weighted-average remaining lease term – operating leases	2.72 years	3.75 years
Weighted-average discount rate – operating leases	3.97%	3.95%

The following schedule summarizes the Club’s future minimum payments under contractual obligations for operating liabilities under Topic 842:

2026	\$ 43,728
2027	43,728
2028	<u>33,107</u>
Total	120,563
Present value discount	<u>(6,322)</u>
Total lease liability	<u>\$ 114,241</u>

**Note 9. Transactions with Affiliates and Management Company**

Pursuant to the Management Agreement entered into between the Club, the Association and the Company, as well as the Membership Agreement between each member, the Club and the Company, the Company receives a management fee (overhead payment) based on 10% of the adjusted operating costs of the Club and Association. For the years ended December 31, 2025 and 2024, the management fees (overhead payment) totaled \$3,066,411 and \$2,777,509, respectively. There was \$253,443 and \$6,631 due to the Company for management fees at December 31, 2025 and 2024, respectively, reflected in accrued expenses on the combined balance sheet. During the years ended December 31, 2025 and 2024, the Company contributed \$0 and \$80,676 to the Club, respectively. These transactions are recorded as equity transfers in the combined financial statements. Separately, the Company reimburses the Club when the Club processes operating transactions on the Company’s behalf. There was \$53,111 and \$70,833 due from the Company for reimbursable transactions at December 31, 2025 and 2024, respectively.

The Club provides the Association with all services related to the Association’s stewardship over the common property of the Association. Accordingly, the Club allocates income and expenses incurred in performance of these functions to the Association. The allocation is based on management’s estimate of the percentage of each income and expense category incurred on behalf of the Association. These estimates are adjusted annually based on historical data. For the years ended December 31, 2025 and 2024, fee income and all of the Association’s housekeeping, plant and general and administrative expenses were allocated from the Club. The Club also transferred \$2,493,255 and \$322,012 to the Association’s Reserve for Replacements for the years ended December 31, 2025 and 2024, respectively. A receivable or liability is then recorded for the net amount allocated to the Association. There was no amount due from the Association at December 31, 2025 or 2024.

The Club retains Life Care Services, LLC (Life Care) for their expertise in continuing care retirement communities to assist in managing the Club. The agreement dated March 26, 2014 expired on March 26, 2019 and was subsequently renewed for 60 months, which expired on March 27, 2024. The agreement was renewed for another 24 months expiring on March 31, 2026 unless sooner terminated in accordance with the agreement. For the years ended December 31, 2025 and 2024, amounts paid to Life Care totaled \$2,166,773 and \$1,952,959, respectively. For the years ended December 31, 2025 and 2024, the Club allocated expenses of \$260,259 and \$246,794,

**The Cypress of Charlotte Club, Inc. and The Cypress of Charlotte Homeowners Association, Inc.**  
**Notes to Combined Financial Statements**  
**December 31, 2025 and 2024**

---

respectively, representing the Association's share of costs related to the contract with Life Care. The Club owed \$39,810 and \$9,724 to Life Care at December 31, 2025 and 2024, respectively, which are included in accounts payable on the combined statements of operations.

### **Note 10. Retirement Plan**

The Club began a 401(k) retirement savings plan for all eligible employees on March 1, 1999. Employees are eligible to participate in the plan upon attaining the age of 21 years, completing one year of active service, and having worked at least 1,000 hours in a given year. Employees may invest up to 20% of regular, non-overtime income into the plan. The Club will match 50% of the first 4% of an employee's savings. Employees are 100% vested in the portion they contribute to the plan. The Club matching funds are vested over a five-year period.

Retirement expense for the plan was approximately \$93,000 and \$84,000 for the years ended December 31, 2025 and 2024, respectively.

### **Note 11. Regulatory Matters**

Continuing care retirement communities located in North Carolina are licensed and monitored by the State Department of Insurance under Article 64 of Chapter 58 of the North Carolina General Statutes. The Commissioner of Insurance has the authority to revoke or restrict the license of, or impose additional requirements on any continuing care facility under certain circumstances specified in General Statute 58-64-10.

North Carolina General Statute 58-64-33 requires that continuing care retirement communities with occupancy levels in excess of 90% maintain an operating reserve equal to 25% of total operating costs projected for the 12-month period following the most recent annual statement filed with the Department of Insurance, upon approval of the Commissioner. These reserves are to be used for the benefit of the Club in the event of emergencies or unexpected shortfalls. Effective December 1, 2025, the statutory reserve requirement was updated to 12.5% for communities with occupancy levels of 93% or greater. The facility had occupancy greater than 93% at December 31, 2025.

To meet this obligation, at closing, the Club requires that each purchaser shall be responsible for paying a reserve deposit of \$7,500 to the Club. So long as it is not necessary for the Club to use proceeds or assets from the reserve account, interest and/or dividends shall be paid to each purchaser on a pro rata basis in February of each year. For the years ended December 31, 2025 and 2024, the Club did not use proceeds or assets from the reserve account and the balance of interest and dividends is shown as due to homeowners.

Each subsequent purchaser shall be obligated to pay \$7,500 into the reserve account, so that upon resale of the unit, any unused portion of the \$7,500 deposit shall be returned to the original purchaser plus accrued but unpaid interest on the related deposit through the date of closing.

Based on the Club's 2026 forecasted statements, the required operating reserve is \$3,640,982 at December 31, 2025. The balance held in the restricted investment account was \$2,713,814 at December 31, 2025. The North Carolina Department of Insurance had no objection to the proposal that the Cypress be permitted to fund any shortfalls in the Department of Insurance Operating Reserve with funds from the Association's Reserve for Replacements, which had a balance of \$5,246,512 at December 31, 2025. Additionally, the Club has a letter of credit agreement under which the Club could borrow up to \$3,000,000 to fund any shortfalls in the Department of Insurance Operating Reserve.

**The Cypress of Charlotte Club, Inc. and The Cypress of Charlotte Homeowners Association, Inc.**  
**Notes to Combined Financial Statements**  
**December 31, 2025 and 2024**

---

During the year ended December 31, 2017, the Association utilized \$2,000,000 from the Reserve for Replacement account to fund a construction project. The Association members have guaranteed annual contributions to the Reserve for Replacement account over a ten-year period to replenish the reserve. The construction project was completed in 2018 and the Association members began making contributions to the Reserve for Replacement account. The Association members contributed \$237,324 during 2025 and 2024, including interest, and anticipate making monthly payments of \$19,777 over a ten-year period to replenish the reserve.

## **Note 12. Future Repairs and Replacement**

As of December 31, 2025, there were no statutory requirements that the Association accumulate funds for future repairs and replacements and land acquisitions. Management of the Association conducted a study in 2018 to estimate the remaining useful lives of the components of common properties and to estimate the costs of future major repairs and replacements. The current policy is that these expenses will be paid from current amounts on hand in designated and undesignated accounts; special assessments may be levied, as required, after utilizing these designated funds or funds may be borrowed.

The Board has designated amounts for the Reserve for Replacement fund based on actual or budgeted surpluses occurring annually. Estimated future replacement costs and actual expenditures may vary materially from amounts set aside in the Reserve for Replacement assets. There were no special assessments in 2025 and 2024 for major repairs and replacements.

## **Note 13. Fair Value of Financial Instruments**

GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under GAAP are described below:

- Level 1** Unadjusted quoted prices in active markets for identical assets or liabilities that the Club and the Association have the ability to access at the measurement date. The quoted price for these investments is not adjusted, even in situations where the Club and the Association hold a large position and a sale could reasonably be expected to impact the quoted price.
- Level 2** Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly, and the fair value is determined through the use of models or other valuation methodologies. Investments that are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities, certain over-the-counter derivatives and certain general and limited partnership and membership interests in funds that calculate net asset value per share, or its equivalent. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.
- Level 3** Inputs that are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The Club and the Association have various processes and controls in place to ensure that fair value is reasonably estimated.

**The Cypress of Charlotte Club, Inc. and The Cypress of Charlotte Homeowners Association, Inc.**  
**Notes to Combined Financial Statements**  
**December 31, 2025 and 2024**

Following is a description of the valuation methodologies used for assets measured at fair value subsequent to initial recognition. These methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Club and the Association believe their valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

During the years ended December 31, 2025 and 2024, there were no changes to the Club or the Association's valuation techniques that had, or are expected to have, a material impact on the combined balance sheets or results of operations.

**Mutual Funds**

Securities traded on a national securities exchange are stated at the last reported sales price on the day of valuation. To the extent these securities are actively traded and valuation adjustments are not applied, they are categorized in Level 1 of the fair value hierarchy.

The tables below present the balances of financial instruments measured at fair value on a recurring basis by level within the hierarchy at December 31, 2025 and 2024:

<b>2025</b>				
<b>Fair Value Measurements</b>				
<u>Asset Class</u>	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobserv- able Inputs (Level 3)</u>
Assets limited as to use				
Reserve for replacements				
Mutual funds	\$ 2,240,902	\$ 2,240,902	\$ -	\$ -
Designated for Department of Insurance				
Mutual funds	\$ 2,238,608	\$ 2,238,608	\$ -	\$ -
<b>2024</b>				
<b>Fair Value Measurements</b>				
<u>Asset Class</u>	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobserv- able Inputs (Level 3)</u>
Assets limited as to use				
Reserve for replacements				
Mutual funds	\$ 1,986,347	\$ 1,986,347	\$ -	\$ -
Designated for Department of Insurance				
Mutual funds	\$ 2,228,873	\$ 2,228,873	\$ -	\$ -

**The Cypress of Charlotte Club, Inc. and The Cypress of Charlotte Homeowners Association, Inc.**  
**Notes to Combined Financial Statements**  
**December 31, 2025 and 2024**

---

The Club and the Association have \$3,480,816 and \$755,402 of cash and cash equivalents as of December 31, 2025 and 2024, respectively, which were not classified as a level.

**Note 14. Concentrations of Credit Risk**

The Club grants credit without collateral to its residents, some of whom are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at December 31 was as follows:

	<u>2025</u>	<u>2024</u>
Self-pay	70%	71%
Medicare	17%	14%
Other third-party payors	<u>13%</u>	<u>15%</u>
Totals	<u>100%</u>	<u>100%</u>

**Note 15. Contingencies**

***Medical Malpractice***

The Club's malpractice insurance coverage is on a claims-made basis with limits of \$1,000,000 for each claim and \$3,000,000 in the aggregate. The Club's commercial general liability coverage also has limits of \$1,000,000 for each claim and \$3,000,000 in the aggregate. In addition, the Club has an umbrella liability policy with excess coverage limits of \$10,000,000 per incident and \$50,000,000 in the aggregate. Should the Club not renew its claims-made policy, or replace it with equivalent insurance, claims incurred during its term but asserted after its expiration would be uninsured, unless the Club obtains tail coverage. Management anticipates that such coverage will be renewed or replaced with equivalent insurance as these policies expire.

***Required Supplementary Information***

**The Cypress of Charlotte Club, Inc. and The Cypress of Charlotte Homeowners Association, Inc.  
 Future Major Repairs and Replacements (Unaudited)  
 December 31, 2025**

Management engaged a consultant to perform a study in 2018 to estimate the remaining useful lives and the replacement costs of the components of common property over a 20-year period. The estimates were based on estimated current replacement costs. Funding requirements do not consider an annual rate of inflation or interest on amounts funded for future major repairs and replacements.

The following table is based on the study and presents significant information about the components of common property.

<b>Component</b>	<b>Estimated Remaining Useful Life (Years)</b>	<b>Estimated Current Replacement Costs</b>	<b>2026 Funding Requirements</b>
Total site development	2-34	\$ 5,722,206	\$ 290,000
Building structures and systems	2-36	9,228,761	676,995
Building mechanical equipment	2-36	3,091,931	509,052
Common area interior and finishes	2-34	4,270,787	765,235
Unit improvements	2-19	21,881,263	1,141,548
Furniture, fixtures, and equipment	2-18	9,165,648	1,401,436
Total		\$ 53,360,596	\$ 4,784,266
Members' equity, designated asset replacement and repair			\$ 5,246,512

***Supplementary Information***

**The Cypress of Charlotte Club, Inc. and The Cypress of Charlotte Homeowners Association, Inc.  
Combining Balance Sheet  
December 31, 2025**

	<b>The Cypress of Charlotte Club, Inc.</b>	<b>The Cypress of Charlotte Homeowners Association, Inc.</b>	<b>Eliminations</b>	<b>Total</b>
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 1,349,178	\$ 183,482	\$ -	\$ 1,532,660
Accounts receivable, net of allowance of \$27,526	615,629	-	-	615,629
Due from affiliates	53,111	-	-	53,111
Inventory	137,230	-	-	137,230
Prepaid expenses	484,495	-	-	484,495
<b>Total Current Assets</b>	<b>2,639,643</b>	<b>183,482</b>	<b>-</b>	<b>2,823,125</b>
<b>Assets Limited as to Use</b>				
Internally designated for Department of Insurance operating reserve	2,713,814	-	-	2,713,814
Reserve for replacements	-	5,246,512	-	5,246,512
<b>Total Assets Limited as to Use</b>	<b>2,713,814</b>	<b>5,246,512</b>	<b>-</b>	<b>7,960,326</b>
<b>Other Assets</b>				
Other investments	25,000	-	-	25,000
Property and equipment, net	1,625,570	28,747,843	-	30,373,413
Refundable deposits	25,000	-	-	25,000
Right-of-use operating lease assets	114,241	-	-	114,241
<b>Total Other Assets</b>	<b>1,789,811</b>	<b>28,747,843</b>	<b>-</b>	<b>30,537,654</b>
<b>Total Assets</b>	<b>\$ 7,143,268</b>	<b>\$ 34,177,837</b>	<b>\$ -</b>	<b>\$ 41,321,105</b>

**The Cypress of Charlotte Club, Inc. and The Cypress of Charlotte Homeowners Association, Inc.  
Combining Balance Sheet  
December 31, 2025**

**(Continued)**

	<b>The Cypress of Charlotte Club, Inc.</b>	<b>The Cypress of Charlotte Homeowners Association, Inc.</b>	<b>Eliminations</b>	<b>Total</b>
<b>LIABILITIES, NET ASSETS (DEFICITS), AND MEMBERS' EQUITY</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 792,707	\$ -	\$ -	\$ 792,707
Accrued expenses	2,386,891	-	-	2,386,891
Due to homeowners	126,756	-	-	126,756
Current portion of operating lease liabilities	39,915	-	-	39,915
Current portion of notes payable	642,843	-	-	642,843
<b>Total Current Liabilities</b>	<b>3,989,112</b>	<b>-</b>	<b>-</b>	<b>3,989,112</b>
<b>Other Liabilities</b>				
Operating lease liabilities, less current portion	74,326			74,326
Notes payable, less current portion	7,499,909	-	-	7,499,909
<b>Total Other Liabilities</b>	<b>11,563,347</b>	<b>-</b>	<b>-</b>	<b>11,563,347</b>
<b>Net Assets (Deficits)</b>				
Without donor restrictions	(4,420,079)	-	18,205,889	13,785,810
<b>Members' Equity</b>				
Members' equity, undesignated	-	28,931,325	(18,205,889)	10,725,436
Members' equity, designated asset replacement and repair	-	5,246,512	-	5,246,512
<b>Total Members' Equity</b>	<b>-</b>	<b>34,177,837</b>	<b>(18,205,889)</b>	<b>15,971,948</b>
<b>Total Liabilities, Net Assets (Deficits), and Members' Equity</b>	<b>\$ 7,143,268</b>	<b>\$ 34,177,837</b>	<b>\$ -</b>	<b>\$ 41,321,105</b>

**The Cypress of Charlotte Club, Inc. and The Cypress of Charlotte Homeowners Association, Inc.  
Combining Statement of Operations  
Year Ended December 31, 2025**

	<b>The Cypress of Charlotte Club, Inc.</b>	<b>The Cypress of Charlotte Homeowners Association, Inc.</b>	<b>Eliminations</b>	<b>Total</b>
<b>Revenues, Gains, and Other Support</b>				
Member fees and assessments	\$ 14,299,534	\$ 9,091,862	\$ -	\$ 23,391,396
Health Center	9,114,143	-	-	9,114,143
Home Health	3,959,781	-	-	3,959,781
Other	500	-	-	500
Investment income, net	217,540	373,563	-	591,103
<b>Total Revenues, Gains, and Other Support</b>	<b>27,591,498</b>	<b>9,465,425</b>	<b>-</b>	<b>37,056,923</b>
<b>Expenses and Losses</b>				
Food and beverage	5,996,613	-	-	5,996,613
Health Center	6,253,736	-	-	6,253,736
Home Health	3,192,185	-	-	3,192,185
Plant	1,034,487	4,674,108	-	5,708,595
Resident services	473,883	-	-	473,883
Housekeeping	1,131,742	731,306	-	1,863,048
General and administrative	4,670,216	1,971,445	-	6,641,661
Management fee	2,422,465	643,946	-	3,066,411
Depreciation	188,602	1,377,993	-	1,566,595
<b>Total Expenses and Losses</b>	<b>25,363,929</b>	<b>9,398,798</b>	<b>-</b>	<b>34,762,727</b>
<b>Excess of Revenues, Gains, and Other Support Over Expenses and Losses</b>	<b>\$ 2,227,569</b>	<b>\$ 66,627</b>	<b>\$ -</b>	<b>\$ 2,294,196</b>

# **Appendix B – Five-Year Prospective Financial Statements**

**THE CYPRESS OF CHARLOTTE, LLC**  
Schedule of 2024 Forecast versus Actual Comparison  
Balance Sheet  
December 31, 2025

	Forecast	Audit Report	Variance
<b>Assets</b>			
Current assets:			
Cash and cash equivalents—operating	\$ 567,021	\$ 450,104	\$ (116,917) <b>1</b>
Accounts receivable	-	253,443	253,443 <b>1</b>
Prepaid expenses	-	25,159	25,159 <b>1</b>
Total current assets	<u>567,021</u>	<u>728,706</u>	<u>161,685</u>
Restricted assets:			
Cash and cash equivalents—debt reserve	1,102,376	1,136,220	33,844 <b>2</b>
Cash and cash equivalents—refundable deposits	400,000	468,000	68,000 <b>3</b>
Cash and cash equivalents—real estate trust	6,379	160,500	154,121 <b>3</b>
Total restricted assets	<u>1,508,755</u>	<u>1,764,720</u>	<u>255,965</u>
Intangible assets, net of accumulated amortization:			
Goodwill, net	6,777,652	6,777,652	-
Trade names, net	512,774	512,774	-
Contractual rights, net	37,759,913	37,753,309	(6,604)
Total intangible assets, net	<u>45,050,339</u>	<u>45,043,735</u>	<u>-</u>
Property and equipment:			
Furniture, fixtures, and equipment	16,700	-	(16,700) <b>4</b>
Less accumulated depreciation	(16,700)	-	16,700 <b>4</b>
Total property and equipment, net	<u>-</u>	<u>-</u>	<u>(6,604)</u>
Total assets	<u>\$ 47,126,115</u>	<u>\$ 47,537,161</u>	<u>\$ 411,046</u>
<b>Liabilities and Members' Equity</b>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 433,400	\$ 6,237	\$ (427,163) <b>1</b>
Due to related parties	100,000	24,837	(75,163) <b>1</b>
Accrued interest payable	120,000	118,460	(1,540)
Refundable Deposits, real estate trust	200,000	160,500	(39,500) <b>3</b>
Total current liabilities	<u>853,400</u>	<u>310,034</u>	<u>(543,366)</u>
Noncurrent liabilities:			
Note payable, net	18,875,632	18,870,102	(5,530)
Refundable Deposits, Wait List	400,000	468,000	68,000 <b>3</b>
Total noncurrent liabilities	<u>19,275,632</u>	<u>19,338,102</u>	<u>62,470</u>
Total liabilities	<u>20,129,032</u>	<u>19,648,136</u>	<u>(480,896)</u>
Members' equity	<u>26,997,083</u>	<u>27,889,025</u>	<u>2,257,838</u>
Total liabilities and members' equity	<u>\$ 47,126,115</u>	<u>\$ 47,537,161</u>	<u>\$ 1,776,942</u>

**THE CYPRESS OF CHARLOTTE, LLC**  
Schedule of 2024 Forecast versus Actual Comparison  
Income Statement  
For the year ended December 31, 2025

	Forecast	Audit Report	Variance	
<b>Revenues:</b>				
Membership fees	\$ 2,496,769	\$ 3,368,900	\$ 872,131	<b>5</b>
Management fees	2,860,445	2,839,556	(20,889)	
Commission revenues	1,067,986	1,334,499	266,513	<b>5</b>
Miscellaneous revenue	27,906	25,000	(2,906)	
Total revenues	<u>6,453,106</u>	<u>7,567,955</u>	<u>1,114,849</u>	
<b>Operating expenses:</b>				
Salaries, wages and payroll taxes	395,274	364,371	(30,903)	
Management fees	322,655	378,398	55,743	<b>6</b>
Marketing and advertising	295,590	330,467	34,877	<b>6</b>
Sales incentives and developer costs	463,500	38,135	(425,365)	<b>6</b>
Other	183,756	186,305	2,549	
Total operating expenses	<u>1,660,775</u>	<u>1,297,676</u>	<u>(363,099)</u>	
Interest income (expense)	(1,184,438)	(1,422,118)	(237,680)	<b>7</b>
Debt issuance amortization	(14,079)	(8,549)	5,530	
Amortization	(2,360,087)	(2,366,691)	(6,604)	
Total other income (expense)	<u>(3,558,604)</u>	<u>(3,797,358)</u>	<u>(238,754)</u>	
Net income	<u>\$ 1,233,727</u>	<u>\$ 2,472,921</u>	<u>\$ 1,239,194</u>	

**THE CYPRESS OF CHARLOTTE, LLC**  
 Schedule of 2024 Forecast versus Actual Comparison  
 Statements of Members' Equity  
 December 31, 2025

	Forecast	Audit Report	Variance
Members' equity:			
Beginning balance	29,916,104	29,916,104	-
Members' contributions	-	-	-
Members' distributions	(4,152,748)	(4,500,000)	(347,252) <b>5</b>
Net Income	1,233,727	2,472,921	1,239,194
Ending balance	<u>\$ 26,997,083</u>	<u>\$ 27,889,025</u>	<u>\$ 891,942</u>

See notes to financial statements.

- -

**THE CYPRESS OF CHARLOTTE, LLC**  
Schedule of 2024 Forecast versus Actual Comparison  
Statement of Cash Flows  
December 31, 2025

	Forecast	Audit Report	Variance
<b>Cash flows from operating activities:</b>			
Net income	\$ 1,233,727	\$ 2,472,921	\$ 1,239,194
Adjustments to reconcile net income to net cash provided by operating activities:			
Debt issuance amortization	14,079	8,549	(5,530)
Amortization expense	2,360,087	2,366,691	6,604
(Increase) decrease in:			-
Accounts receivable	-	(32,489)	(32,489) <b>1</b>
Prepaid expenses	-	(12,001)	(12,001)
Increase (decrease) in:			-
Accounts payable and accrued expenses	-	(468,269)	(468,269) <b>1</b>
Due to/(from) related parties	-	(383)	(383)
Accrued interest payable	-	(15,228)	(15,228)
Distributions payable	-	-	-
Deposits—real estate trust and wait list	192,055	224,500	32,445 <b>3</b>
Net cash provided by operating activities	<u>3,799,948</u>	<u>4,544,291</u>	<u>744,343</u>
<b>Cash flows from financing activities:</b>			
Note payable repayments	-	-	-
Members' contributions	-	-	-
Members' distributions	(4,152,748)	(4,500,000)	(347,252) <b>5</b>
Net cash (used in) provided by financing activities	<u>(4,152,748)</u>	<u>(4,500,000)</u>	<u>(347,252)</u>
Net increase in cash and cash equivalents	(352,800)	44,291	397,091
<b>Cash, cash equivalents and restricted cash:</b>			
Beginning of period	<u>2,428,576</u>	<u>2,170,533</u>	<u>(258,043)</u>
End of period	<u>\$ 2,075,776</u>	<u>\$ 2,214,824</u>	<u>\$ 139,048</u>

- - -

## **The Cypress of Charlotte, LLC**

### **Schedule of 2024 Forecast versus Actual Comparison - Difference Explanations**

- 1** Cash and working capital amounts varied from forecasts due to timing of receipts and payments.
- 2** The difference is interest income earned on wait list deposits.
- 3** Deposits can vary from forecast due to timing of unit turns.
- 4** No property and equipment at Cypress of Charlotte, LLC.
- 5** The 28 closings for 2025 tracked to budget but the average price per unit was higher than forecast leading to a favorable variance in revenue and distributions.
- 6** Management and advertising fees higher than forecast but offset by lower owner contributions to community. No major projects funded in 2025.
- 7** The interest rate on the note is SOFR plus 3.25% (7.26% at 12/31/25). The average rate was higher than what was used for the 2024 forecasted financials.

**THE CYPRESS OF CHARLOTTE, LLC**  
**FORECASTED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDING**  
**DECEMBER 31, 2026**  
**THROUGH**  
**DECEMBER 31, 2030**

**THE CYPRESS OF CHARLOTTE, LLC**

CHARLOTTE, NORTH CAROLINA

FORECASTED FINANCIAL STATEMENTS

FOR THE YEARS ENDING  
DECEMBER 31, 2026  
THROUGH  
DECEMBER 31, 2030

**CONTENTS**

	<b><u>Page</u></b>
Independent Accountant's Compilation Report	1
Forecasted Balance Sheets	2
Forecasted Statements of Income and Members' Equity	3
Forecasted Statements of Cash Flows	4
Summary of Significant Accounting Policies and Forecast Assumptions	5-7



# Robinson Grant & Co., P.A.

CERTIFIED PUBLIC ACCOUNTANTS  
MEMBERS OF THE AMERICAN INSTITUTE OF CPAS & S.C. ASSOCIATION OF CPAs

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

5 BELFAIR VILLAGE DRIVE  
BLUFFTON, SC 29910

MAILING ADDRESS  
P.O. DRAWER 29959  
HILTON HEAD ISLAND, SC 29925-2959  
PHONE (843) 815-6161  
FAX (843) 815-6165

400 MAIN STREET, SUITE 100A-9  
HILTON HEAD ISLAND, SC 29926

## Independent Accountant's Compilation Report

April 30, 2026

To The Members  
The Cypress of Charlotte, LLC  
Charlotte, North Carolina

Management is responsible for the accompanying financial forecast of The Cypress of Charlotte, LLC which comprises the forecasted balance sheets as of December 31, 2026 through 2030, and the related forecasted statements of income, members' 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 financial forecast established by the American Institute of Certified Public Accountants (AICPA). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the financial forecast nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any form of assurance on this financial 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.

Robinson Grant & Co., P.A.  
Bluffton, South Carolina

**THE CYPRESS OF CHARLOTTE, LLC**  
**FORECASTED BALANCE SHEETS**  
**AS OF DECEMBER 31, 2026 THROUGH 2030**

**ASSETS**

	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>
<b>Current assets</b>					
Cash	\$ 724,926	\$ 819,926	\$ 914,926	\$ 1,009,926	\$ 1,104,926
Total current assets	724,926	819,926	914,926	1,009,926	1,104,926
<b>Restricted assets - cash deposits</b>	628,500	628,500	628,500	628,500	628,500
<b>Restricted assets - debt reserve</b>	1,140,000	1,045,000	950,000	855,000	760,000
<b>Intangible assets</b>					
Goodwill	7,601,105	7,601,105	7,601,105	7,601,105	7,601,105
Trade names	536,000	536,000	536,000	536,000	536,000
Contractual rights	39,463,390	39,463,390	39,463,390	39,463,390	39,463,390
Less: accumulated amortization	<u>(4,916,846)</u>	<u>(7,276,932)</u>	<u>(9,637,018)</u>	<u>(11,997,104)</u>	<u>(14,357,190)</u>
Total intangible assets	<u>42,683,649</u>	<u>40,323,563</u>	<u>37,963,477</u>	<u>35,603,391</u>	<u>33,243,305</u>
<b>Total assets</b>	<u>\$ 45,177,075</u>	<u>\$ 42,816,989</u>	<u>\$ 40,456,903</u>	<u>\$ 38,096,817</u>	<u>\$ 35,736,731</u>

**LIABILITIES AND MEMBERS' EQUITY**

**Current liabilities**

Payables and deposits	\$ 310,034	\$ 310,034	\$ 310,034	\$ 310,034	\$ 310,034
Current portion of note payable	<u>1,583,333</u>	<u>1,583,333</u>	<u>1,583,333</u>	<u>1,583,333</u>	<u>1,583,333</u>
Total current liabilities	1,893,367	1,893,367	1,893,367	1,893,367	1,893,367

**Noncurrent liabilities**

Note payable	19,000,000	17,416,667	15,833,334	14,250,001	12,666,668
Less debt issuance costs, net	(119,841)	(109,784)	(99,727)	(89,670)	(79,613)
Less current portion of note payable	<u>(1,583,333)</u>	<u>(1,583,333)</u>	<u>(1,583,333)</u>	<u>(1,583,333)</u>	<u>(1,583,333)</u>
Long term note payable, net	17,296,826	15,723,550	14,150,274	12,576,998	11,003,722
Deposits - wait list	<u>468,000</u>	<u>468,000</u>	<u>468,000</u>	<u>468,000</u>	<u>468,000</u>
Total noncurrent liabilities	<u>17,764,826</u>	<u>16,191,550</u>	<u>14,618,274</u>	<u>13,044,998</u>	<u>11,471,722</u>

<b>Total liabilities</b>	19,658,193	18,084,917	16,511,641	14,938,365	13,365,089
<b>Members' equity</b>	<u>25,518,882</u>	<u>24,732,072</u>	<u>23,945,262</u>	<u>23,158,452</u>	<u>22,371,642</u>
<b>Total liabilities and members' equity</b>	<u>\$ 45,177,075</u>	<u>\$ 42,816,989</u>	<u>\$ 40,456,903</u>	<u>\$ 38,096,817</u>	<u>\$ 35,736,731</u>

See accompanying summary of significant accounting policies and forecast assumptions and independent accountant's compilation report.

**THE CYPRESS OF CHARLOTTE, LLC**  
**FORECASTED STATEMENTS OF INCOME AND MEMBERS' EQUITY**  
**FOR THE YEARS ENDING DECEMBER 31, 2026 THROUGH 2030**

<b>Revenues</b>	<u><b>2026</b></u>	<u><b>2027</b></u>	<u><b>2028</b></u>	<u><b>2029</b></u>	<u><b>2030</b></u>
Management fees	\$ 3,017,106	\$ 3,124,604	\$ 3,271,186	\$ 3,383,189	\$ 3,509,743
Membership fees	3,797,460	3,912,000	4,029,000	4,149,000	4,275,000
Resale commissions	1,898,730	1,956,000	2,014,500	2,074,500	2,137,500
Interest and other income	58,846	58,846	58,846	58,846	58,846
<b>Total revenues</b>	<u>8,772,142</u>	<u>9,051,450</u>	<u>9,373,532</u>	<u>9,665,535</u>	<u>9,981,089</u>
<b>Expenses</b>					
Marketing and advertising	393,131	404,925	417,072	429,585	442,472
Salaries, wages, payroll taxes and benefits	448,200	452,775	457,872	463,514	469,761
Travel	10,316	11,487	12,718	14,079	15,586
Office expenses	68,768	71,134	73,605	76,183	78,881
Professional fees	83,093	85,585	88,153	90,797	93,521
Insurance	13,868	14,284	14,712	15,154	15,608
Contributions	6,000	6,000	6,000	6,000	6,000
Management fees	436,865	450,830	466,934	481,534	497,312
Interest	1,310,327	1,198,777	1,116,421	1,031,519	934,574
Amortization - intangibles	2,360,086	2,360,086	2,360,086	2,360,086	2,360,086
<b>Total expenses</b>	<u>5,130,654</u>	<u>5,055,883</u>	<u>5,013,573</u>	<u>4,968,451</u>	<u>4,913,801</u>
<b>Net income</b>	3,641,488	3,995,567	4,359,959	4,697,084	5,067,288
<b>Members' equity, beginning of year</b>	27,889,025	25,518,882	24,732,072	23,945,262	23,158,452
<b>Distributions</b>	<u>(6,011,631)</u>	<u>(4,782,377)</u>	<u>(5,146,769)</u>	<u>(5,483,894)</u>	<u>(5,854,098)</u>
<b>Members' equity, ending of year</b>	<u>\$ 25,518,882</u>	<u>\$ 24,732,072</u>	<u>\$ 23,945,262</u>	<u>\$ 23,158,452</u>	<u>\$ 22,371,642</u>

See accompanying summary of significant accounting policies and forecast assumptions and independent accountant's compilation report.

**THE CYPRESS OF CHARLOTTE, LLC**  
**FORECASTED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDING DECEMBER 31, 2026 THROUGH 2030**

	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>
<b>Cash provided by operating activities:</b>					
Net income	\$ 3,641,488	\$ 3,995,567	\$ 4,359,959	\$ 4,697,084	\$ 5,067,288
Adjustments to reconcile net income to net cash provided by operating activities	278,602	-	-	-	-
Intangibles amortization	2,360,086	2,360,086	2,360,086	2,360,086	2,360,086
Debt issuance amortization	<u>10,057</u>	<u>10,057</u>	<u>10,057</u>	<u>10,057</u>	<u>10,057</u>
<b>Net cash provided by operating activities</b>	6,290,233	6,365,710	6,730,102	7,067,227	7,437,431
<b>Cash used in financing activities:</b>					
Principal repayment of note payable	-	(1,583,333)	(1,583,333)	(1,583,333)	(1,583,333)
Member distributions	<u>(6,011,631)</u>	<u>(4,782,377)</u>	<u>(5,146,769)</u>	<u>(5,483,894)</u>	<u>(5,854,098)</u>
<b>Net cash used in financing activities</b>	<u>(6,011,631)</u>	<u>(6,365,710)</u>	<u>(6,730,102)</u>	<u>(7,067,227)</u>	<u>(7,437,431)</u>
<b>Net increase in cash</b>	278,602	-	-	-	-
<b>Beginning cash</b>	<u>2,214,824</u>	<u>2,493,426</u>	<u>2,493,426</u>	<u>2,493,426</u>	<u>2,493,426</u>
<b>Ending cash</b>	<u>\$ 2,493,426</u>	<u>\$ 2,493,426</u>	<u>\$ 2,493,426</u>	<u>\$ 2,493,426</u>	<u>\$ 2,493,426</u>
<b><u>Summary of cash accounts per balance sheets:</u></b>					
Cash	\$ 724,926	\$ 819,926	\$ 914,926	\$ 1,009,926	\$ 1,104,926
Restricted assets - cash deposits	628,500	628,500	628,500	628,500	628,500
Restricted assets - debt reserve	<u>1,140,000</u>	<u>1,045,000</u>	<u>950,000</u>	<u>855,000</u>	<u>760,000</u>
<b>Total Cash</b>	<u>\$ 2,493,426</u>	<u>\$ 2,493,426</u>	<u>\$ 2,493,426</u>	<u>\$ 2,493,426</u>	<u>\$ 2,493,426</u>

See accompanying summary of significant accounting policies and forecast assumptions and independent accountant's compilation report.

**THE CYPRESS OF CHARLOTTE, LLC**  
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
AND FORECAST ASSUMPTIONS  
FOR THE YEARS ENDING DECEMBER 31, 2026 THROUGH 2030

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 30, 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 forecast. Generally, because events and circumstances frequently do not occur as expected, there will be differences between forecasted and actual results and those differences may be material.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ASSUMPTIONS**

**Nature of Organization**

The accompanying forecasted financial statements include the accounts of The Cypress of Charlotte, LLC (the Company), a Limited Liability Company organized on April 16, 1996 under the laws of the State of South Carolina. The Company is engaged in the business of purchasing, developing, and managing real property and related facilities, more specifically a residential and health care center in Charlotte, North Carolina comprised of the both The Cypress of Charlotte Club, Inc. (the Club) and The Cypress of Charlotte Owners' Association, Inc. (the Association). The Company was acquired by Life Care Services Communities, LLC (LCSC) on December 3, 2024 via certain subsidiaries.

At the completion of the development of the residential units of The Cypress of Charlotte as well as the removal of all associated mortgage encumbrances, all commonly owned property was transferred from the Company to the Association, a corporation organized in the state of North Carolina. The Association provides for the maintenance, repair and replacement, administration and operation of Cypress' property.

**Nature of Operations**

By agreement with the members, the Company receives a fee at the time a unit is resold. This new purchasers' membership fee equates to 10% of the unit's gross resale price. In addition, the Company may also earn a commission on resales in an amount equal to 5% of the sales price, net of the new purchase membership fee. Estimated membership and commission revenues are based on actual revenues adjusted for expected changes in prices and volume.

Additionally, the Company receives an overhead payment from the Club equal to 10% of the operating costs of both the Club and Association. Estimated overhead revenues are based on actual revenues adjusted for expected changes in the operating costs of the Club and Association.

**Accounting Method**

Activities are accounted for using the accrual basis of accounting whereby revenues are recognized when earned and expenses when the related obligation is incurred.

**THE CYPRESS OF CHARLOTTE, LLC**  
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
AND FORECAST ASSUMPTIONS  
FOR THE YEARS ENDING DECEMBER 31, 2026 THROUGH 2030

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

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand and depository accounts.

**Intangible Assets**

Intangible assets were recognized upon the application of pushdown accounting for the exchange of membership interests that took place December 3, 2024. Certain trade names are being amortized over 25 years, and contractual rights that provide for the management and membership fees were valued at \$39,463,390 and are being amortized over a period of 25 years.

**Goodwill**

Goodwill represents the excess of purchase price over the fair value of the identified underlying assets of the membership interests acquired. The Company accounts for goodwill under Accounting Standards Update (ASU) No. 2014-02, which provides an accounting alternative for private companies. Accordingly, the Company amortizes goodwill on a straight-line basis over a period of 10 years.

**Debt issuance costs**

The Company incurred a total of \$140,793 of debt issuance costs as part of the debt proceeds used to fund the acquisition of the membership interests. These costs are being amortized over the term of the note payable utilizing the straight-line method of calculation which does not vary materially from the generally accepted effective interest method.

**Deposits**

The Company receives deposits from both (1) buyers towards the direct purchase of residential units and (2) potential buyers who have expressed interest in purchasing a residential unit. Deposits collected from interested purchasers total \$1,000 each, are kept in bank accounts separate from other funds and are either subsequently applied toward the eventual purchase of a unit or are refunded at the request of the depositor. In addition, application and renewal fees of \$100 per person are charged on deposits collected. These fees are non-refundable and are included in miscellaneous revenues within the Statements of Income and Members' Equity.

**Advertising Costs**

The Company expenses advertising costs as incurred. These costs are included in the forecasted operating expenses.

**THE CYPRESS OF CHARLOTTE, LLC**  
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
AND FORECAST ASSUMPTIONS  
FOR THE YEARS ENDING DECEMBER 31, 2026 THROUGH 2030

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

**Distributions**

Distributions are based upon the available cash of the Company.

**Income Taxes**

The Company is a disregarded entity for income tax purposes. Therefore, the taxable income or losses are included in the tax return of the unit holders of the parent company of LCSC.

**Note Payable**

During 2024, the Company entered into a credit agreement with a lender in the amount of \$19,000,000 as partial funding of the acquisition of membership interests. The note bears interest at the 30-day average SOFR plus an applicable margin of 3.25% (7.26% as of December 31, 2025) and matures on December 3, 2038. Debt issuance costs in the amount of \$140,793 are being amortized over the fourteen-year term of the loan.

**Members' Equity**

Members' Equity consists of contributions from the managing member along with retained earnings. In the event of cashflow shortfalls, the managing member may contribute additional capital.



# **The Cypress of Charlotte Club, Inc. and the Cypress of Charlotte Homeowners Association, Inc.**

**Forecasted Combined Financial Report (Compiled)**

Years Ending December 31, 2026 through 2030



**The Cypress of Charlotte Club, Inc. and  
The Cypress of Charlotte Homeowners Association, Inc.  
Contents  
Years Ending December 31, 2026 through 2030**

---

<b>Accountant's Compilation Report .....</b>	<b>1</b>
--	----------

**Forecasted Combined Financial Statements**

Balance Sheets .....	2
Statements of Operations .....	3
Statements of Changes in Net Assets and Members' Equity .....	4
Statements of Cash Flows .....	5
Summary of Significant Accounting Policies and Forecast Assumptions .....	6

## Accountant's Compilation Report

Board of Directors  
The Cypress of Charlotte Club, Inc. and  
The Cypress of Charlotte Homeowners Association, Inc.

Management is responsible for the accompanying financial forecast of The Cypress of Charlotte Club, Inc. and The Cypress of Charlotte Homeowners Association, Inc. (collectively, the Cypress), which comprises the combined forecasted balance sheets as of each of the five years ending December 31, 2030, and the related combined statements of operations, changes in net assets and members' 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 financial forecast established by the American Institute of Certified Public Accountants (AICPA). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services (SSARS) promulgated by the Accounting and Review Services Committee of the AICPA.

The accompanying financial forecast and this report are intended solely for the information and use of North Carolina General Statutes, Chapter 58, Article 64 and are not intended to be and should not be used for any other purpose.

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, or provide any other form of assurance on this financial 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 those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

**Forvis Mazars, LLP**

**Charlotte, North Carolina  
June 2, 2026**

**The Cypress of Charlotte Club, Inc. and  
The Cypress of Charlotte Homeowners Association, Inc.  
Forecasted Combined Balance Sheets  
December 31, 2026 through 2030**

	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 868,566	\$ 797,717	\$ 908,324	\$ 792,265	\$ 883,986
Accounts receivable, net of allowance	646,410	678,731	712,668	748,301	785,716
Due from affiliates	55,767	58,555	61,483	64,557	67,785
Inventory	144,092	151,296	158,861	166,804	175,144
Prepaid expenses	508,720	534,156	560,864	588,907	618,352
<b>Total Current Assets</b>	<u>2,223,555</u>	<u>2,220,455</u>	<u>2,402,200</u>	<u>2,360,834</u>	<u>2,530,983</u>
<b>Assets Limited as to Use</b>					
Internally designated for Department of insurance operating reserve	2,325,000	2,325,000	2,325,000	2,325,000	2,325,000
Reserve for replacements	3,272,576	3,598,640	3,887,380	3,778,280	3,507,520
	<u>5,597,576</u>	<u>5,923,640</u>	<u>6,212,380</u>	<u>6,103,280</u>	<u>5,832,520</u>
Other investments	25,000	25,000	25,000	25,000	25,000
Property and equipment, net	35,526,551	37,411,389	39,047,926	41,570,101	43,070,101
Refundable deposits	25,000	25,000	25,000	25,000	25,000
Right-of-use operating lease assets	74,326	32,795	-	-	-
<b>Total Assets</b>	<u>\$ 43,472,008</u>	<u>\$ 45,638,279</u>	<u>\$ 47,712,506</u>	<u>\$ 50,084,215</u>	<u>\$ 51,483,604</u>
<b>LIABILITIES, NET ASSETS, AND MEMBERS' EQUITY</b>					
<b>Current Liabilities</b>					
Accounts payable and accrued expenses	\$ 3,471,672	\$ 3,645,256	\$ 3,827,519	\$ 4,018,895	\$ 4,219,840
Current portion of operating lease liabilities	41,532	32,795	-	-	-
Current portion of notes payable	668,294	685,316	712,689	740,402	769,193
<b>Total Current Liabilities</b>	<u>4,181,498</u>	<u>4,363,367</u>	<u>4,540,208</u>	<u>4,759,297</u>	<u>4,989,033</u>
Operating lease liabilities, less current portion	74,326	32,795	-	-	-
Notes payable, less current portion	6,840,692	6,172,398	5,487,081	4,774,393	4,033,990
<b>Total Liabilities</b>	<u>11,096,516</u>	<u>10,568,560</u>	<u>10,027,289</u>	<u>9,533,690</u>	<u>9,023,023</u>
<b>Net Assets</b>					
Without donor restrictions	15,158,216	16,094,827	16,905,879	17,882,793	18,990,780
<b>Total Net Assets</b>	<u>15,158,216</u>	<u>16,094,827</u>	<u>16,905,879</u>	<u>17,882,793</u>	<u>18,990,780</u>
<b>Members' Equity</b>					
Members' equity, undesignated	13,944,700	15,376,252	16,891,958	18,889,452	19,962,281
Members' equity, designated asset replacement and repair	3,272,576	3,598,640	3,887,380	3,778,280	3,507,520
<b>Total Members' Equity</b>	<u>17,217,276</u>	<u>18,974,892</u>	<u>20,779,338</u>	<u>22,667,732</u>	<u>23,469,801</u>
<b>Total Liabilities, Net Assets, and Members' Equity</b>	<u>\$ 43,472,008</u>	<u>\$ 45,638,279</u>	<u>\$ 47,712,506</u>	<u>\$ 50,084,215</u>	<u>\$ 51,483,604</u>

**The Cypress of Charlotte Club, Inc. and  
The Cypress of Charlotte Homeowners Association, Inc.  
Forecasted Combined Statements of Operations  
Years Ending December 31, 2026 through 2030**

	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>
<b>Revenues and Gains</b>					
Member fees and assessments	\$ 24,220,001	\$ 25,064,470	\$ 26,052,289	\$ 27,079,624	\$ 28,148,058
Health Center	9,455,736	9,757,249	10,123,851	10,452,299	10,820,496
Home Health	4,016,058	4,161,100	4,327,544	4,500,646	4,680,672
Investment income, net	117,747	123,634	129,816	136,307	143,122
<b>Total Revenues and Gains</b>	<u>37,809,542</u>	<u>39,106,453</u>	<u>40,633,500</u>	<u>42,168,876</u>	<u>43,792,348</u>
<b>Expenses</b>					
Food and beverage	6,189,614	6,499,798	6,845,725	7,081,994	7,335,468
Health Center	6,491,192	6,673,592	7,011,718	7,227,569	7,478,094
Home Health	3,278,393	3,391,716	3,528,598	3,654,135	3,793,268
Plant	5,960,581	6,152,546	6,368,640	6,582,141	6,804,898
Resident services	630,865	643,924	660,044	675,943	692,885
Housekeeping	2,118,208	2,192,084	2,280,958	2,364,089	2,455,184
General and administrative	6,802,210	6,992,377	7,285,623	7,546,026	7,837,630
Management fee	3,017,106	3,124,604	3,271,186	3,383,189	3,509,743
Depreciation	1,566,595	1,629,259	1,678,137	1,728,481	1,780,335
Debt Service	299,544	274,827	249,873	222,500	194,787
<b>Total Expenses</b>	<u>36,354,308</u>	<u>37,574,727</u>	<u>39,180,502</u>	<u>40,466,067</u>	<u>41,882,292</u>
<b>Excess of Revenues and Gains over Expenses</b>	<u>\$ 1,455,234</u>	<u>\$ 1,531,726</u>	<u>\$ 1,452,998</u>	<u>\$ 1,702,809</u>	<u>\$ 1,910,056</u>

**The Cypress of Charlotte Club, Inc. and  
The Cypress of Charlotte Homeowners Association, Inc.  
Forecasted Combined Statements of Changes in Net Assets and Members' Equity  
Years Ending December 31, 2026 through 2030**

<u>Net Assets</u>	<u>Total Net Assets</u>
<b>Net Assets, January 1, 2026</b>	\$ 13,785,810
Change in net assets	1,372,406
<b>Net Assets, December 31, 2026</b>	15,158,216
Change in net assets	936,611
<b>Net Assets, December 31, 2027</b>	16,094,827
Change in net assets	811,052
<b>Net Assets, December 31, 2028</b>	16,905,879
Change in net assets	976,914
<b>Net Assets, December 31, 2029</b>	17,882,793
Change in net assets	1,107,987
<b>Net Assets, December 31, 2030</b>	<u>\$ 18,990,780</u>

<u>Members' Equity</u>	<u>Undesignated</u>	<u>Designated Asset Replacement and Repair</u>	<u>Total Members' Equity</u>
<b>Members' Equity, January 1, 2026</b>	\$ 10,725,436	\$ 5,246,512	\$ 15,971,948
Excess of revenues over expenses	82,828	-	82,828
Capital contributions	-	1,162,500	1,162,500
Transfer from Asset Replacement to Operating	3,500,000	(3,500,000)	-
Amounts allocated to designated asset replacement and repair	(363,564)	363,564	-
<b>Members' Equity, December 31, 2026</b>	13,944,700	3,272,576	17,217,276
Excess of revenues over expenses	595,115	-	595,115
Capital contributions	-	1,162,500	1,162,500
Transfer from asset replacement to operating	1,200,000	(1,200,000)	-
Amounts allocated to designated asset replacement and repair	(363,564)	363,564	-
<b>Members' Equity, December 31, 2027</b>	15,376,251	3,598,640	18,974,891
Excess of revenues over expenses	641,946	-	641,946
Capital contributions	-	1,162,500	1,162,500
Transfer from asset replacement to operating	1,000,000	(1,000,000)	-
Amounts allocated to designated asset replacement and repair	(126,240)	126,240	-
<b>Members' Equity, December 31, 2028</b>	16,891,957	3,887,380	20,779,337
Excess of revenues over expenses	725,895	-	725,895
Capital contributions	-	1,162,500	1,162,500
Transfer from operating to asset replacement	1,400,000	(1,400,000)	-
Amounts allocated to designated asset replacement and repair	(128,400)	128,400	-
<b>Members' Equity, December 31, 2029</b>	18,889,452	3,778,280	22,667,732
Excess of revenues over expenses	802,069	-	802,069
Transfer from operating to asset replacement	400,000	(400,000)	-
Amounts allocated to designated asset replacement and repair	(129,240)	129,240	-
<b>Members' Equity, December 31, 2030</b>	<u>\$ 19,962,281</u>	<u>\$ 3,507,520</u>	<u>\$ 23,469,801</u>

**The Cypress of Charlotte Club, Inc. and  
The Cypress of Charlotte Homeowners Association, Inc.  
Forecasted Combined Statements of Cash Flows  
Years Ending December 31, 2026 through 2030**

	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>
<b>Operating Activities</b>					
Excess of revenues and gains over expenses and losses	\$ 1,455,234	\$ 1,531,726	\$ 1,452,998	\$ 1,702,809	\$ 1,910,056
Adjustments to reconcile excess of revenues and gains, and other support over expenses and losses to net cash provided by operating activities					
Depreciation	1,566,595	1,629,259	1,678,137	1,728,481	1,780,335
Change in operating assets and liabilities					
Accounts receivable	(30,781)	(32,321)	(33,937)	(35,633)	(37,415)
Cash from asset replacement	3,500,000	1,200,000	1,000,000	1,400,000	400,000
Due from affiliates	(2,656)	(2,788)	(2,928)	(3,074)	(3,228)
Inventories	(6,862)	(7,204)	(7,565)	(7,943)	(8,340)
Prepaid expenses	(24,225)	(25,436)	(26,708)	(28,043)	(29,445)
Accounts payable and accrued expenses	165,319	173,584	182,263	191,376	200,945
Repayment of operating lease liabilities	(41,532)	(32,795)	-	-	-
<b>Net Cash Provided by Operating Activities</b>	<u>6,581,092</u>	<u>4,434,025</u>	<u>4,242,260</u>	<u>4,947,973</u>	<u>4,212,908</u>
<b>Investing Activities</b>					
Purchase of property and equipment	(4,761,406)	(3,510,516)	(3,157,597)	(4,460,443)	(3,651,545)
Purchase of assets limited as to use	(1,840,937)	(326,064)	(288,740)	109,100	270,760
<b>Net Cash Used in Investing Activities</b>	<u>(6,602,343)</u>	<u>(3,836,580)</u>	<u>(3,446,337)</u>	<u>(4,351,343)</u>	<u>(3,380,785)</u>
<b>Financing Activities</b>					
Payments of principal on long-term debt	(642,843)	(668,294)	(685,316)	(712,689)	(740,402)
<b>Net Cash Used in Financing Activities</b>	<u>(642,843)</u>	<u>(668,294)</u>	<u>(685,316)</u>	<u>(712,689)</u>	<u>(740,402)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(664,094)	(70,849)	110,607	(116,059)	91,721
<b>Cash and Cash Equivalents</b>					
Beginning	<u>1,532,660</u>	<u>868,566</u>	<u>797,717</u>	<u>908,324</u>	<u>792,265</u>
Ending	<u>\$ 868,566</u>	<u>\$ 797,717</u>	<u>\$ 908,324</u>	<u>\$ 792,265</u>	<u>\$ 883,986</u>

**The Cypress of Charlotte Club, Inc. and  
The Cypress of Charlotte Homeowners Association, Inc.  
Summary of Significant Accounting Policies and Forecast Assumptions  
Years Ending December 31, 2026 through 2030**

---

**Note 1. Summary of Significant Accounting Policies and Forecast Assumptions**

***General***

The Cypress of Charlotte Club, Inc. (the Club) and The Cypress of Charlotte Homeowners Association, Inc. (the Association) are collectively referred to as The Cypress of Charlotte (the Cypress). This financial forecast presents, to the best of management's knowledge and belief, the Cypress' expected combined balance sheets, statements of operations, changes in net assets and members' equity and cash flows for the forecast period. Accordingly, the forecast reflects management's judgment of the expected conditions and their expected course of action as of the date of this forecast. The financial forecast is based on management's assumptions concerning future events and circumstances. The assumptions disclosed herein are those that management believes are significant to the forecasts or key factors upon which the financial results depend.

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. Management does not intend to revise this forecast to reflect changes in present circumstances or the occurrence of unanticipated events.

***Nature of Business***

The Cypress is a continuing care retirement community with 310 independent living dwelling units and 78 healthcare beds located in Charlotte, North Carolina. The Club was organized as a not-for-profit corporation under the laws of the state of North Carolina to manage operations of the Cypress. The Association was created in accordance with the North Carolina Condominium Act to maintain and preserve the common property of the Cypress. The Club and the Association engage in various transactions with an affiliate, The Cypress of Charlotte, LLC (the Company) and with each other. The Company is the entity that originally planned, designed and built the Cypress.

The Club was organized to manage the various membership functions of the Cypress that are included in each owner's membership agreement. The Club provides the Association with all services related to the Association's stewardship over the common property of the Association. The Club manages the commonly owned property of the Cypress as well as the services provided by the clubhouse and health center.

The Association's revenue is generated primarily through member fees from condominium owners in the retirement community.

***Principles of Combination***

The accompanying forecasted combined financial statements include the accounts of the Club and the Association. All material related-party balances and transactions have been eliminated in combination.

**The Cypress of Charlotte Club, Inc. and  
The Cypress of Charlotte Homeowners Association, Inc.  
Summary of Significant Accounting Policies and Forecast Assumptions  
Years Ending December 31, 2026 through 2030**

---

## **Note 2. Significant Accounting Policies**

### ***Basis of Presentation***

The accompanying financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). The Club's net assets, revenues and expenses are classified based on the existence or absence of donor-imposed restrictions. Net assets and changes therein are classified and reported as follows:

#### ***Net Assets with Donor Restrictions***

Net assets with donor restrictions are those net assets whose use by the Club have been limited by donors (a) to later periods of time or after specified dates or (b) to specified purposes or (c) maintained in perpetuity. The Club did not have any net assets with donor restrictions in 2025 and does not anticipate having any during the forecast period.

#### ***Net Assets without Donor Restrictions***

Net assets without donor restrictions include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation.

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

For the purpose of reporting cash flows, the Club and the Association consider all highly liquid investments with an original maturity of three months or less at the time of purchase that are not included in assets whose use is limited to be cash equivalents. The Club and the Association maintain their cash and cash equivalents in bank deposit accounts which may, at times, exceed federally insured limits. Neither the Club nor the Association has experienced any financial loss related to such deposits and do not believe they are exposed to any significant credit risk on their cash and cash equivalents.

### ***Accounts Receivable***

The Club records accounts receivable at total unpaid balance. The Club determines past-due status of individual accounts receivable based on the terms of the original contract (or based on how recently payments have been made, for example). The Club estimates an allowance for expected credit losses based on a combination of factors, including the Club's historical loss experience and any anticipated effects related to current economic conditions, as well as management knowledge of the current composition of accounts receivable. Accounts receivable that management believes to be ultimately not collectible are written off upon such determination.

### ***Inventory***

The Club values its inventories at the lower of cost (average cost method) or net realizable value.

### ***Prepaid Expenses***

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

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

Assets limited as to use include assets set aside by the Board of Directors for North Carolina General Statute reserve requirements, over which the Board retains control and may, at their discretion, subsequently use for other purposes, other than those funds in the operating reserve which shall be used to satisfy the North Carolina General Statute reserve requirements.

**The Cypress of Charlotte Club, Inc. and  
The Cypress of Charlotte Homeowners Association, Inc.  
Summary of Significant Accounting Policies and Forecast Assumptions  
Years Ending December 31, 2026 through 2030**

---

Assets limited as to use include investments in debt and equity securities that have readily determinable fair values. Changes in the fair value of investments, including both realized and unrealized gains and losses, are included in the accompanying forecasted combined statements of operations and revenues and expenses. In determining realized gains and losses, the cost of investments is determined using the specific identification method.

The Club's and Association's investments potentially subject them to market risks and concentrations of credit risk. The Club and the Association maintain various types of investments that encompass many different companies with varied industry and geographical characteristics designed to limit exposure to any one industry, company or geographical location. The Club and the Association retain investment managers who actively buy and sell securities within their respective guidelines and who perform periodic evaluations of the relative credit standing of the companies and financial institutions in which the Club and the Association invest.

### ***Property and Equipment***

The Association, in accordance with ASC 972-360, *Common Interest Realty Associations - Property, Plant and Equipment*, does not recognize as assets real property directly associated with the members' units. The Clubhouse and Health Center are recognized as assets because they generate significant cash flows. The Association does not recognize as assets any other common property regardless of title or other forms of ownership. The Association and Club capitalize furnishings, vehicles and equipment to which it has title or other evidence of ownership. Capitalized assets are recorded at cost, while assets contributed by the developer are recorded at estimated fair value at the date of the contribution.

Property and equipment are carried at cost. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Property and equipment are depreciated over estimated useful lives of 3 to 39 years.

The Club and Association periodically assess the realizability of their long-lived assets and evaluate such assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. For assets to be held and used, impairment is determined to exist if estimated future cash flows, undiscounted and without interest charges, are less than the carrying amount. For assets to be disposed of, impairment is determined to exist if the estimated net realizable value is less than the carrying amount.

### ***Right-of-Use Operating Lease Assets***

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service.

### ***Revenue Recognition***

Revenue is measured as the amount of consideration the Cypress expects to receive in exchange for transferring services. Member fees and assessments are recorded on the accrual basis of accounting and represent amounts charged to residents under the terms of the Membership Agreement. Health Center and Home Health revenue is reported at the estimated net realizable amounts from residents, third-party payors and others for services rendered. Revenues under third-party payor agreements are subject to audit and retroactive adjustment. Provisions for estimated third-party payor settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement.

**The Cypress of Charlotte Club, Inc. and  
The Cypress of Charlotte Homeowners Association, Inc.  
Summary of Significant Accounting Policies and Forecast Assumptions  
Years Ending December 31, 2026 through 2030**

---

Association activities are accounted for using the accrual basis of accounting whereby revenues are recognized when earned and expenses when incurred. Therefore, member assessments are recognized as revenue in the period covered by the billing. First time fees are a one-time/nonrefundable fee for services related to preparing the unit for the new resident, recognized when the resident contracts to acquire the unit and services to prepare the unit are performed.

The Cypress believes that these methods provide a faithful depiction of the transfer of services over the term of the performance obligations based on the inputs needed to satisfy the obligations.

***Income Tax Status***

The Club is a nonprofit organization exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code (IRC).

Homeowners' associations may be taxed either as membership organizations or as regular corporations. For the forecast period, the Association assumes it will be taxed as a membership organization. As a membership organization, membership income is exempt from taxation if certain elections are made, and the Association is taxed only on its non-membership income, such as interest earnings, at regular federal and state corporate rates.

***Use of Estimates***

The preparation of combined forecasted financial statements in conformity with accounting principles generally accepted in the United States of America requires the Club's and Association's managements 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 combined forecasted financial statements and the reported amounts of revenues and expenses during the forecasted reporting period. Actual results usually differ from those forecasts.

**Note 3. Significant Forecast Assumptions**

The accompanying financial forecast presents, to the best of the knowledge and belief of management of the Cypress, the expected financial position, results of operations, and cash flows as of and for each of the five years ending December 31, 2030. Accordingly, the accompanying financial forecast reflects the Cypress' judgment, as of June 2, 2026 the date of this forecast, of the expected conditions and its expected course of action during the projection period. However, even if the assumptions described below occur, there will usually be differences between the forecast and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. Additionally, the assumptions described below are not an all-inclusive list of those used in the financial forecast.

The accompanying forecast and this report were prepared for inclusion in the Cypress' annual disclosure statement in accordance with Chapter 58, Article 64, of the North Carolina General Statutes. Accordingly, this report should not be used for any other purpose. The assumptions disclosed herein are those that the Cypress believes are significant to the financial projection.

***Assets and Liabilities***

Assets and liabilities (excluding cash and cash equivalents, investments, property and equipment, right-of-use operating leases and long-term debt) have been calculated based on historical data adjusted for estimated inflation of 5% over the term of the forecast.

**The Cypress of Charlotte Club, Inc. and  
The Cypress of Charlotte Homeowners Association, Inc.  
Summary of Significant Accounting Policies and Forecast Assumptions  
Years Ending December 31, 2026 through 2030**

---

***Cash and Cash Equivalents***

Cash and cash equivalents are based on the forecasted results of operations and the related changes in the combined balance sheets as noted in the combined forecasted statements of cash flows.

***Property and Equipment***

Property and equipment has been calculated based on historical data adjusted for estimated capital expenditures of 3.6% over the term of the forecast.

***Assets Limited as to Use***

North Carolina General Statutes Section 58-64-33 - *Internally Designated for Statutory Operating Reserve*, as amended, requires that all continuing care facilities maintain operating reserves equal to 50% of the total operating costs (as defined in Section 58-64-33) (or 12.5% of the total operating costs *if* such facilities maintain an occupancy level in excess of 93% and the North Carolina Commissioner of Insurance so approves) forecasted for the 12-month period following the period covered by the most recent annual statement filed with the North Carolina Department of Insurance. Such operating reserves may only be released upon approval of the North Carolina Commissioner of Insurance.

***Long-Term Debt***

Long-term debt has been calculated based on the amortization of the total \$10 million promissory note, which bears interest at 3.75% and matures in January 2036. Payments began in October 2022.

***Revenues***

The revenues and expenses estimates have been calculated based upon full occupancy, which was achieved at the beginning of 2001. Management does not anticipate being below full occupancy for the periods presented.

Member fees, a portion of the monthly fees, are the weighted-average service fees and condominium fees for the villas and cottages. Member fees and Health Center fees are based upon expected budget. Revenue for member fees are calculated based upon the occupancy numbers and adjusted for an average fee increase of 4-5% for 2026 through 2030. Health Center revenues are based on projected occupancy rates with prices for services adjusted for an average inflation rate of 3-6%. Home Health revenues are projected to remain approximately the same in 2026 and increase by 4-5% in 2026 through 2030.

***Operating Expenses***

Expenses for program services are based on the Cypress' 2026 and 2027 projections adjusted annually for estimated inflation of 3-6% over the term of the forecast.

***Investment Income***

Investment income has been forecasted based on the value of investments and an average rate of return of 1-3% according to investment allocation strategies and is consistent for 2026 through 2030.

***Depreciation***

Depreciation expense in the forecast period reflects straight-line depreciation of asset balances at December 31 of each year, computed over the estimated useful lives of the assets.

**The Cypress of Charlotte Club, Inc. and  
The Cypress of Charlotte Homeowners Association, Inc.  
Summary of Significant Accounting Policies and Forecast Assumptions  
Years Ending December 31, 2026 through 2030**

---

***Income Taxes***

For forecasted purposes, management has accrued income taxes on the investment and other non-exempt income of the Association using 6% and 30% rates for State and Federal tax expenses, respectively. The Club files as a nonprofit organization under Section 501(c)(4) of the IRC and, accordingly, no provision for income taxes is recorded.

***Members' Equity***

In 2024, the Homeowners Association board approved an annual assessment to fund additional asset replacement needs of the community. The assessment averaged \$3,750 per unit with each individual assessment based on the owner's statutory ownership percentage. The assessment was approved for 5 years beginning in March 2025.

**Note 4. Department of Insurance Operating Reserve**

Based on the Club's 2026 forecasted statements, the required operating reserve is \$3,640,982 at December 31, 2025. The balance held in the restricted investment account was \$2,713,814 at December 31, 2025. The North Carolina Department of Insurance had no objection to the proposal that the Cypress be permitted to fund any shortfalls in the Department of Insurance Operating Reserve with funds from the Association's Reserve for Replacements, which had a balance of \$5,246,512 at December 31, 2025. Additionally, the Club has a letter of credit agreement under which the Club could borrow up to \$3 million to fund any shortfalls in the Department of Insurance Operating Reserve. During the year ended December 31, 2017, the Association utilized \$2,000,000 from the Reserve for Replacement account to fund a construction project. The Association members have guaranteed annual contributions to the Reserve for Replacement account over a ten-year period to replenish the reserve. The construction project was completed in 2018 and the Association members began making contributions to the Reserve for Replacement account. The Association members contributed \$237,324 during 2025 and 2024, including interest, and anticipate making monthly payments of \$19,777 over a ten-year period to replenish the reserve.

# Appendix C – Statement of Actuarial Opinion

*North Carolina Gen. Stat. § 58-64A-210 requires certain continuing care providers to obtain an actuarial study, including a statement of actuarial opinion, at least once every three years. Due to the timing of the enactment of this requirement and the applicable statutory filing schedule, the actuarial study for the continuing care community, The Cypress of Charlotte, has not yet been completed. The Provider is required to submit its actuarial study to the North Carolina Department of Insurance no later than December 1, 2028.*

# **Appendix D – Representative Contract(s)**



THE CYPRESS  
of Charlotte

# THE CYPRESS OF CHARLOTTE

## MEMBERSHIP AGREEMENT

**THIS AGREEMENT** is executed as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between **THE CYPRESS OF CHARLOTTE, LLC**, a South Carolina limited liability company, whose address is 3442 Cypress Club Drive, Charlotte, North Carolina 28210 (hereinafter referred to as "the Company"), The Cypress of Charlotte Club, Inc., a 501(C)(4) not-for-profit North Carolina corporation (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 Unit No. \_\_\_\_\_ (hereinafter referred to as "Unit") located in The Cypress of Charlotte, a Continuing Care Retirement Community located in Charlotte, Mecklenburg County, North Carolina (hereinafter referred to as "The Cypress"); and

### THIS AGREEMENT OUTLINES MEMBERSHIP RIGHTS AND SERVICES

**WHEREAS**, the purchase of this Unit requires that it be coupled with the rights, privileges and responsibilities of membership in The Club at The Cypress as hereinafter more fully described, to be utilized by the Unit Owner or by his designee approved by The Club, and 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 Club" shall mean and refer to the North Carolina 501(C)(4) not-for-profit corporation serving as the entity to carry out the plan of membership as hereinafter set forth.



THE CYPRESS  
of Charlotte

b. "The Club Facilities" shall mean and refer to the Clubhouse, an approximately 50,000 square foot building including but not limited to a community hall, kitchen and dining areas, living, game, craft and reading rooms, exercise areas, pool, limited offices and commercial leasable areas, and the Health Care Facility located on the site of and comprising an integral part of The Cypress.

c. "Company" shall mean and refer to The Cypress of Charlotte, LLC, a South Carolina limited liability company.

d. "Condominium" shall mean and refer to The Cypress of Charlotte as described in the Declaration of Condominium creating same.

e. "The Cypress" shall mean and refer to The Cypress of Charlotte, a Continuing Care Retirement Community consisting of the Club Facility, Health Care Facility and two types of living units which include detached cottages and villa units, all being located upon property in Charlotte, Mecklenburg County, North Carolina.

f. "The Health Care Facility" shall mean and refer to the approximate 38,000 square foot building consisting of approximately 60 beds and containing nursing care and assisted living facilities located on the site of and comprising an integral part of The Cypress.

g. "Member" shall mean and refer to the third 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 Cypress which is available to persons age sixty-two (62) and over (or with couples with one spouse age 62 and over) and who meet the various requirements set forth in this Membership Agreement.

i. "Membership Fee" shall mean and refer to that certain fee charged for a Membership as more particularly described in Paragraph 3.



**THE CYPRESS**  
of Charlotte

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 (the "Service Fee"), and also includes the monthly contribution to The Cypress of Charlotte Condominium (the "Condominium Fees"). In situations where there is a second occupant of the Unit, the Monthly Payment shall include a "Second Person Fee".

k. "Owner" shall mean and refer to a person, firm, corporation, partnership, association, trust or other legal entity which owns a Unit, as hereinafter defined, within The Cypress of Charlotte Condominium (the "Condominium") which term is likewise more fully defined below.

l. "Qualified Appraisal" shall mean and refer to an appraisal conducted by a qualified appraiser agreed upon by the Company and the Unit Owner. In the event the Company and the Unit 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 Unit 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 Unit; or (ii) the average of the three appraisals.

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

**CYPRESS IS A  
CONTINUING CARE  
RETIREMENT  
COMMUNITY**

2. Statement of Background. The Cypress is a continuing care retirement community located in Mecklenburg County, North Carolina, which offers the opportunity of ownership of real property in a villa or cottage Unit for use by persons age sixty-two (62) and older, accompanied by a Membership which allows the Member access to the Club Facilities located on-site.



**THE CYPRESS**  
of Charlotte

**ALL CYPRESS  
RESIDENTS MUST BE  
MEMBERS**

**MEMBERSHIP FEE IS  
INCLUDED IN  
PURCHASE PRICE**

**ADDITIONAL  
MEMBERS**

**MEMBERSHIP IS NON-  
TRANSFERABLE**

**RESALE PRICE OF  
RESIDENCE WILL  
INCLUDE NEXT  
PURCHASER'S  
MEMBERSHIP FEE**

3. Required Membership; Membership Fee. All Owners of Units at The Cypress are required to purchase a nontransferable Membership for their use or for use by their approved designee simultaneously with the purchase of their Unit (herein referred to as the "Membership") and the Unit Owner or his 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 Health Care Facility when he is no longer capable of independent living as hereinafter more fully provided. As of the execution of this Agreement, the cost of Membership (herein referred to as the Membership Fee) is equal to ten percent (10%) of the gross purchase price as stated in the Purchase and Sale Agreement and is payable to the Company at or prior to closing on the purchase of a Unit. The Membership Fee is solely for the Member's personal participation in The Club and does not provide Membership in The Club for any purchaser of Member's Unit or any subsequent user of the Unit. In the event that a second person who is not the designated Member (including any subsequent spouse of the designated Member) resides in the Unit, he or she will be required to apply for Membership in The Club, and an additional Membership Fee may be charged by the Company at the then current rates in accordance with Paragraph 13 (c) below.

4. Membership Non-Transferable. **The Membership Fee is personal to the Unit Owner or his approved designee and is non-refundable and non-transferable.** In those circumstances where a Unit Owner is the occupant of a Unit in The Cypress, that Membership will expire when that person or persons sells or otherwise disposes of the Unit or permanently ceases to occupy the Unit unless he is residing in the Health Care Facility. In the case of a Unit Owner who acquires a Unit to be used by someone other than himself, that circumstance is governed by the provisions of Paragraph 6 hereinafter.

5. Resale of Units. Upon resale of a Unit, the 10% Membership Fee for the next buyer of that Unit will be assessed based on the gross resale purchase price of the Unit. The Membership Fee will be deducted from the gross resale purchase price of the Unit 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 Unit shall be based upon the net purchase price resulting after the deduction of the Membership Fee.

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



**THE CYPRESS**  
of Charlotte

**WHEN MEMBER IS NOT  
THE UNIT OWNER**

6. Provisions Applicable Where Member is Not the Unit Owner.

In those circumstances where a Unit Owner has acquired a Unit to be used by someone other than himself, that Unit Owner must designate the person or persons who shall use the Membership which must be acquired at the time the Unit is purchased. That designated person or persons: (a) must meet the basic eligibility requirements for Membership in The Cypress; (b) must be approved by The Club; and (c) 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 that designated person or persons ceases to use the Membership by ceasing to occupy the Unit unless residing in the Health Care Facility. Any subsequent users of the Unit, including the Unit Owner, must acquire a Membership for their use prior to occupying such Unit. Since under these circumstances there is no sales price to use in establishing what the cost of the Membership would have been, the value of the Unit shall be established by determining the gross fair market value, including Membership Fee, by a Qualified Appraisal as defined herein, with the cost of any appraisals being borne solely by the transferring Member. The Membership Fee will then be assessed at 10% of the Unit's gross fair market value, and must be paid prior to re-occupancy of the Unit. This procedure regarding change of Member due to circumstances other than a sale of the Unit shall be followed with regard to each subsequent user until there is a resale of the Unit in which event the provisions of Paragraph 5 shall apply.

If the Member is not the Owner of the Unit, the Member shall be considered jointly and severally responsible for the Monthly Payment of the Unit Owner and the Unit Owner shall likewise be jointly and severally responsible for the Monthly Payment and all other expenses with the Member. In such circumstances the Member and the Unit Owner agree, upon request, to 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 Unit with an existing Member, whether through marriage or other arrangements.

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

**MONTHLY PAYMENT  
INCLUDES CYPRESS  
SERVICES AND  
CONDOMINIUM FEE**

7. Monthly Payment. All Members shall be responsible for a Monthly Payment (also known as Monthly Fees) which covers the cost of the various standard services provided to Members by The Club as more particularly described herein, and also includes the monthly contribution to the Cypress of Charlotte Condominium for the Unit owned or occupied by



**THE CYPRESS**  
of Charlotte

the Member (the "Condominium Fee"). The Monthly Payment will be as set forth on the schedule attached hereto as Schedule A, and/or as amended and published by the Club from time to time.

**MONTHLY PAYMENT  
TO BE ADJUSTED  
ANNUALLY WITHIN  
LIMITS BASED ON  
CONSUMER PRICE  
INDICES**

The Monthly Payment may increase in future years and will be adjusted annually by the Club effective January 1<sup>st</sup> of each year depending upon changes in such factors as operating costs, anticipated inflation during the coming year, the need to maintain working capital, anticipated capital improvements, the funding of reserves for replacement, and debt service, if any, necessary for repair and expansion of the Club.

There will be a cap on future increases in the cost of services and features provided by The Club (i.e. the Service Fee). 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.

The annual gross operating costs include a corporate overhead payment to the Company which will be ten percent (10%) of the actual total operating and administrative costs of The Club and the Condominium. This payment is considered a "net" payment, i.e., net of any expenses incurred.



**THE CYPRESS**  
of Charlotte

As mentioned above, one component of the Monthly Payment is the Monthly Condominium Fee for the Unit owned or occupied by the Member. The Condominium Fee will be based on actual costs as shown in the annual operating budget of the Condominium formulated and adopted in accordance with the Bylaws of the Condominium. Each Member of The Club resides in a Unit which is a part of the Condominium. The monthly Condominium Fee will be assessed as a cost of operation based on the statutory percentage of interest ownership in the common elements. 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 Member will only have to make 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" as set forth in the Declaration of Condominium, and for optional services requested by them, as provided in Sections 8 and 9 herein. The Monthly Payment will be payable on the first day of each month, in advance, and additional charges for optional services will be payable on the first day of each month for the optional services, such as, for example, home health services, obtained during the preceding month. The Member's responsibility for the Monthly Payment shall commence on the earlier of actual occupancy of the Unit or the date of closing of the Unit unless otherwise agreed to by the selling party, the Member, and The Club.

**SERVICES INCLUDED  
IN MONTHLY  
PAYMENT**

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

**MEALS**

- a. Meals. One (1) meal credit for each day of the month.

**HOUSEKEEPING**

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

**LAUNDRY**

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

**GROUNDS CARE**

- d. Grounds Care. The Cypress' lawns, trees and shrubs will be maintained as well as the interior and exterior of the club house, the parking areas, walks and exercise trails.



**THE CYPRESS**  
of Charlotte

**CLUB ACTIVITIES**

e. Club Activities. Activities of The Club will include social, cultural and recreational activities for those who wish to participate. The Activities Director will be responsible for scheduling group events, transportation, newsletters, and resident orientation. Arts, crafts and activities in The Club will be under the supervision of The Club's Activities Director.

**TRANSPORTATION**

f. Transportation. Scheduled local transportation services will be provided.

**SECURITY**

g. Security. The Club will provide security personnel.

**UTILITIES**

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

**HEALTH CARE**

i. Health Care Facility. The Company has 79 beds (6 semi-private rooms, 67 private rooms) for assisted living, dementia care and skilled nursing care licensed by the North Carolina Department of Health and Human Services, Division of Facility Services. The skilled nursing care section, dementia, and the assisted living facility are collectively referred to as the Health Care Facility. For a period of ninety (90) lifetime cumulative days, each Member will be entitled to receive nursing care in the Health Care Facility in a semi-private room without extra charge at the current Monthly Payment. During this 90-day period, the Member will continue to pay his Monthly Payment plus the cost of two (2) extra meals per day, nursing supply charges, and those costs outlined in Section 9 of this Agreement. A private room may be available for an additional cost. If the Member needs additional care after he receives ninety (90) cumulative lifetime days of care, then the Member will pay the applicable daily 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.

In the event there are two Members who occupy a Unit together and one of the Members becomes a permanent resident of the Health Care Facility (after use of the 90 lifetime cumulative days), then the Monthly Payment for the Member continuing to occupy the Unit will not include a Second Person Fee. The Member residing in the Health Care Facility will pay the applicable daily Member rate.



**THE CYPRESS**  
of Charlotte

In the unlikely event accommodations are not immediately available in the Health Care Facility, the Member agrees to relocate to another health care facility arranged by the Club to provide such care until accommodations at the Health Care Facility are available. The Club shall be responsible for any increased charge associated with the alternate health care accommodations.

Admissions to the Health Care Facility is subject to certain standards and conditions based upon licensing requirements of the facility. Not all health conditions can be treated, e.g., no psychiatric care is available. Continued occupancy of the Health Care Facility is subject to the termination provisions described in paragraph 12 below.

**LICENSING  
STANDARDS**

j. Licensing Standards. The operation of the Health Care Facility of The Club shall be governed by the applicable regulations and licensing standards of the State of North Carolina, including the North Carolina Department of Insurance ("NCDI") and the North Carolina Department of Health and Human Services ("NCDHHS").

**ABSENCE CREDIT**

k. Absence Credit. In the event that a Member provides prior written notice to the Club that the Unit will be unoccupied for a period of not less than fourteen (14) consecutive days, Member may be entitled to an "absence credit" in an amount as may be determined at the sole discretion of the Club.

**ADDITIONAL  
SERVICES**

8. Additional Amenities and Services. Additional amenities and services that may be available to Members at an additional cost include, but may not be limited to, additional meals, additional housekeeping, beauty parlor, barber shop, personal transportation and assistance-in-living or home health care services in the Member's Unit.

**ADDITIONAL HEALTH  
SERVICES**

9. Additional Health Services.

(a) General. 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.



THE CYPRESS  
of Charlotte

(b) Home Health Care Services. Special services in the form of home health care will be available at additional charges, and only upon the execution of a specific agreement for home health services with The Club. The services may include the provision of either a home health aide ("HHA"), a certified nursing assistant ("CNA"), a licensed practical nurse ("LPN"), or a registered nurse ("RN"). Invoicing for such home health services may be done separately or as a supplement to the Monthly Payment. All fees due pursuant to the Home Health Services Agreement shall be considered part of the Monthly Payment for purposes of the Club's right of collection and enforcement.

**HEALTH CENTER HAS  
MEDICAL DIRECTOR**

(c) Medical Director. A physician member in good standing of the Charlotte medical community will be designated as the Medical Director of The Club (herein referred to as "Medical Director"). The Medical Director will not be an employee of The Club. Beyond emergencies, the Member will be at liberty to engage the services of the Medical Director, or any other physician, 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 treatment.

**RELOCATION TO  
HEALTH CARE  
FACILITY**

Duration of Member's Right to Occupy the Unit. The Member can live in his Unit for as long as he (or both of them) are 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 or The Club, the Member's physical or mental health requires that nursing care be given, the Member agrees to relocate to the Health Care Facility which is licensed to provide such care or to some other health facility of the Member's choice or to obtain in-home care from a licensed health care professional upon terms and schedule approved by The Club.

**MEMBER'S  
VOLUNTARY  
TERMINATION RIGHTS**

10. 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 Unit 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 estate, is a conveyance upon which a new Membership Fee must be paid in the event the devisee or beneficiary 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 Unit is sold. As previously stated, if the Member is not also the Unit Owner, the Unit Owner and the Member's Estate shall be jointly and severally responsible for said obligations.



**THE CYPRESS**  
of Charlotte

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

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

a. The Company and/or Club shall not terminate this Agreement except for just cause. The Member agrees that he will be obligated to promptly sell his Unit 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 Cypress 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, and 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 Cypress and the Member's condition cannot be cared for in The Club's health care facility 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 to staff.

v. the Member refuses to consent to relocation or home health services per paragraph 10 above.

**CYPRESS POLICY NOT  
TO 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 the Member's Agreement solely by reason of his financial inability to pay the total Monthly Payment and other charges, the Member shall be permitted to remain at The Cypress at a reduced monthly charge based on the Member's ability to pay for so long as: (i) he establishes facts to justify deferral of the usual charges; (ii) he establishes 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 loss of



**THE CYPRESS**

of Charlotte

revenue to The Club from any such deferral of charges will be borne by The Club until repaid as further outlined.

**IF THE MEMBER HAS FINANCIAL DIFFICULTIES**

c. If the Member encounters financial difficulties making it impossible for him to pay the Monthly Payment charges and other charges appropriate for the Unit or for health care in the health care facility, then:

i. the Member may remain until any applicable Title XVIII Medicare benefits and/or third party insurance benefits received by The Club on his 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 his Medicare benefits or insurance benefits.

ii. the Member shall in any case be permitted to remain at The Cypress 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**

Any charges deferred as herein contemplated will be offset by The Club against the proceeds from the sale of the Member's Unit 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 as hereafter provided. The Member agrees that his financial obligations to The Club constitute a debt which must be repaid. The Member, upon request by the Club, agrees to execute a note and a mortgage on his Unit, and any other loan documents required by The Club as security for the repayment of this debt. If the Member is not the Unit Owner, then the Member shall cause the Unit Owner to give a mortgage on the Unit occupied by the Member. It is understood and acknowledged that the lien of such mortgage shall be subordinate to the lien of the Condominium for Condominium assessments and any such mortgage must expressly so provide. The Note shall bear interest at the average prime rate as published in the Wall Street Journal. Notwithstanding the above, the provisions of Sections 12 (b) and (c) shall be rendered inoperative and inapplicable if the Member has impaired his ability to meet his financial obligations hereunder by making unapproved gifts or other transfers.

**UNPAID CHARGES AND FEES MAY BECOME A LIEN ON THE UNIT**

**CYPRESS WILL GIVE 30 DAYS NOTICE AND MEMBER HAS 30 DAYS TO CORRECT**

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



**THE CYPRESS**

of Charlotte

**PROBLEM**

problem is corrected within such specified time, this 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 Cypress. Notwithstanding such termination, however, the Member will continue to pay his Monthly Payment and all other charges, until his Unit 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 Unit and the Monthly Payment.

**MEDICAL DIRECTOR  
MAY WAIVE NOTICE  
PERIOD IF LAPSE OF  
TIME DETRIMENTAL  
TO MEMBER, OTHER  
RESIDENTS OR STAFF**

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 Cypress, 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 his attending physician. However, the Member will retain all ownership rights and obligations in the Unit 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 Unit and the Monthly Payment. If the Member is not the Unit Owner, then the Member and the Unit 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 Unit and the Monthly Payment.

12. Miscellaneous Provisions with Respect to the Member's Unit.

**UNITS ARE FOR  
RESIDENTIAL  
PURPOSES ONLY**

a. All Units 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.



**THE CYPRESS**  
of Charlotte

**PETS ARE PERMITTED  
WITH STRICT  
GUIDELINES**

b. Pets may be permitted provided the prior written 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 Cypress pet policy, including, but not limited to the cost of disinfection, cleaning, fumigation, and other corrective measures for damages to the Unit. Pets are prohibited in the common facilities. Any Member having a pet understands and agrees that the pet will be removed from the Unit 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 Unit. (Note: any damages to the Unit or to the common facilities of The Cypress caused by the Member's pet is the sole responsibility of the Member.)

**OCCUPANCY OF UNITS**

**SECOND PERSON WHO  
IS NOT PARTY TO THIS  
AGREEMENT**

c. Except as hereinafter provided, no person other than the Member (or both of them) may occupy the Unit except with the express written approval of The Club. In the event that a second 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 a Second Person Fee will be charged to the second resident in the Unit in accordance with Paragraph 6 above. The amount of the Membership Fee paid to the Company shall be based on the then current percentage being charged and the fair market value of the Unit at the time of acceptance of the second Member, as determined by a Qualified Appraisal. The applicable Monthly Payment shall be paid for each month thereafter that the second person remains in residency in the Unit. Provided, however, if such second person does not meet the requirements for residency, such second person will not be permitted to occupy the Unit 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 Unit.



**THE CYPRESS**  
of Charlotte

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

d. The Club or the Company may effect changes in any Unit in The Cypress 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 his Unit in order to make such changes.

**MEMBER MUST  
OBTAIN INSURANCE  
FOR PERSONAL  
PROPERTY**

e. Each Member must obtain his own insurance on his personal property (furniture, clothing, jewelry, etc.) located within his Unit and for liability insurance within his Unit (with a minimum \$100,000 coverage). Furnishings provided by the Member shall not interfere with the health, safety and general welfare of other Members.

**FUTURE PURCHASERS  
MUST MEET CYPRESS  
RESIDENCY  
REQUIREMENTS**

13. Resale. The Member acknowledges that the resale of a Unit in The Cypress must be made to an individual or individuals that meet The Cypress requirements for Membership or who is purchasing a Unit for or on behalf of a person (or persons) who does meet The Cypress 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 he moves out of his Unit prior to its sale, the Member will be responsible for paying the Monthly Payment until his Unit is sold, transferred or otherwise conveyed to a new Owner who assumes the ownership rights and obligations of the Member with respect to the unit and the Monthly Payment and the closing has taken place.

**ASSOCIATE  
MEMBERSHIPS**

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

**DISAGREEMENT  
SETTLED BY  
ARBITRATION**

15. Arbitration. It is the parties' intent that any controversy arising under, out of, in connection with, or relating to, this Agreement and any amendment thereof, or the breach thereof, shall be determined and settled by arbitration in accordance with the rules of the American Arbitration Association. Any award rendered therein shall be final and binding on each and all of the parties thereto and their personal representatives, and judgment may be entered on any such award in any court having jurisdiction. Notwithstanding the foregoing, these arbitration provisions shall not be mandatory for any collection efforts of the Club and/or Company pertaining to the Monthly Payments, Membership Fees, or other charges.



THE CYPRESS  
of Charlotte

16. Amendments.

**AMENDMENTS TO  
AGREEMENT MUST BE  
IN WRITING**

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

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  
APPROVED BY  
COMPANY**

c. 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.

17. Cancellation Rights.

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

a. This Agreement may be rescinded by the Member within thirty (30) days following the later of the execution of this Agreement 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 his or her Unit before the expiration of the thirty (30) day period.



**THE CYPRESS**  
of Charlotte

**AUTOMATIC  
TERMINATION OF  
AGREEMENT**

b. If the designated Member dies before closing on the purchase of a Unit, or if, on account of illness, injury, or incapacity, the Member would be precluded from occupying a Unit under the terms of this Agreement, then this Agreement will be automatically canceled. Furthermore, if a Member sells his Unit and does not reside in the Unit as a Member, or within The Cypress' Health Care Facility, the membership is automatically canceled. Notwithstanding the foregoing, in the event of an untimely death of purchaser prior to closing, the purchaser's obligations shall cease, the Agreement terminated, and all deposits returned to purchaser's estate. If there will be more than one purchaser, the Agreement will continue to be binding on the surviving purchaser.

**MEMBER (OR  
MEMBER'S  
REPRESENTATIVE)  
MAY BE ENTITLED TO  
REFUND UPON  
RESCISSION OR  
CANCELLATION**

c. If the Agreement is rescinded or canceled pursuant to this paragraph, the Member or the Member's legal representative shall receive a refund of all money or property transferred to the Company, less (i) nonstandard costs specifically incurred by the Company at the request of the Member as described in any contract amendment signed by the Member or the Owner; (ii) any nonrefundable fees or costs specified and described herein; and (iii) a reasonable service charge not to exceed one thousand dollars (\$1,000.00) or two percent (2%) of the Membership Fee.

18. Miscellaneous Legal Provisions.

**NORTH CAROLINA  
LAW GOVERNS**

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 the same, shall not impair or affect in any way the validity or enforceability of the rest of this Agreement.

**AGENTS OF THE  
CYPRESS NOT  
PERSONALLY LIABLE**

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.



**THE CYPRESS**  
of Charlotte

**IF MORE THAN ONE  
MEMBER,  
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.

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 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 the Company nor the Club shall not be bound by any such assignment. The use of the masculine gender in this Agreement includes the feminine gender and, when the context requires the use of the singular includes the plural.

**MEMBER REPRESENTS  
HE/SHE IS CAPABLE OF  
INDEPENDENT LIVING  
AND HAS SUFFICIENT  
ASSETS AND INCOME  
FOR PAYMENT OF  
MEMBERSHIP  
OBLIGATIONS**

f. By executing this Agreement, the Member represents and warrants that he is capable of independent living, free of communicable disease, and has assets and monthly income which have been represented to The Cypress in writing through a preliminary application which are sufficient under foreseeable circumstances and after provision for payment of the Member's obligations under this Agreement to meet his ordinary and customary living expenses after assuming Membership and occupancy. The Member further warrants that he 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 by him or on his behalf to the Company are true and correct.

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

g. Each Member agrees to execute and deliver to The Club at or before assuming residency in The Cypress a Durable Power 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 Durable Power of Attorney shall grant the power and authority to make personal care decisions and health care decisions for the Member. The Durable Power of Attorney shall not be affected by physical disability or mental incompetence of the



**THE CYPRESS**  
of Charlotte

Member which renders the Member incapable of managing his/her own affairs. Each Member shall keep such a Durable Power 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 Power of Attorney shall in no event be a person employed by The Club, the Company, the Condominium or any other entity engaged in the management of The Cypress.

**MEMBER  
ACKNOWLEDGES  
RECEIPT OF ALL  
DOCUMENTS AND  
EXHIBITS**

19. Acknowledgment and Receipt of Documents. The Member hereby certifies that he has received a printed copy of this Agreement, a copy of the Declaration of Condominium establishing The Cypress of Charlotte Condominium, all Exhibits thereto, a copy of the By-laws of the Cypress of Charlotte Condominium, and The Cypress current Disclosure Statement.

*(The remainder of this page intentionally left blank.)*



**THE CYPRESS**  
of Charlotte

**SIGNED and SEALED** by Member(s) in duplicate originals as of the day and year first above written.

SIGNED IN THE PRESENCE OF:

"MEMBER(S)"

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

PURCHASER (if different from Member)

SIGNED IN THE PRESENCE OF:

"COMPANY"  
**THE CYPRESS OF CHARLOTTE, L.L.C.**,  
a South Carolina limited liability company

BY: THE CYPRESS GROUP, L.L.C.  
a South Carolina limited liability company,  
its managing member

\_\_\_\_\_  
\_\_\_\_\_

By: \_\_\_\_\_  
Its: \_\_\_\_\_

SIGNED IN THE PRESENCE OF:

"CLUB"  
**THE CYPRESS OF CHARLOTTE CLUB,**  
**INC.**, a North Carolina not-for-profit corporation

\_\_\_\_\_  
\_\_\_\_\_

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Attest: \_\_\_\_\_  
Its: \_\_\_\_\_

Unit Type: \_\_\_\_\_  
Unit Number: \_\_\_\_\_

# Appendix E – Examination Report

*The North Carolina Department of Insurance has not conducted an examination of this provider under Article 64A.*

# 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.